

**VILLAGE OF DEXTER  
Washtenaw County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2011**



VILLAGE OF DEXTER  
For the Fiscal Year Ended June 30, 2011

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For the Fiscal Year Ended June 30, 2011

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FINANCIAL SECTION



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## Independent Auditor's Report

October 28, 2011

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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



President and Village Council  
Village of Dexter, Michigan  
October 28, 2011

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 October 28, 2011, 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.

As discussed in Note I, during the year the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As a result of this implementation, the fund balance classifications in the governmental fund financial statements have been changed to reflect the five new fund balance classifications under GASB Statement No. 54.

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, 2011. 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 \$16,823,568 (*net assets*). Of this amount, \$2,849,221 (*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 \$47,826.
- At the close of the current fiscal year, the Village of Dexter's governmental funds reported combined ending fund balances of \$3,254,453. Twenty-nine percent of this total amount, \$928,412, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The Village of Dexter's total debt decreased by \$447,000 (3 percent) during the current fiscal year, as a result of annual principal repayments.

### 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 22-44 of this report.

### Government-wide Financial Analysis

Assets exceeded liabilities by \$16,823,568 at the close of the most recent fiscal year. Of the Village of Dexter's net assets, 70 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,692,889	\$ 4,127,739	\$ 1,987,134	\$ 3,070,829	\$ 5,680,023	\$ 7,198,568
Capital Assets	13,433,448	13,479,291	12,824,917	13,472,222	26,258,365	26,951,513
Total Assets	<u>17,126,337</u>	<u>17,607,030</u>	<u>14,812,051</u>	<u>16,543,051</u>	<u>31,938,388</u>	<u>34,150,081</u>
Long-term liabilities	6,689,508	6,915,000	7,857,000	8,004,000	14,546,508	14,919,000
Other liabilities	438,436	1,169,655	129,876	1,285,684	568,312	2,455,339
Total Liabilities	<u>7,127,944</u>	<u>8,084,655</u>	<u>7,986,876</u>	<u>9,289,684</u>	<u>15,114,820</u>	<u>17,374,339</u>
Net Assets:						
Invested in capital assets, net of related debt	6,818,448	6,564,291	5,037,917	5,468,222	11,856,365	12,032,513
Restricted	1,718,791	1,383,063	399,191	499,278	2,117,982	1,882,341
Unrestricted	1,461,154	1,575,021	1,388,067	1,285,867	2,849,221	2,860,888
Total Net Assets	<u>\$ 9,998,393</u>	<u>\$ 9,522,375</u>	<u>\$ 6,825,175</u>	<u>\$ 7,253,367</u>	<u>\$ 16,823,568</u>	<u>\$ 16,775,742</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 \$47,826 during the current fiscal year.

**Governmental activities.** Governmental activities increased net assets by \$476,018. Key elements of this net asset increase are street reconstruction and development projects in the downtown area during the current fiscal year.

**Business-type activities.** Business-type activities decreased net assets by \$428,192, which is mostly due to water and sewer net operating losses.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$ 949,839	\$ 1,174,507	\$ 1,468,837	\$ 1,741,386	\$ 2,418,676	\$ 2,915,893
Operating Grants & Contrib.	183,296	181,459	-	-	183,296	181,459
Capital Grants & Contrib.	290,189	-	299,510	284,036	589,699	284,036
General Revenues:						
Property Taxes	2,882,255	3,046,831	-	-	2,882,255	3,046,831
State Shared Revenues	232,851	157,989	-	-	232,851	157,989
Investment Earnings	14,212	34,690	11,300	10,161	25,512	44,851
Franchise Fees	57,553	54,474	-	-	57,553	54,474
Total Revenues	<u>4,610,195</u>	<u>4,649,950</u>	<u>1,779,647</u>	<u>2,035,583</u>	<u>6,389,842</u>	<u>6,685,533</u>
Program Expenses						
General Government	714,290	672,039	-	-	714,290	672,039
Public Safety	946,312	899,214	-	-	946,312	899,214
Community Development	169,407	204,535	-	-	169,407	204,535
Public Works	1,864,315	1,915,447	-	-	1,864,315	1,915,447
Recreation and Cultural	75,534	345,054	-	-	75,534	345,054
Interest on Long-Term Debt	364,319	376,181	-	-	364,319	376,181
Water and Sewer	-	-	2,207,839	2,056,617	2,207,839	2,056,617
Total Expenses	<u>4,134,177</u>	<u>4,412,470</u>	<u>2,207,839</u>	<u>2,056,617</u>	<u>6,342,016</u>	<u>6,469,087</u>
Change in Net Assets	<u>\$ 476,018</u>	<u>\$ 237,480</u>	<u>\$ (428,192)</u>	<u>\$ (21,034)</u>	<u>\$ 47,826</u>	<u>\$ 216,446</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 \$3,254,453, 29% of this total amount (\$928,412) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance (\$2,326,041) is *restricted or assigned* to indicate that it is not available for new spending because it has already been committed.

