

**VILLAGE OF DEXTER
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2012**

VILLAGE OF DEXTER
For the Fiscal Year Ended June 30, 2012

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FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP
Certified Public Accountants

TELEPHONE (734) 453-8770
FAX (734) 453-0312

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

Independent Auditor's Report

December 5, 2012

To the President and Village Council
Village of Dexter
Dexter, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Dexter, Michigan, as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Dexter'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 *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, each major fund, and the aggregate remaining fund information of the Village of Dexter as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

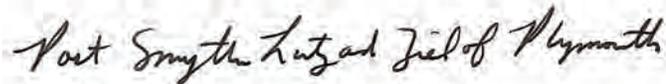
President and Village Council
Village of Dexter, Michigan
December 5, 2012

The management's discussion and analysis and the defined benefit pension plan trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dexter's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the Village of Dexter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 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.

Respectfully



Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the Village of Dexter, we offer readers of the Village of Dexter's financial statements this narrative overview and analysis of the financial activities of the Village of Dexter for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Dexter exceeded its liabilities at the close of the most recent fiscal year by \$18,442,109 (*net assets*). Of this amount, \$2,604,743 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,618,541.
- At the close of the current fiscal year, the Village of Dexter's governmental funds reported combined ending fund balances of \$2,764,340. Thirty-three percent of this total amount, \$913,337, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The Village of Dexter's total debt decreased by \$565,825 (4 percent) during the current fiscal year, as a result of annual principal repayments net of debt refundings.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Dexter's basic financial statements, which have three components:

- 1) Government-wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Dexter's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Dexter's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Dexter is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Dexter that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Dexter include general government, public works, police, fire, streets, debt service, and capital improvements. The business-type activities of the Village of Dexter are the Water and Sewer Funds.

The government-wide financial statements include not only the Village of Dexter itself (known as the *primary government*), but also a legally separate component unit, the Downtown Development Authority (DDA) for which the Village of Dexter is financially accountable. Financial information for the *component unit* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Dexter, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Dexter can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Major Street Special Revenue Fund, the Local Street Special Revenue Fund, the Municipal Street Special Revenue Fund, and the Downtown Development Authority Special Revenue fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary funds. The Village of Dexter maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Dexter used enterprise funds to account for its Water and Sewer operations.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered major funds of the Village of Dexter.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Village of Dexter's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-43 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$18,442,109 at the close of the most recent fiscal year. Of the Village of Dexter's net assets, 78 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Dexter used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Dexter's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,380,701	\$ 3,692,889	\$ 1,672,281	\$ 1,987,134	\$ 5,052,982	\$ 5,680,023
Capital Assets	14,462,156	13,433,448	13,787,502	12,824,917	28,249,658	26,258,365
Total Assets	<u>17,842,857</u>	<u>17,126,337</u>	<u>15,459,783</u>	<u>14,812,051</u>	<u>33,302,640</u>	<u>31,938,388</u>
Long-term liabilities	6,640,509	6,689,508	7,500,558	7,857,000	14,141,067	14,546,508
Other liabilities	616,361	438,436	103,103	129,876	719,464	568,312
Total Liabilities	<u>7,256,870</u>	<u>7,127,944</u>	<u>7,603,661</u>	<u>7,986,876</u>	<u>14,860,531</u>	<u>15,114,820</u>
Net Assets:						
Invested in capital assets, net of related debt	8,184,156	6,818,448	6,286,944	5,037,917	14,471,100	11,856,365
Restricted	1,366,266	1,718,791	-	399,191	1,366,266	2,117,982
Unrestricted	1,035,565	1,461,154	1,569,178	1,388,067	2,604,743	2,849,221
Total Net Assets	<u>\$ 10,585,987</u>	<u>\$ 9,998,393</u>	<u>\$ 7,856,122</u>	<u>\$ 6,825,175</u>	<u>\$ 18,442,109</u>	<u>\$ 16,823,568</u>

At the end of the current fiscal year, the Village of Dexter is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net assets increased by \$1,618,541 during the current fiscal year.

Governmental activities. Governmental activities increased net assets by \$587,594. Key elements of this net asset increase are street reconstruction and the Mill Creek Park development project in the downtown area during the current fiscal year.

Business-type activities. Business-type activities increased net assets by \$1,575,120, which is mostly due to the water main replacement project.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 914,171	\$ 949,839	\$ 1,648,865	\$ 1,468,837	\$ 2,563,036	\$ 2,418,676
Operating Grants & Contrib.	243,725	183,296	-	-	243,725	183,296
Capital Grants & Contrib.	686,140	290,189	1,045,897	299,510	1,732,037	589,699
General Revenues:						
Property Taxes	2,834,571	2,882,255	-	-	2,834,571	2,882,255
State Shared Revenues	291,002	232,851	-	-	291,002	232,851
Investment Earnings	14,030	14,212	11,781	11,300	25,811	25,512
Franchise Fees	59,030	57,553	-	-	59,030	57,553
Total Revenues	<u>5,042,669</u>	<u>4,610,195</u>	<u>2,706,543</u>	<u>1,779,647</u>	<u>7,749,212</u>	<u>6,389,842</u>
Program Expenses						
General Government	707,623	714,290	-	-	707,623	714,290
Public Safety	990,441	946,312	-	-	990,441	946,312
Community Development	172,294	169,407	-	-	172,294	169,407
Public Works	2,124,714	1,864,315	-	-	2,124,714	1,864,315
Recreation and Cultural	93,852	75,534	-	-	93,852	75,534
Interest on Long-Term Debt	366,151	364,319	-	-	366,151	364,319
Water and Sewer	-	-	1,675,596	2,207,839	1,675,596	2,207,839
Total Expenses	<u>4,455,075</u>	<u>4,134,177</u>	<u>1,675,596</u>	<u>2,207,839</u>	<u>6,130,671</u>	<u>6,342,016</u>
Change in Net Assets	<u>\$ 587,594</u>	<u>\$ 476,018</u>	<u>\$ 1,030,947</u>	<u>\$ (428,192)</u>	<u>\$ 1,618,541</u>	<u>\$ 47,826</u>

Financial Analysis of the Government's Funds

As noted earlier, the Village of Dexter used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Dexter's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$2,764,340, 33% of this total amount (\$913,337) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* (\$1,366,266), *committed* (\$206,746) or *assigned* (\$277,991) to indicate that it is not available for new spending because it has already been committed.

Total governmental fund balances decreased \$490,113 for the year ended June 30, 2012 as compared to the prior fiscal year.

The General Fund is the chief operating fund of the Village of Dexter. At the end of the current fiscal year, total fund balance of the general fund was \$1,191,328, of which \$913,337 is unassigned.

Proprietary funds. The Village of Dexter's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds at the end of the current fiscal year amounted to \$1,569,178. Factors concerning the change in net assets have already been addressed in the discussion of business-type activities.

General Fund Budgetary Highlights

The change between the total original and final amended budgeted revenue amounts was an increase of \$24,250 for grant revenues. The final amended budgeted expenditures in the General Fund increased by \$197,500 over the original adopted budget, primarily for capital improvement projects, and increases in fire and solid waste expenses. The final amended budget for the year ended June 30, 2012 projected a \$542,450 decrease in General Fund fund balance, and the final actual amount of decrease to fund balance was \$344,334.

Capital Asset and Debt Administration

Capital assets. The Village of Dexter's investment in capital assets for its governmental and business type activities is \$28,249,658 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, and roads. The Village of Dexter's investment in capital assets for the current fiscal year was increased 8% for governmental activities due in part to street reconstruction, the purchase of property and land for downtown development and the Mill Creek Park project, and increased 8% in business-type activities, primarily due to water and sewer improvement projects.

Additional information on the Village of Dexter's capital assets can be found in note III.B on pages 32-33 of this report.

Long-term debt. At the end of the current fiscal year, the Village of Dexter had total debt outstanding of \$13,778,558. Of this amount, \$6,278,000 is governmental, and \$7,500,558 is business-type. The Village of Dexter's total debt decreased by \$565,825 (4 percent) during the current fiscal year.

Additional information on the Village of Dexter's long-term debt can be found in note III.D on pages 34-37 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Village Council is supportive of redevelopment in the Village to encourage investment that will increase tax revenues. Recent new development includes the addition of Northern United Brewing and the Dexter Wellness Center to the community. The sale of Dexter Crossing to a new owner has resulted in the approval of an area plan for the development of a vacant outlot at that location. Long time Village business LaFontaine Chevrolet recently completed a major re-development of their facility.
- The millage rate is currently 13.5562, which was been kept constant for the past seven years.
- Water and sewer rates were increased 3% water and 6% sewer in 2012-2013. The 6% is necessary to prepare for the increased bond payments for the sludge handling project.
- In fiscal year 2012-2013, the Village has budgeted \$75,000 from the increase in constitutional revenue sharing along with an additional \$20,000 to fund the post retirement healthcare liability.
- The Village continued to budget in fiscal year 2012-2013 to make additional contributions to the MERS defined benefit plan to continue to increase the Village's funded percentage. Over the past four years the funded percentage has risen from 67% to 87%.

Requests for Information

This financial report is designed to provide a general overview of the Village of Dexter's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 8140 Main Street, Dexter Michigan 48130.

BASIC FINANCIAL STATEMENTS

VILLAGE OF DEXTER
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,637,592	\$ 1,322,821	\$ 3,960,413
Receivables (net of allowance for uncollectibles):			
Taxes	1,489	-	1,489
Accounts	201,207	349,460	550,667
Special Assessments	40,624	-	40,624
Due from Other Governmental Units	499,789	-	499,789
Capital Assets (net of Accumulated Depreciation)	14,462,156	13,787,502	28,249,658
Total Assets	17,842,857	15,459,783	33,302,640
<u>LIABILITIES</u>			
Accounts Payable	398,148	50,051	448,199
Accrued Liabilities	97,589	53,052	150,641
Due to Other Governmental Units	80,000	-	80,000
Deferred Revenue	40,624	-	40,624
Noncurrent Liabilities:			
Other Post Employment Benefit Liability	362,509	-	362,509
Due within one year	361,000	350,000	711,000
Due in more than one year	5,917,000	7,150,558	13,067,558
Total Liabilities	7,256,870	7,603,661	14,860,531
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	8,184,156	6,286,944	14,471,100
Restricted for:			
Debt Service	362,214	-	362,214
Streets	756,255	-	756,255
Downtown Development	73,710	-	73,710
Trees	174,087	-	174,087
Unrestricted	1,035,565	1,569,178	2,604,743
Total Net Assets	\$ 10,585,987	\$ 7,856,122	\$ 18,442,109

VILLAGE OF DEXTER
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 707,623	\$ 228,927	\$ 16,341	\$ -
Public Safety	990,441	13,707	2,997	-
Community Development	172,294	14,141	-	-
Public Works	2,124,714	653,934	221,725	13,213
Recreation and Cultural	93,852	3,462	2,662	672,927
Interest on Long-Term Debt	366,151	-	-	-
Total Governmental Activities	4,455,075	914,171	243,725	686,140
Business-type Activities:				
Water	627,939	711,006	-	701,267
Sewer	1,047,657	937,859	-	344,630
Total Business-type Activities	1,675,596	1,648,865	-	1,045,897
Grand Total	\$ 6,130,671	\$ 2,563,036	\$ 243,725	\$ 1,732,037

General Revenues:
Property Taxes
State Shared Revenue
Franchise Fees
Unrestricted Investment Earnings
Total General Revenues

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (462,355)	\$ -	\$ (462,355)
(973,737)	-	(973,737)
(158,153)	-	(158,153)
(1,235,842)	-	(1,235,842)
585,199	-	585,199
(366,151)	-	(366,151)
<u>(2,611,039)</u>	<u>-</u>	<u>(2,611,039)</u>
-	784,334	784,334
-	234,832	234,832
<u>-</u>	<u>1,019,166</u>	<u>1,019,166</u>
<u>(2,611,039)</u>	<u>1,019,166</u>	<u>(1,591,873)</u>
2,834,571	-	2,834,571
291,002	-	291,002
59,030	-	59,030
14,030	11,781	25,811
<u>3,198,633</u>	<u>11,781</u>	<u>3,210,414</u>
587,594	1,030,947	1,618,541
<u>9,998,393</u>	<u>6,825,175</u>	<u>16,823,568</u>
<u>\$ 10,585,987</u>	<u>\$ 7,856,122</u>	<u>\$ 18,442,109</u>

VILLAGE OF DEXTER
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 866,785	\$ 118,022	\$ 40,008
Receivables (net of allowance for uncollectibles):			
Taxes	1,489	-	-
Accounts	196,907	-	-
Special Assessments	-	-	-
Due from Other Governmental Units	<u>499,789</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,564,970</u>	<u>\$ 118,022</u>	<u>\$ 40,008</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 276,053	\$ 111,028	\$ 6,685
Accrued and Other Liabilities	97,589	-	-
Due to Other Governmental Units	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>373,642</u>	<u>111,028</u>	<u>6,685</u>
Fund Balances:			
Restricted for:			
Debt Service	-	-	-
Streets	-	6,994	33,323
Downtown Development	-	-	-
Trees	-	-	-
Committed for Capital Projects	-	-	-
Assigned for Facilities	241,820	-	-
Assigned for Mill Creek Park Project	15,671	-	-
Assigned for Subsequent Years Expenditures	20,500	-	-
Unassigned	913,337	-	-
Total Fund Balances	<u>1,191,328</u>	<u>6,994</u>	<u>33,323</u>
Total Liabilities and Fund Balances	<u>\$ 1,564,970</u>	<u>\$ 118,022</u>	<u>\$ 40,008</u>

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other Post Employment Benefit Liability

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

Net Assets of Governmental Activities

Municipal Street Special Revenue	Downtown Dev. Authority Special Revenue	Other Governmental Funds	Total Governmental Funds
\$ 718,170	\$ 398,184	\$ 496,423	\$ 2,637,592
-	-	-	1,489
-	4,300	-	201,207
-	-	40,624	40,624
-	-	-	499,789
<u>\$ 718,170</u>	<u>\$ 402,484</u>	<u>\$ 537,047</u>	<u>\$ 3,380,701</u>