Total governmental fund balances increased \$342,378 for the year ended June 30, 2011 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 \$1,535,662, of which \$928,412 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 \$1,388,067. 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 \$1,000. The final amended budgeted expenditures in the General Fund increased by \$226,000 over the original adopted budget, primarily for capital improvement projects. The final amended budget for the year ended June 30, 2011 projected a \$346,800 decrease in General Fund fund balance, and the final actual amount of decrease to fund balance was \$31,655.

### **Capital Asset and Debt Administration**

**Capital assets.** The Village of Dexter's investment in capital assets for its governmental and business type activities is \$26,258,365 (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 .34% for governmental activities due in part to street reconstruction, the purchase of property and land for downtown development, and decreased 4.8% in business-type activities, primarily due to annual depreciation.

Additional information on the Village of Dexter's capital assets can be found in note III.B on pages 33-34 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village of Dexter had total debt outstanding of \$14,472,000. Of this amount, \$6,615,000 is governmental, and \$7,857,000 is business-type. The Village of Dexter's total debt decreased by \$447,000 (3 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 35-38 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.
- The Village received over \$600,000 in loan forgiveness through the Michigan Department of Environmental Quality Green Project Reserve Fund for a water main replacement project. Proceeds from the loan will be spent over the 2011-2012 fiscal years.
- The millage rate is currently 13.5562, which was been kept constant for the past six years.
- Water and sewer rates were increased 3% in 2010-2011 and 2011-2012.
- In response to the GASB 45 accounting standards, the Village has established a retiree health care trust and has budgeted funds to place into the trust to begin the process of funding our post employment benefit health care liability.
- The Village will be using a \$450,000 Michigan Natural Resources Trust Fund Grant and general fund reserves in 2011-2012 towards the development of Mill Creek Park.
- The Village completed union negotiations in March 2011. The negotiations resulted in several significant changes to the employee benefit structure. For current employees, all wages accrued after July 1, 2011 will be applied to a 2% multiplier, which is a reduction from the previous multiplier of 2.25%. Union employees started paying 4% towards the defined benefit pension as of July 1, 2011, which will rise to 5% effective July 1, 2012. The defined benefit pension fund was closed to new hires. New employees will now receive a defined contribution retirement with a 5% required employee contribution and a 2.5% Village contribution. New employees are also not eligible for health care benefits after they retire. Non-union employees health care benefits changed to a \$1,000/\$2,000 deductible that is paid by the employee. The Village is committed to keeping employment costs manageable in the short term and sustainable over the long term.

## **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, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 3,417,200	\$ 1,318,231	\$ 4,735,431
Receivables (net of allowance for uncollectibles):			
Taxes	1,489	-	1,489
Accounts	185,318	269,712	455,030
Special Assessments	88,882	-	88,882
Restricted Assets - Cash and Cash Equivalents	-	34,191	34,191
Restricted Assets - Investments	-	365,000	365,000
Capital Assets (net of Accumulated Depreciation)	13,433,448	12,824,917	26,258,365
Total Assets	17,126,337	14,812,051	31,938,388
<b><u>LIABILITIES</u></b>			
Accounts Payable	172,892	89,513	262,405
Accrued Liabilities	96,662	40,363	137,025
Due to Other Governmental Units	80,000	-	80,000
Deferred Revenue	88,882	-	88,882
Noncurrent Liabilities:			
Other Post Employment Benefit Liability	74,508	-	74,508
Due within one year	355,000	271,000	626,000
Due in more than one year	6,260,000	7,586,000	13,846,000
Total Liabilities	7,127,944	7,986,876	15,114,820
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, net of related debt	6,818,448	5,037,917	11,856,365
Restricted for:			
Debt Service	374,542	399,191	773,733
Streets	863,374	-	863,374
Downtown Development	68,734	-	68,734
Trees	240,699	-	240,699
Capital Projects	171,442	-	171,442
Unrestricted	1,461,154	1,388,067	2,849,221
Total Net Assets	\$ 9,998,393	\$ 6,825,175	\$ 16,823,568