\$ 2,232	\$ 1,135	\$ 1,015	\$ 398,148
-	-	-	97,589
-	80,000	-	80,000
-	-	40,624	40,624
<u>2,232</u>	<u>81,135</u>	<u>41,639</u>	<u>616,361</u>

-	247,639	114,575	362,214
715,938	-	-	756,255
-	73,710	-	73,710
-	-	174,087	174,087
-	-	206,746	206,746
-	-	-	241,820
-	-	-	15,671
-	-	-	20,500
-	-	-	913,337
<u>715,938</u>	<u>321,349</u>	<u>495,408</u>	<u>2,764,340</u>
<u>\$ 718,170</u>	<u>\$ 402,484</u>	<u>\$ 537,047</u>	

14,462,156
(362,509)

(6,278,000)

\$ 10,585,987

VILLAGE OF DEXTER
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<u>Revenues</u>			
Property Taxes	\$ 1,781,377	\$ -	\$ -
Licenses and Permits	9,645	-	-
Intergovernmental:			
Federal, State and Local	980,139	154,861	66,864
Charges for Services	752,004	-	-
Fines and Forfeitures	4,817	-	-
Franchise Fees	59,030	-	-
Special Assessments	-	-	-
Interest	7,962	245	65
Other	61,162	-	-
Total Revenues	<u>3,656,136</u>	<u>155,106</u>	<u>66,929</u>
<u>Expenditures</u>			
Current:			
General Government	549,041	-	-
Public Safety	967,804	-	-
Community Development	158,253	-	-
Public Works	874,164	602,915	208,730
Recreation and Cultural	63,020	-	-
Other	85,925	-	-
Debt Service:			
Principal	65,000	-	-
Interest and Other Charges	62,782	-	-
Capital Outlay	1,242,481	-	-
Total Expenditures	<u>4,068,470</u>	<u>602,915</u>	<u>208,730</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(412,334)</u>	<u>(447,809)</u>	<u>(141,801)</u>
<u>Other Financing Sources (Uses)</u>			
Bond Proceeds	-	-	-
Transfers In	68,000	265,000	125,000
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>68,000</u>	<u>265,000</u>	<u>125,000</u>
Net Change in Fund Balances	(344,334)	(182,809)	(16,801)
Fund Balances - Beginning	<u>1,535,662</u>	<u>189,803</u>	<u>50,124</u>
Fund Balances - Ending	<u>\$ 1,191,328</u>	<u>\$ 6,994</u>	<u>\$ 33,323</u>

Municipal Street Special Revenue	Downtown Dev. Authority Special Revenue	Other Governmental Funds	Total Governmental Funds
\$ 524,014	\$ 359,673	\$ 169,507	\$ 2,834,571
-	-	-	9,645
-	-	-	1,201,864
-	-	55,861	807,865
-	-	-	4,817
-	-	-	59,030
-	-	49,685	49,685
965	2,872	1,921	14,030
-	-	-	61,162
<u>524,979</u>	<u>362,545</u>	<u>276,974</u>	<u>5,042,669</u>
-	-	-	549,041
-	-	-	967,804
-	14,041	-	172,294
42,488	-	20,769	1,749,066
-	-	-	63,020
-	-	-	85,925
-	699,000	195,000	959,000
-	264,660	38,709	366,151
-	-	-	1,242,481
<u>42,488</u>	<u>977,701</u>	<u>254,478</u>	<u>6,154,782</u>
<u>482,491</u>	<u>(615,156)</u>	<u>22,496</u>	<u>(1,112,113)</u>
-	622,000	-	622,000
-	-	-	458,000
(390,000)	-	(68,000)	(458,000)
<u>(390,000)</u>	<u>622,000</u>	<u>(68,000)</u>	<u>622,000</u>
92,491	6,844	(45,504)	(490,113)
<u>623,447</u>	<u>314,505</u>	<u>540,912</u>	<u>3,254,453</u>
\$ <u><u>715,938</u></u>	\$ <u><u>321,349</u></u>	\$ <u><u>495,408</u></u>	\$ <u><u>2,764,340</u></u>

VILLAGE OF DEXTER
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	(490,113)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense exceeded depreciation expense in the current period.

Capital Outlay		1,242,481
Capital Outlay-Nondepartmental		472,034
Depreciation Expense		(685,807)

Change in Other Post Employment Benefits		(288,001)
--	--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net long-term debt and related items.

Bonds Issued		(622,000)
Principal Repayments		959,000

Change in net assets in governmental activities	\$	<u>587,594</u>
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VILLAGE OF DEXTER
Balance Sheet
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 561,702	\$ 761,119	\$ 1,322,821
Accounts Receivable	151,050	198,410	349,460
Total Current Assets	712,752	959,529	1,672,281
Fixed Assets:			
Land	261,577	127,212	388,789
Water System	9,997,936	-	9,997,936
Sewer System	-	14,724,709	14,724,709
Vehicles	21,737	53,390	75,127
Accumulated Depreciation	(3,874,380)	(7,524,679)	(11,399,059)
Net Fixed Assets	6,406,870	7,380,632	13,787,502
Total Assets	\$ 7,119,622	\$ 8,340,161	\$ 15,459,783
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 11,563	\$ 38,488	\$ 50,051
Accrued Liabilities	26,526	26,526	53,052
General Obligation Bonds Payable	200,000	150,000	350,000
Total Current Liabilities	238,089	215,014	453,103
Long-Term Liabilities:			
General Obligation Bonds Payable (net of current portion)	3,435,268	3,715,290	7,150,558
Total Liabilities	3,673,357	3,930,304	7,603,661
Fund Equity:			
Invested in Capital Assets, net of related debt	2,771,602	3,515,342	6,286,944
Unrestricted	674,663	894,515	1,569,178
Total Fund Equity	3,446,265	4,409,857	7,856,122
Total Liabilities and Fund Equity	\$ 7,119,622	\$ 8,340,161	\$ 15,459,783

VILLAGE OF DEXTER
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Water Billings	\$ 688,726	\$ -	\$ 688,726
Sewer Billings	-	927,767	927,767
Miscellaneous	22,280	10,092	32,372
Total Operating Revenues	<u>711,006</u>	<u>937,859</u>	<u>1,648,865</u>
Operating Expenses:			
Operations & Maintenance	337,013	627,203	964,216
Depreciation Expense	173,954	267,008	440,962
Total Operating Expenses	<u>510,967</u>	<u>894,211</u>	<u>1,405,178</u>
Operating Income (Loss)	<u>200,039</u>	<u>43,648</u>	<u>243,687</u>
Nonoperating Revenues (Expenses):			
State Grant	620,000	210,246	830,246
Interest Income	5,381	6,400	11,781
Interest and Fees	(116,972)	(153,446)	(270,418)
Total Nonoperating Revenues (Expenses)	<u>508,409</u>	<u>63,200</u>	<u>571,609</u>
Income (Loss) Before Contributions and Transfers	708,448	106,848	815,296
Capital Contributions	<u>81,267</u>	<u>134,384</u>	<u>215,651</u>
Net Income (Loss)	789,715	241,232	1,030,947
Retained Earnings - July 1	<u>2,656,550</u>	<u>4,168,625</u>	<u>6,825,175</u>
Retained Earnings - June 30	<u>\$ 3,446,265</u>	<u>\$ 4,409,857</u>	<u>\$ 7,856,122</u>

VILLAGE OF DEXTER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 663,779	\$ 901,943	\$ 1,565,722
Payments to suppliers	(346,838)	(383,562)	(730,400)
Payments to employees	8,042	(265,236)	(257,194)
Net Cash Provided (Used) by Operating Activities	<u>324,983</u>	<u>253,145</u>	<u>578,128</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Contributions	81,267	134,384	215,651
State Grant Contribution	620,000	210,246	830,246
Construction of capital assets	(1,219,456)	(184,091)	(1,403,547)
Proceeds from Bond Refinancing	1,642,383	2,255,000	3,897,383
Proceeds from DWRF Loan	763,659	-	763,659
Principal Paid on Debt	(2,323,774)	(2,693,710)	(5,017,484)
Interest Paid on Debt	(116,972)	(153,446)	(270,418)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(552,893)</u>	<u>(431,617)</u>	<u>(984,510)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Sale of Investments	170,000	195,000	365,000
Interest Earned	5,381	6,400	11,781
Net Cash Provided (Used) by Investing Activities	<u>175,381</u>	<u>201,400</u>	<u>376,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,529)	22,928	(29,601)
Cash and Cash Equivalents, Beginning	<u>614,231</u>	<u>738,191</u>	<u>1,352,422</u>
Cash and Cash Equivalents, Ending	<u>\$ 561,702</u>	<u>\$ 761,119</u>	<u>\$ 1,322,821</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$ 200,039	\$ 43,648	\$ 243,687
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	173,954	267,008	440,962
(Increase) Decrease in Accounts Receivable	(43,832)	(35,916)	(79,748)
Increase (Decrease) in Deposits	(3,395)	-	(3,395)
Increase (Decrease) in Accounts Payable	(9,825)	(29,637)	(39,462)
Increase (Decrease) in Accrued Liabilities	8,042	8,042	16,084
Net Cash Provided (Used) by Operating Activities	<u>\$ 324,983</u>	<u>\$ 253,145</u>	<u>\$ 578,128</u>

VILLAGE OF DEXTER
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>134,439</u>
<u>LIABILITIES</u>	
Due to Other	\$ <u>134,439</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Dexter, Michigan, was incorporated in 1824. The Village operates under an elected Village Council, with a full-time Village Manager appointed by the Council to carry out the policies that it establishes. Services are provided to approximately 4,000 residents in the areas of police, refuse removal, parks and recreation, road construction, lighting, maintenance, and water and sewer.

As required by generally accepted accounting principles, these financial statements present the Village of Dexter and its component units, entities for which the government is considered to be financially accountable.

Blended Component Unit

Downtown Development Authority

The Village of Dexter Downtown Development Authority (DDA) was established to promote economic growth and revitalization of the Village's Downtown district. The DDA Board is appointed by the Village Council and the annual operating budget and any modifications require the approval of the Village Council. The DDA has a June 30 fiscal year end.

Jointly Governed Organizations

Dexter Area Fire Department

The Village and the neighboring Townships of Webster and Dexter have joined together to form the Dexter Area Fire Department. The purpose of the Department is to provide fire protection and to establish and maintain a fire department that will serve the municipalities involved. The Department is governed by the Fire Administration Board whose membership is composed of individuals from each municipality. The revenues of the Department are provided by a service fee to each municipality, based upon a ratio of runs incurred to that municipality to total runs and the Department's net expenditures for the applicable period. Audited financial statements for the Department may be obtained at the Village offices.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Governmental Funds

The Village reports the following major governmental funds:

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

The Municipal Street Fund, Major Street Fund and Local Street Fund are special revenue funds used to account for property tax levy and state gas and weight revenues for street improvements.

The Downtown Development Authority is a special revenue fund used to account for the captured property tax revenue used for development within the downtown development authority district.

In addition, the Village reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Debt Service Funds are used to account for the payment of principal and interest on bonds issued to finance improvement projects.

Capital Project Funds are used to account for the construction of specific projects funded by bond proceeds.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Village Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Village has two enterprise funds which are the Water and Sewer Funds.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Fund is used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. 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 needed.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Village, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2012.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	25-50
Buildings	20-80
Streets & Infrastructure	20-40
Equipment	5-25
Vehicles	5-15

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. This liability is composed of any unused vacation and sick time paid upon termination of employment. The total liability at June 30, 2012 is \$135,948.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Long-term Obligations

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

Long-term debt is recognized as a liability of a governmental fund when due. 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. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

7. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

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

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

Committed – Amounts that have been formally set aside by the Council for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Village Council.

Assigned – Intent to spend resources on specific purposes expressed by the Village Council.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

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

1. Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. These are prepared on the activity level basis using the modified accrued method of accounting.
2. Public hearings are conducted by Village Council to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. The Village Manager or her designee is authorized to transfer budgeted amounts within the departmental appropriation accounts; however, the Village Council must approve any revisions that alter the total expenditures of any department.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2012 several budget amendments were made and are reflected in the financial statements.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2012.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the activity level. Expenditures did not exceed budgeted amounts at the activity level for the fiscal year ended June 30, 2012.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law (Public Act 20 of 1943, as amended), the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

A reconciliation of cash and investments presented in the financial statements is as follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$3,960,413
Statement of Fiduciary Net Assets	134,439
Total	<u>\$4,094,852</u>

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

Custodial Credit Risk of Bank Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2012, the Village's book balance of its cash deposits (certificates of deposit, checking and savings accounts) was \$4,094,852. The bank balance was \$3,936,044, of which \$1,713,982 was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Villages deposits and investments, including the Downtown Development Authority, consisted of the following:

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Village's investment policy places no limit on the amount the Village may invest in any one issuer.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 2,700,915	\$ 108,611	\$ -	\$ 2,809,526
Capital Assets, being depreciated:				
Building and Improvements	3,469,772	-	-	3,469,772
Machinery and Equipment	333,953	11,542	-	345,495
Infrastructure	11,926,486	467,392	-	12,393,878
Vehicles	748,680	-	-	748,680
Land Improvements	815,972	1,126,970	-	1,942,942
	<u>17,294,863</u>	<u>1,605,904</u>	<u>-</u>	<u>18,900,767</u>
Less: Accumulated Depreciation:				
Building and Improvements	(1,361,996)	(66,789)	-	(1,428,785)
Machinery and Equipment	(184,500)	(21,666)	-	(206,166)
Infrastructure	(4,610,224)	(539,531)	-	(5,149,755)
Vehicles	(376,429)	(47,424)	-	(423,853)
Land Improvements	(29,181)	(10,397)	-	(39,578)
	<u>(6,562,330)</u>	<u>(685,807)</u>	<u>-</u>	<u>(7,248,137)</u>
Governmental Activities Capital Assets, net	<u>\$ 13,433,448</u>	<u>\$ 1,028,708</u>	<u>\$ -</u>	<u>\$ 14,462,156</u>

Depreciated expense was charged to functions of the Village as follows:

General Government	\$ 26,577
Public Safety	22,637
Public Works	601,119
Recreation and Cultural	35,474
	<u>\$ 685,807</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 358,789	\$ 30,000	\$ -	\$ 388,789
Capital Assets, being depreciated:				
Water and Sewer System	23,424,225	1,380,596	(7,049)	24,797,772
Less: Accumulated Depreciation:				
Water and Sewer System	<u>(10,958,097)</u>	<u>(440,962)</u>	<u>-</u>	<u>(11,399,059)</u>
Business Activities				
Capital Assets, net	<u>\$ 12,824,917</u>	<u>\$ 969,634</u>	<u>\$ (7,049)</u>	<u>\$ 13,787,502</u>

C. Interfund Receivables, Payables and Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Street Fund	Municipal Street Fund	\$ 265,000
Local Street Fund	Municipal Street Fund	125,000
General Fund	Tree Replacement Fund	68,000
		<u>\$ 458,000</u>

Transfers to the Major and Local Street Funds from the Municipal Street Fund represent operating subsidies for street projects.