**VILLAGE OF DEXTER**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<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	\$ 714,290	\$ 258,462	\$ 1,998	\$ 240,189
Public Safety	946,312	15,123	2,608	-
Community Development	169,407	7,765	-	-
Public Works	1,864,315	668,439	178,156	50,000
Recreation and Cultural	75,534	50	534	-
Interest on Long-Term Debt	364,319	-	-	-
Total Governmental Activities	<u>4,134,177</u>	<u>949,839</u>	<u>183,296</u>	<u>290,189</u>
Business-type Activities:				
Water	796,578	606,684	-	114,325
Sewer	1,411,261	862,153	-	185,185
Total Business-type Activities	<u>2,207,839</u>	<u>1,468,837</u>	<u>-</u>	<u>299,510</u>
Grand Total	<u>\$ 6,342,016</u>	<u>\$ 2,418,676</u>	<u>\$ 183,296</u>	<u>\$ 589,699</u>

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>
\$ (213,641)	\$ -	\$ (213,641)
(928,581)	-	(928,581)
(161,642)	-	(161,642)
(967,720)	-	(967,720)
(74,950)	-	(74,950)
(364,319)	-	(364,319)
<u>(2,710,853)</u>	<u>-</u>	<u>(2,710,853)</u>
-	(75,569)	(75,569)
-	(363,923)	(363,923)
-	(439,492)	(439,492)
<u>(2,710,853)</u>	<u>(439,492)</u>	<u>(3,150,345)</u>
2,882,255	-	2,882,255
232,851	-	232,851
57,553	-	57,553
14,212	11,300	25,512
<u>3,186,871</u>	<u>11,300</u>	<u>3,198,171</u>
476,018	(428,192)	47,826
<u>9,522,375</u>	<u>7,253,367</u>	<u>16,775,742</u>
<u>\$ 9,998,393</u>	<u>\$ 6,825,175</u>	<u>\$ 16,823,568</u>

**VILLAGE OF DEXTER**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,567,751	\$ 216,990	\$ 55,206
Receivables (net of allowance for uncollectibles):			
Taxes	1,489	-	-
Accounts	180,809	-	209
Special Assessments	-	-	-
Total Assets	<u>\$ 1,750,049</u>	<u>\$ 216,990</u>	<u>\$ 55,415</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts Payable	\$ 117,725	\$ 27,187	\$ 5,291
Accrued and Other Liabilities	96,662	-	-
Due to Other Governmental Units	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>214,387</u>	<u>27,187</u>	<u>5,291</u>
Fund Balances:			
Restricted for:			
Debt Service	-	-	-
Streets	-	189,803	50,124
Downtown Development	-	-	-
Trees	-	-	-
Capital Projects	-	-	-
Assigned for Facilities	238,050	-	-
Assigned for Subsequent Years Expenditures	369,200	-	-
Unassigned	928,412	-	-
Total Fund Balances	<u>1,535,662</u>	<u>189,803</u>	<u>50,124</u>
Total Liabilities and Fund Balances	<u>\$ 1,750,049</u>	<u>\$ 216,990</u>	<u>\$ 55,415</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
\$ 623,521	\$ 390,205	\$ 563,527	\$ 3,417,200
-	-	-	1,489
-	4,300	-	185,318
-	-	88,882	88,882
<u>\$ 623,521</u>	<u>\$ 394,505</u>	<u>\$ 652,409</u>	<u>\$ 3,692,889</u>

\$ 74	\$ -	\$ 22,615	\$ 172,892
-	-	-	96,662
-	80,000	-	80,000
-	-	88,882	88,882
<u>74</u>	<u>80,000</u>	<u>111,497</u>	<u>438,436</u>

-	245,771	128,771	374,542
623,447	-	-	863,374
-	68,734	-	68,734
-	-	240,699	240,699
-	-	171,442	171,442
-	-	-	238,050
-	-	-	369,200
-	-	-	928,412
<u>623,447</u>	<u>314,505</u>	<u>540,912</u>	<u>3,254,453</u>
<u>\$ 623,521</u>	<u>\$ 394,505</u>	<u>\$ 652,409</u>	