Transfer from the Tree Replacement Fund to the General Fund represents a contribution for trees purchased in the General Fund.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Village of Dexter:					
1998 Village of Dexter Bonds	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
2002 Refunding Bonds	835,000	-	135,000	700,000	135,000
2006 General Obligation Bonds	1,470,000	-	65,000	1,405,000	65,000
Total	<u>\$ 2,425,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 2,165,000</u>	<u>\$ 260,000</u>
Downtown Development Authority:					
2001 Village of Dexter Bonds	\$ 590,000	\$ -	\$ 590,000	\$ -	\$ -
2008A Village of Dexter Bonds	1,600,000	-	15,000	1,585,000	15,000
2008B Village of Dexter Bonds	2,000,000	-	25,000	1,975,000	25,000
2011 Refunding Bonds	-	622,000	69,000	553,000	61,000
Total	<u>\$ 4,190,000</u>	<u>\$ 622,000</u>	<u>\$ 699,000</u>	<u>\$ 4,113,000</u>	<u>\$ 101,000</u>
Grand Total	<u>\$ 6,615,000</u>	<u>\$ 622,000</u>	<u>\$ 959,000</u>	<u>\$ 6,278,000</u>	<u>\$ 361,000</u>

Following is a detailed description of each of the above debts:

1998 Village of Dexter Bonds

On May 27, 1998, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the DDA in the amount of \$550,000 to finance downtown improvement projects. The principal and interest amounts are due over 15 years starting October 1, 1998 through October 1, 2012. The interest rates range from 4.05% to 5.50%.

2002 Village of Dexter Refunding Bonds

In 2002, the Village of Dexter issued General Obligation Unlimited Tax Refunding Bonds in the amount of \$1,610,000 to refund the final twelve years of payments on the 1996 Downtown Development Bonds. Principal and interest are due beginning May 1, 2003 through May 1, 2017. Interest rates range from 2.00% to 4.20%.

2006 Village of Dexter Bonds

On November 16, 2006, the Village of Dexter issued General Obligation Limited Tax Bonds in the amount of \$1,700,000 to finance capital improvements consisting of a public works facility and a public safety and Village office facility. The principal and interest amounts are due over 20 years starting May 1, 2007 through May 1, 2027. The interest rates range from 4.00% to 4.40%.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

DDA Debt

2001 Village of Dexter Downtown Development Bonds

On December 1, 2001, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the DDA in the amount of \$900,000 to finance downtown improvement projects. The principal and interest amounts are due over 19 years starting May 1, 2002 through May 2, 2020. The interest rates range from 4.5% to 7.0%. These bonds were refunding during fiscal year 2011-2012.

2008A Village of Dexter Downtown Development Bonds

On May 15, 2008, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the Downtown Development Authority in the amount of \$1,600,000 to finance downtown improvement projects. The principal and interest amounts are due over 25 years starting November 1, 2008 through May 1, 2033. The interest rates range from 7.375% to 7.80%.

2008B Village of Dexter Downtown Development Bonds

On July 9, 2008, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the Downtown Development Authority in the amount of \$2,000,000 to finance downtown improvement projects. The principal and interest amounts are due over 20 years starting November 1, 2008 through May 1, 2028. The interest rates range from 3.60% to 5.00%.

2011 Village of Dexter Downtown Development Refunding Bonds

In September 2011, the Village of Dexter Downtown Development Authority issued the 2011 Downtown Development Limited Tax General Obligation Refunding Bonds in the amount of \$622,000. The bonds were issued to refinance the 2001 Downtown Development Limited Tax General Obligation bonds with principal outstanding of \$590,000, interest rates ranging from 4.50-7.00% and debt maturing in May 2020. The refunding bonds have an interest rate of 2.95% and mature in May 2020.

	Balance			Balance		Due Within
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>One Year</u>	
<u>Business-type Activities:</u>						
1998 Water General Oblig. Bonds	\$ 105,000	\$ -	\$ 50,000	\$ 55,000	\$	55,000
Rural Development Water Bonds	2,152,000	-	2,152,000	-	-	-
Rural Development Sewer Bonds	2,558,000	-	2,558,000	-	-	-
2012 Water GO Refunding Bonds	-	1,770,000	-	1,770,000	-	60,000
2012 Sewer GO Refunding Bonds	-	2,255,000	-	2,255,000	-	85,000
2009 State Revolving Fund Loan	1,746,000	-	135,710	1,610,290	-	65,000
2010 Drinking Water Rev Fund Loan	1,296,000	-	121,774	1,174,226	-	50,000
2011 Drinking Water Rev Fund Loan	-	763,659	-	763,659	-	35,000
Totals	<u>\$ 7,857,000</u>	<u>\$ 4,788,659</u>	<u>\$ 5,017,484</u>	<u>\$ 7,628,175</u>	<u>\$</u>	<u>350,000</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

Following is a detailed description of the above debts:

1998 Village of Dexter Bonds

On May 27, 1998, the Village of Dexter issued Special Assessment Bonds (General Obligation Limited Tax) on behalf of the DDA in the amount of \$850,000 to finance downtown water system improvement projects. The principal and interest amounts are due over the next 15 years starting October 1, 1998 through October 1, 2012. The interest rates range from 4.05% to 5.50%.

1999 Water Supply System Revenue Bonds

On December 15, 1999, the Village issued \$3,173,000 of revenue bonds, which are payable to Rural Development. Interest is at 5% and payments are due on October 1. These bonds were refunded in fiscal year 2011-2012.

2000 Sewage Disposal System Revenue Bonds

On February 8, 2000, the Village issued \$3,466,000 of revenue bonds, which are payable to Rural Development. Series A bonds (\$1,933,000) bear interest at 5% and Series B bonds (\$1,533,000) bear interest at 4.375%, and payments are due October 1. Payments are due for forty years beginning in 2000, and the principal payments range from \$32,000 to \$186,000. These bonds were refunded in fiscal year 2011-2012.

2009 State Revolving Fund Program Loan

In September 2009, the Village of Dexter issued Limited Tax General Obligation Bonds, Series 2009, through the Michigan Department of Environmental Quality State Revolving Fund Program. The proceeds of the loan provided financing for the construction of an equalization basin at the wastewater treatment plant and installation of sanitary sewer lining. Principal outstanding on the revolving fund loan at June 30, 2010 was \$1,746,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting April 1, 2010 through October 1, 2030.

2010 Drinking Water Revolving Fund Program Loan

In January 2010, the Village of Dexter commenced financing for the construction of the water supply system improvements through the Michigan Department of Environmental Quality Drinking Water Revolving Fund Program. Principal outstanding on the revolving fund loan at June 30, 2010 was \$1,296,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting October 1, 2010 through October 1, 2030.

2011 Drinking Water Revolving Fund Program Loan

In September 2011, the Village of Dexter commenced financing for the construction of water supply system improvements through the Michigan Department of Environmental Quality Drinking Water Revolving Fund Program for \$1,550,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting in November 2012. The Village has received \$763,659 of loan draws through June 30, 2012.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding of the Village as of June 30, 2012:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	3	3.25-5.00%	2027	\$ 2,165,000
DDA Debt	3	2.95-7.90%	2033	4,113,000
				<u>\$ 6,278,000</u>
Business-type Activities:				
General Obligation Bonds	5	1.90-5.00%	2032	<u>\$ 7,628,175</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2012 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 366,000	\$ 326,888	\$ 350,000	\$ 159,627
2014	316,000	312,397	315,000	168,070
2015	324,000	300,265	330,000	161,820
2016	328,000	287,633	345,000	155,307
2017	332,000	274,654	350,000	148,520
2018-2022	1,252,000	1,199,644	1,875,000	634,461
2023-2027	1,910,000	833,655	2,120,000	410,356
2028-2032	1,225,000	348,840	1,943,175	129,070
2033	225,000	17,550	-	-
	<u>\$ 6,278,000</u>	<u>\$ 3,901,526</u>	<u>\$ 7,628,175</u>	<u>\$ 1,967,231</u>

2012 Water G.O. Refunding Bonds

In May 2012, the Village issued \$1,770,000 of general obligation bonds with interest rates of 1.90 – 3.25% and semi-annual maturities from October 2012 through October 2031. The net proceeds of \$1,937,764, which included \$207,348 of debt service reserves, were used to advance refund \$2,102,000 of 1999 Water Revenue Bonds with interest rates of 4.375% and maturing through 2038. The refunding bond proceeds were placed in an irrevocable trust for the purpose of generating resources to pay the future debt service payments of the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Village's liabilities. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of \$468,434.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

2012 Sewer G.O. Refunding Bonds

In May 2012, the Village issued \$2,225,000 of general obligation bonds with interest rates of 1.90 – 3.25% and semi-annual maturities from October 2012 through October 2031. The net proceeds of \$2,446,000 which included \$235,444 of debt service reserves were used to advance refund \$2,507,000 of Sewer Revenue Bonds Series 2000A and 2000B with interest rates of 5.0% and maturing through 2038. The refunding bond proceeds were placed in an irrevocable trust for the purpose of generating resources to pay the future debt service payments of the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Village's liabilities. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of \$702,961.

E. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county delinquent tax roll. The Village bills and collects its own property taxes which are accounted for in the General Fund, Municipal Street Fund, and Streetscape Debt Fund. Village property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

The Village is permitted by State law to levy taxes up to \$12.50 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2011 tax roll:

Per \$1,000 of State Equalized Value					
<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	Charter	12.5000	9.8807	9.8151	.0656
Streets	Charter	5.0000	3.9520	2.8874	1.0646
Debt	Voted	2.0000	2.0000	.8537	1.1463

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), which is an agent multiple employer retirement system that covers 12 full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2011.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and personnel policy. The Village is required to contribute at an actuarially determined rate, and employees are required to contribute 5.0%. As of July 1, 2011, the Village closed all defined benefit groups to new members, so the Village now contributes a monthly flat rate of \$3,570 per month.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the year ended June 30, 2012, the Village's contributions totaling \$71,534 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Valuation Date Dec. 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	2007	\$ 121,423	100%	\$ -0-
2011	2008	131,034	100%	-0-
2012	2009	71,534	100%	-0-

In the current year, the Village made an additional contribution of \$25,705 in excess of its annual required contribution. This contribution was made in accordance with the Village's intent to reduce the unfunded actuarial accrued liability.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Pension Plan

The Village provides pension benefits to the Village Manager and employees hired after July 1, 2011, through a defined contribution plan. Under a defined contribution pension plan, the benefits a participant will receive depend solely on amounts contributed to the participant's account plus investment earnings. Contributions made by the Village for an employee vest immediately.

As established by the Village Council, the Village contributes 2.5% of employees' gross earnings and employees are required to contribute 5% to the defined contribution plan which is administered by the Michigan Municipal Employees' Retirement System (MERS). The Village also contributes to a defined contribution money purchase pension plan for the Village Manager, which is administered by the ICMA Retirement Corporation (ICMA). Total current year employer contributions, including both plans was \$5,383.

3. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to four retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$40,083, net of participant contributions.

Funding Policy – The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Village has budgeted to fund this obligation on an actuarial basis.

Funding Progress – For the year ended June 30, 2012, the Village has estimated the cost of providing retiree healthcare benefits through use of the alternate calculation method as established under GASB 45. The alternate calculation method computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The alternate calculation method uses actuarial techniques, although it was not performed by an actuary.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 348,084
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>348,084</u>

Amounts Contributed:

Payments of current premiums	(40,083)
Advance funding	<u>(20,000)</u>
Increase(Decrease) in net OPEB obligation	288,001
OPEB liability - Beginning of Year	<u>74,508</u>
OPEB liability - End of Year	<u>\$ 362,509</u>

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2010	1/1/2008	\$ 157,480	129%	\$ (46,009)
6/30/2011	1/1/2008	\$ 157,480	23%	\$ 74,508
6/30/2012	7/1/2011	\$ 348,084	17%	\$ 362,509

Valuation as of:	<u>Jan. 1, 2008</u>	<u>July 1, 2011</u>
Actuarial Value of Assets	\$ -	\$ 289,282
Actuarial Accrued Liability	1,594,792	4,054,728
Unfunded AAL	1,594,792	3,765,446
Funded Ratio	0.00%	7.13%

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.00 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

B. Risk Management

The Village of Dexter is a member of the Michigan Municipal Risk Management Authority for its general liability insurance coverage and a member of the Michigan Municipal League Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with the Village of Dexter and the pools to which it belongs in any of the past three fiscal years.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

C. Economic Development Corporation

The Village of Dexter Economic Development Corporation (EDC) is governed by a nine member board appointed by the Village Council. The EDC was established to promote economic development within the Village. The annual operating budget and any modifications require the approval of the Village Council. During fiscal year 2011-2012, the Economic Development Corporation, pursuant to Michigan Public Act 338 of 1974, as amended, did not have an opportunity to approve any issuance of revenue bonds to assist in refinancing of projects. The EDC continues to meet annually to maintain its status as a Corporation in order to assist with refinancing projects. The Village has no obligation to fund deficits of the EDC nor does it guarantee its debt.

D. Subsequent Events

State Revolving Fund Loan

In September 2012, the Village of Dexter commenced financing for the construction of sewer system improvements through the Michigan Department of Environmental Quality Revolving Fund Program for \$3,300,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting in April 2013.

E. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued a new pronouncement in June 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement amends net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and deferred inflows into the definition of the component of residual measure and by renaming that measure as net position, rather than net assets. This statement also results in changes to the financial reporting format which include a Statement of Net Position and inclusion of deferred inflows and deferred outflows on the governmental fund balance sheets. This new standard will be effective beginning with the Village's fiscal year ended June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Dexter
Required Supplementary Information
Defined Benefit Pension Plans Trend Information (Unaudited)
June 30, 2012

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$ 1,107,517	\$ 1,303,343	\$ 195,826	85%	\$687,506	28%
12/31/01	1,271,105	1,469,988	198,883	86	680,185	29
12/31/02	1,417,789	1,784,208	366,419	79	835,232	44
12/31/03	1,630,529	1,978,833	348,304	82	866,692	40
12/31/04	1,814,081	2,370,866	556,785	77	882,564	63
12/31/05	1,975,646	2,715,100	739,454	73	946,516	78
12/31/06	2,176,383	2,985,549	809,166	73	1,055,372	77
12/31/07	2,046,134	2,785,187	739,053	73	812,681	91
12/31/08	2,203,644	3,286,312	1,082,668	67	941,034	115
12/31/09	2,390,044	3,033,468	643,464	79	838,362	77
12/31/10	2,635,286	3,370,134	734,848	78	781,444	94
12/31/11	2,718,224	3,130,767	412,543	87	704,861	59

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2011, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	28 years
Asset valuation method	10-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases Includes inflation at 2.0%	4.50-12.90%
Cost of living adjustments	None

VILLAGE OF DEXTER
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,799,600	\$ 1,799,600	\$ 1,781,377	\$ (18,223)
Licenses and Permits	7,000	7,000	9,645	2,645
Intergovernmental - State	292,500	292,500	293,999	1,499
Federal Grants	-	13,250	13,213	(37)
State Grants	495,000	495,000	405,000	(90,000)
County Grants	283,000	283,000	267,927	(15,073)
Other Grants	-	11,000	14,830	3,830
Charges for Services	721,100	721,100	752,004	30,904
Fines and Forfeitures	4,800	4,800	4,817	17
Franchise Fees	56,000	56,000	59,030	3,030
Interest	10,000	10,000	7,962	(2,038)
Other	8,500	8,500	46,332	37,832
Total Revenues	3,677,500	3,701,750	3,656,136	(45,614)
Expenditures:				
General Government:				
Village Council	50,600	62,600	50,457	12,143
Village Manager	268,100	272,100	264,985	7,115
Finance	17,000	13,000	12,668	332
Attorney	25,000	25,000	22,979	2,021
Clerk	6,600	6,600	6,228	372
Treasurer	102,500	102,500	101,976	524
Building and Grounds	64,700	68,700	68,560	140
Tree Program	24,000	24,000	21,188	2,812
Total General Government	558,500	574,500	549,041	25,459
Public Safety:				
Law Enforcement	557,500	557,500	555,885	1,615
Fire Department	379,000	412,000	411,919	81
Total Public Safety	936,500	969,500	967,804	1,696
Planning and Zoning:				
Planning	123,700	125,700	123,568	2,132
Board of Appeals	1,100	1,100	694	406
Total Planning and Zoning	124,800	126,800	124,262	2,538
Public Works:				
Department of Public Works	181,800	182,300	177,239	5,061
Downtown Public Works	82,800	82,800	77,217	5,583
Engineering	11,000	11,000	10,925	75
Street Lights	66,000	77,500	77,196	304
Solid Waste	517,400	535,400	531,587	3,813
Total Public Works	859,000	889,000	874,164	14,836
Economic Development	-	49,000	33,991	15,009
Parks and Recreation	52,400	63,400	63,020	380
Insurance and Bonds	58,300	53,300	50,694	2,606
Contributions	23,300	23,300	23,250	50
Other	23,000	12,000	11,981	19

(continued)

VILLAGE OF DEXTER
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Debt Service:				
Principal	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest and Fees	<u>63,300</u>	<u>63,300</u>	<u>62,782</u>	<u>518</u>
Total Debt Service	<u>128,300</u>	<u>128,300</u>	<u>127,782</u>	<u>518</u>
Capital Outlay:				
Capital Outlay-General	110,000	182,500	131,094	51,406
Mill Creek Park Project	<u>1,240,600</u>	<u>1,240,600</u>	<u>1,111,387</u>	<u>129,213</u>
Total Capital Outlay	<u>1,350,600</u>	<u>1,423,100</u>	<u>1,242,481</u>	<u>180,619</u>
Total Expenditures	<u>4,114,700</u>	<u>4,312,200</u>	<u>4,068,470</u>	<u>243,730</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(437,200)</u>	<u>(610,450)</u>	<u>(412,334)</u>	<u>198,116</u>
Other Financing Sources:				
Operating Transfers In	<u>68,000</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Change in Fund Balance	<u><u>\$ (369,200)</u></u>	<u><u>\$ (542,450)</u></u>	<u>(344,334)</u>	<u><u>\$ 198,116</u></u>
Fund Balance - July 1			<u>1,535,662</u>	
Fund Balance - June 30			<u><u>\$ 1,191,328</u></u>	

VILLAGE OF DEXTER
Major Street Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Intergovernmental-State	\$ 166,200	\$ 162,100	\$ 154,861	\$ (7,239)
Interest	1,200	1,200	245	(955)
Total Revenues	<u>167,400</u>	<u>163,300</u>	<u>155,106</u>	<u>(8,194)</u>
Expenditures:				
Public Works	<u>930,900</u>	<u>930,900</u>	<u>602,915</u>	<u>327,985</u>
Excess (Deficiency) of Revenues Over Expenditures	(763,500)	(767,600)	(447,809)	319,791
Other Financing Sources:				
Operating Transfers In	<u>564,600</u>	<u>564,600</u>	<u>265,000</u>	<u>(299,600)</u>
Change in Fund Balance	<u>\$ (198,900)</u>	<u>\$ (203,000)</u>	(182,809)	<u>\$ 20,191</u>
Fund Balance - July 1			<u>189,803</u>	
Fund Balance - June 30			<u>\$ 6,994</u>	

VILLAGE OF DEXTER
Local Street Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental-State	\$ 69,500	\$ 69,500	\$ 66,864	\$ (2,636)
Interest	200	200	65	(135)
Total Revenues	<u>69,700</u>	<u>69,700</u>	<u>66,929</u>	<u>(2,771)</u>
Expenditures:				
Public Works	<u>220,100</u>	<u>272,700</u>	<u>208,730</u>	<u>63,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(150,400)</u>	<u>(203,000)</u>	<u>(141,801)</u>	<u>61,199</u>
Other Financing Sources:				
Operating Transfers In	<u>150,400</u>	<u>150,400</u>	<u>125,000</u>	<u>(25,400)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (52,600)</u>	<u>(16,801)</u>	<u>\$ 35,799</u>
Fund Balance - July 1			<u>50,124</u>	
Fund Balance - June 30			<u>\$ 33,323</u>	