13,433,448  
(74,508)

(6,615,000)

\$ 9,998,393

**VILLAGE OF DEXTER**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<b>Revenues</b>			
Property Taxes	\$ 1,787,999	\$ -	\$ -
Licenses and Permits	7,315	-	-
Intergovernmental:			
Federal, State and Local	285,459	116,419	61,737
Charges for Services	778,364	-	-
Fines and Forfeitures	6,407	-	-
Franchise Fees	57,553	-	-
Special Assessments	-	-	-
Interest	8,575	922	115
Other	27,266	-	210
Total Revenues	<u>2,958,938</u>	<u>117,341</u>	<u>62,062</u>
<b>Expenditures</b>			
Current:			
General Government	536,433	-	-
Public Safety	923,675	-	-
Community Development	119,460	-	-
Public Works	946,379	297,170	174,280
Recreation and Cultural	53,144	-	-
Other	114,832	-	-
Debt Service:			
Principal	60,000	-	-
Interest and Other Charges	65,182	-	-
Capital Outlay	171,488	-	-
Total Expenditures	<u>2,990,593</u>	<u>297,170</u>	<u>174,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,655)</u>	<u>(179,829)</u>	<u>(112,218)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	227,000	195,000
Transfers Out	-	-	(37,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>227,000</u>	<u>158,000</u>
Net Change in Fund Balances	(31,655)	47,171	45,782
Fund Balances - Beginning	<u>1,567,317</u>	<u>142,632</u>	<u>4,342</u>
Fund Balances - Ending	<u>\$ 1,535,662</u>	<u>\$ 189,803</u>	<u>\$ 50,124</u>

Municipal Street Special Revenue	Downtown Dev. Authority Special Revenue	Other Governmental Funds	Total Governmental Funds
\$ 527,829	\$ 396,245	\$ 170,182	\$ 2,882,255
-	-	-	7,315
-	-	-	463,615
-	-	73,155	851,519
-	-	-	6,407
-	-	-	57,553
-	-	59,654	59,654
1,038	2,159	1,403	14,212
-	-	240,189	267,665
<u>528,867</u>	<u>398,404</u>	<u>544,583</u>	<u>4,610,195</u>
-	-	-	536,433
-	-	-	923,675
-	49,947	-	169,407
30,539	-	15,182	1,463,550
-	-	-	53,144
-	-	-	114,832
-	50,000	190,000	300,000
-	253,929	45,208	364,319
-	-	170,969	342,457
<u>30,539</u>	<u>353,876</u>	<u>421,359</u>	<u>4,267,817</u>
<u>498,328</u>	<u>44,528</u>	<u>123,224</u>	<u>342,378</u>
-	-	-	422,000
(385,000)	-	-	(422,000)
<u>(385,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
113,328	44,528	123,224	342,378
<u>510,119</u>	<u>269,977</u>	<u>417,688</u>	<u>2,912,075</u>
\$ <u>623,447</u>	\$ <u>314,505</u>	\$ <u>540,912</u>	\$ <u>3,254,453</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, 2011**

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

Net change in fund balances - total governmental funds	\$	342,378
<p>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.</p>		
	Capital Outlay	342,457
	Capital Outlay-Nondepartmental	202,981
	Depreciation Expense	(591,281)
Change in Other Post Employment Benefits		(120,517)
<p>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.</p>		
	Principal Repayments	<u>300,000</u>
Change in net assets in governmental activities	\$	<u><u>476,018</u></u>