VILLAGE OF DEXTER
Municipal Street Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 527,100	\$ 527,100	\$ 524,014	\$ (3,086)
Interest	1,000	1,000	965	(35)
Total Revenues	<u>528,100</u>	<u>528,100</u>	<u>524,979</u>	<u>(3,121)</u>
Expenditures:				
Public Works	<u>40,300</u>	<u>42,500</u>	<u>42,488</u>	<u>12</u>
Excess (Deficiency) of Revenues Over Expenditures	487,800	485,600	482,491	(3,109)
Other Financing Uses:				
Operating Transfers Out	<u>(715,000)</u>	<u>(715,000)</u>	<u>(390,000)</u>	<u>325,000</u>
Change in Fund Balance	<u>\$ (227,200)</u>	<u>\$ (229,400)</u>	92,491	<u>\$ 321,891</u>
Fund Balance - July 1			<u>623,447</u>	
Fund Balance - June 30			<u>\$ 715,938</u>	

VILLAGE OF DEXTER
Downtown Development Authority Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 360,800	\$ 360,800	\$ 359,673	\$ (1,127)
Interest	3,000	3,000	2,872	(128)
Total Revenues	<u>363,800</u>	<u>363,800</u>	<u>362,545</u>	<u>(1,255)</u>
Expenditures:				
Community Development	17,100	17,100	14,041	3,059
Debt Service:				
Principal	95,000	717,000	699,000	18,000
Interest	251,700	248,000	264,660	(16,660)
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>365,800</u>	<u>984,100</u>	<u>977,701</u>	<u>6,399</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,000)	(620,300)	(615,156)	5,144
Other Financing Sources:				
Bond Proceeds	<u>-</u>	<u>622,000</u>	<u>622,000</u>	<u>-</u>
Change in Fund Balance	<u>\$ (2,000)</u>	<u>\$ 1,700</u>	6,844	<u>\$ 5,144</u>
Fund Balance - July 1			<u>314,505</u>	
Fund Balance - June 30			<u>\$ 321,349</u>	

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF DEXTER
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
	<u>Tree Replacement</u>	<u>Streetscape</u>	<u>Equipment Replacement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 174,087	\$ 115,177	\$ 207,159	\$ 496,423
Special Assessments Receivable	<u>-</u>	<u>40,624</u>	<u>-</u>	<u>40,624</u>
Total Assets	<u>\$ 174,087</u>	<u>\$ 155,801</u>	<u>\$ 207,159</u>	<u>\$ 537,047</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ -	\$ 602	\$ 413	\$ 1,015
Deferred Revenue	<u>-</u>	<u>40,624</u>	<u>-</u>	<u>40,624</u>
Total Liabilities	<u>-</u>	<u>41,226</u>	<u>413</u>	<u>41,639</u>
Fund Balance:				
Restricted for:				
Debt Service	-	114,575	-	114,575
Trees	174,087	-	-	174,087
Committed for Equipment	<u>-</u>	<u>-</u>	<u>206,746</u>	<u>206,746</u>
Total Fund Balance	<u>174,087</u>	<u>114,575</u>	<u>206,746</u>	<u>495,408</u>
Total Liabilities and Fund Balance	<u>\$ 174,087</u>	<u>\$ 155,801</u>	<u>\$ 207,159</u>	<u>\$ 537,047</u>

VILLAGE OF DEXTER
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

	Special Revenue	Debt Service	Capital Project	
	Tree Replacement	Streetscape	Equipment Replacement	Total
Revenues:				
Property Taxes	\$ -	\$ 169,507	\$ -	\$ 169,507
Charges for Services	-	-	55,861	55,861
Special Assessments	-	49,685	-	49,685
Interest	1,388	321	212	1,921
Total Revenues	<u>1,388</u>	<u>219,513</u>	<u>56,073</u>	<u>276,974</u>
Expenditures:				
Public Works	-	-	20,769	20,769
Debt Service:				
Principal	-	195,000	-	195,000
Interest and Fees	-	38,709	-	38,709
Total Expenditures	<u>-</u>	<u>233,709</u>	<u>20,769</u>	<u>254,478</u>
Excess (Deficiency) of Revenues Over Expenditures	1,388	(14,196)	35,304	22,496
Other Financing Sources(Uses):				
Operating Transfers Out	<u>(68,000)</u>	<u>-</u>	<u>-</u>	<u>(68,000)</u>
Change in Fund Balance	(66,612)	(14,196)	35,304	(45,504)
Fund Balance - July 1	<u>240,699</u>	<u>128,771</u>	<u>171,442</u>	<u>540,912</u>
Fund Balance - June 30	<u>\$ 174,087</u>	<u>\$ 114,575</u>	<u>\$ 206,746</u>	<u>\$ 495,408</u>

VILLAGE OF DEXTER
Combining Balance Sheet
Downtown Development Authority
June 30, 2012

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 66,045	\$ 328,139	\$ 4,000	\$ 398,184
Accounts Receivable	<u>-</u>	<u>-</u>	<u>4,300</u>	<u>4,300</u>
Total Assets	<u>\$ 66,045</u>	<u>\$ 328,139</u>	<u>\$ 8,300</u>	<u>\$ 402,484</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 635	\$ 500	\$ -	\$ 1,135
Due to Other Governmental Units	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total Liabilities	<u>635</u>	<u>80,500</u>	<u>-</u>	<u>81,135</u>
Fund Balance:				
Restricted for:				
Debt	-	247,639	-	247,639
Downtown Development	<u>65,410</u>	<u>-</u>	<u>8,300</u>	<u>73,710</u>
Total Fund Balance	<u>65,410</u>	<u>247,639</u>	<u>8,300</u>	<u>321,349</u>
Total Liabilities and Fund Balance	<u>\$ 66,045</u>	<u>\$ 328,139</u>	<u>\$ 8,300</u>	<u>\$ 402,484</u>

VILLAGE OF DEXTER
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Downtown Development Authority
For the Year Ended June 30, 2012

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ 359,673	\$ -	\$ -	\$ 359,673
Interest	<u>545</u>	<u>2,327</u>	<u>-</u>	<u>2,872</u>
Total Revenues	<u>360,218</u>	<u>2,327</u>	<u>-</u>	<u>362,545</u>
Expenditures:				
Community Development	14,041	-	-	14,041
Debt Service:				
Principal	-	699,000	-	699,000
Interest and Fees	<u>-</u>	<u>264,660</u>	<u>-</u>	<u>264,660</u>
Total Expenditures	<u>14,041</u>	<u>963,660</u>	<u>-</u>	<u>977,701</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>346,177</u>	<u>(961,333)</u>	<u>-</u>	<u>(615,156)</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	622,000	-	622,000
Operating Transfers In	-	341,201	-	341,201
Operating Transfers Out	<u>(341,201)</u>	<u>-</u>	<u>-</u>	<u>(341,201)</u>
Total Other Financing Sources (Uses)	<u>(341,201)</u>	<u>963,201</u>	<u>-</u>	<u>622,000</u>
Change in Fund Balance	4,976	1,868	-	6,844
Fund Balance - July 1	<u>60,434</u>	<u>245,771</u>	<u>8,300</u>	<u>314,505</u>
Fund Balance - June 30	<u>\$ 65,410</u>	<u>\$ 247,639</u>	<u>\$ 8,300</u>	<u>\$ 321,349</u>