**VILLAGE OF DEXTER**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2011**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 594,868	\$ 723,363	\$ 1,318,231
Accounts Receivable	107,218	162,494	269,712
Total Current Assets	702,086	885,857	1,587,943
Restricted Assets:			
Cash	19,363	14,828	34,191
Investments	170,000	195,000	365,000
Total Restricted Assets	189,363	209,828	399,191
Fixed Assets:			
Land	231,577	127,212	358,789
Water System	8,801,431	-	8,801,431
Sewer System	-	14,556,243	14,556,243
Vehicles	28,786	37,765	66,551
Accumulated Depreciation	(3,700,426)	(7,257,671)	(10,958,097)
Net Fixed Assets	5,361,368	7,463,549	12,824,917
Total Assets	\$ 6,252,817	\$ 8,559,234	\$ 14,812,051
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 21,388	\$ 68,125	\$ 89,513
Accrued Liabilities	18,484	18,484	36,968
Deposits	3,395	-	3,395
General Obligation Bonds Payable	50,000	70,000	120,000
Revenue Bonds Payable	100,000	51,000	151,000
Total Current Liabilities	193,267	207,609	400,876
Long-Term Liabilities:			
General Obligation Bonds Payable (Net of Current Portion)	55,000	1,676,000	1,731,000
Revenue Bonds Payable (Net of Current Portion)	3,348,000	2,507,000	5,855,000
Total Long-Term Liabilities	3,403,000	4,183,000	7,586,000
Total Liabilities	3,596,267	4,390,609	7,986,876
Fund Equity:			
Invested in Capital Assets, net of related debt	1,808,368	3,229,549	5,037,917
Restricted for Debt Service	189,363	209,828	399,191
Unrestricted	658,819	729,248	1,388,067
Total Fund Equity	2,656,550	4,168,625	6,825,175
Total Liabilities and Fund Equity	\$ 6,252,817	\$ 8,559,234	\$ 14,812,051

**VILLAGE OF DEXTER**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Water Billings	\$ 582,498	\$ -	\$ 582,498
Sewer Billings	-	849,008	849,008
Miscellaneous	24,186	13,145	37,331
Total Operating Revenues	<u>606,684</u>	<u>862,153</u>	<u>1,468,837</u>
Operating Expenses:			
Operations & Maintenance	389,433	750,102	1,139,535
Depreciation Expense	300,752	523,690	824,442
Total Operating Expenses	<u>690,185</u>	<u>1,273,792</u>	<u>1,963,977</u>
Operating Income (Loss)	<u>(83,501)</u>	<u>(411,639)</u>	<u>(495,140)</u>
Nonoperating Revenues (Expenses):			
Interest Income	5,993	5,307	11,300
Interest and Fees	(106,393)	(137,469)	(243,862)
Total Nonoperating Revenues (Expenses)	<u>(100,400)</u>	<u>(132,162)</u>	<u>(232,562)</u>
Income (Loss) Before Contributions and Transfers	(183,901)	(543,801)	(727,702)
Capital Contributions	<u>114,325</u>	<u>185,185</u>	<u>299,510</u>
Net Income (Loss)	(69,576)	(358,616)	(428,192)
Retained Earnings - July 1	<u>2,726,126</u>	<u>4,527,241</u>	<u>7,253,367</u>
Retained Earnings - June 30	<u>\$ 2,656,550</u>	<u>\$ 4,168,625</u>	<u>\$ 6,825,175</u>

**VILLAGE OF DEXTER**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts from customers and users	\$ 1,421,257	\$ 1,286,020	\$ 2,707,277
Payments to suppliers	(983,169)	(1,093,049)	(2,076,218)
Payments to employees	(113,612)	(105,513)	(219,125)
Net Cash Provided (Used) by Operating Activities	324,476	87,458	411,934
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Capital Contributions	114,325	185,185	299,510
Construction of capital assets	(177,137)	-	(177,137)
Principal Paid on Debt	(98,000)	(49,000)	(147,000)
Interest Paid on Debt	(106,393)	(137,469)	(243,862)
Net Cash Provided (Used) by Capital and Related Financing Activities	(267,205)	(1,284)	(268,489)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchase of Investments	(170,000)	(195,000)	(365,000)
Interest Earned	5,993	5,307	11,300
Net Cash Provided (Used) by Investing Activities	(164,007)	(189,693)	(353,700)
Net Increase (Decrease) in Cash and Cash Equivalents	(106,736)	(103,519)	(210,255)
Cash and Cash Equivalents, Beginning	720,967	841,710	1,562,677
Cash and Cash Equivalents, Ending	\$ 614,231	\$ 738,191	\$ 1,352,422
<b><u>BALANCE SHEET CLASSIFICATION</u></b>			
Cash and Cash Equivalents	\$ 594,868	\$ 723,363	\$ 1,318,231
Restricted Assets - Cash	19,363	14,828	34,191
Total	\$ 614,231	\$ 738,191	\$ 1,352,422
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>			
Operating Income (Loss)	\$ (83,501)	\$ (411,639)	\$ (495,140)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	300,752	523,690	824,442
(Increase) Decrease in Accounts Receivable	(5,828)	35,323	29,495
(Increase) Decrease in Due from Other Govt. Units	820,401	388,544	1,208,945
Increase (Decrease) in Accounts Payable	(593,736)	(342,947)	(936,683)
Increase (Decrease) in Accrued Liabilities	(113,612)	(105,513)	(219,125)
Net Cash Provided (Used) by Operating Activities	\$ 324,476	\$ 87,458	\$ 411,934

VILLAGE OF DEXTER  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>83,190</u>
<u>LIABILITIES</u>	
Due to Other	\$ <u>83,190</u>

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

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, Dexter and Lima 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, 2011

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, 2011

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, 2011

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, 2011

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, 2011.

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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

4. Restricted Assets

Assets of the Water and Sewer Funds have been restricted for debt service payments which are to be funded out of bond proceeds and as required by other agreements.

Retained earnings have not been reserved for the restricted assets resulting from the issuance of debt and the receipt of contributed capital.

Restricted assets at June 30, 2011 consist of the following:

	Restricted Assets
Revenue Bond Reserve	\$ 365,000
Revenue Bond Repair and Improvement	34,191
	\$ 399,191

5. 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

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

6. 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, 2011 is \$119,863.

7. 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.

8. Fund Equity

During fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

8. Fund Equity – Continued

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

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 governing body.

In order to conform the classifications of the funds to the appropriate fund types under these new definitions, amounts previously disclosed as unrestricted have been restated as unassigned.

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.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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 2011 several budget amendments were made and are reflected in the financial statements.

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, 2011.

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, 2011.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

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	\$4,735,431
Restricted Assets-Cash	34,191
Statement of Fiduciary Net Assets	<u>83,190</u>
Total	<u>\$4,852,812</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, 2011, the Village's book balance of its cash deposits (certificates of deposit, checking and savings accounts) was \$4,852,812. The bank balance was \$4,733,877, of which \$2,095,309 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.

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. At year end, the average maturities of investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government Agencies:		
Federal Home Loan Banks	\$ <u>353,367</u>	10 years

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities) are as follows:

Investments:	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Agencies	\$ 353,367	AAA	S&P

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer. The Village has more than 5 percent of its cash and investments in Federal Home Loan Banks (7.0%).

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 2,642,557	\$ 58,358	\$ -	\$ 2,700,915
Capital Assets, being depreciated:				
Building and Improvements	3,469,772	-	-	3,469,772
Machinery and Equipment	324,956	8,997	-	333,953
Infrastructure	11,732,501	193,985	-	11,926,486
Vehicles	577,711	170,969	-	748,680
Land Improvements	702,843	113,129	-	815,972
	<u>16,807,783</u>	<u>487,080</u>	<u>-</u>	<u>17,294,863</u>
Less: Accumulated Depreciation:				
Building and Improvements	(1,294,586)	(67,410)	-	(1,361,996)
Machinery and Equipment	(163,986)	(20,514)	-	(184,500)
Infrastructure	(4,132,217)	(478,007)	-	(4,610,224)
Vehicles	(359,190)	(17,239)	-	(376,429)
Land Improvements	(21,070)	(8,111)	-	(29,181)
	<u>(5,971,049)</u>	<u>(591,281)</u>	<u>-</u>	<u>(6,562,330)</u>
Governmental Activities Capital Assets, net	<u>\$ 13,479,291</u>	<u>\$ (45,843)</u>	<u>\$ -</u>	<u>\$ 13,433,448</u>

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

General Government	\$ 23,025
Public Safety	22,637
Public Works	514,231
Recreation and Cultural	31,388
	<u>\$ 591,281</u>

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

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	\$ -	\$ -	\$ 358,789
Capital Assets, being depreciated:				
Water and Sewer System	23,247,088	177,137	-	23,424,225
Less: Accumulated Depreciation:				
Water and Sewer System	<u>(10,133,655)</u>	<u>(824,442)</u>	<u>-</u>	<u>(10,958,097)</u>
Business Activities				
Capital Assets, net	<u>\$ 13,472,222</u>	<u>\$ (647,305)</u>	<u>\$ -</u>	<u>\$ 12,824,917</u>

C. Interfund Receivables, Payables and Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Street Fund	Municipal Street Fund	\$ 190,000
Major Street Fund	Local Street Fund	37,000
Local Street Fund	Municipal Street Fund	195,000
		<u>\$ 422,000</u>

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

Transfer from Local Street Fund to Major Street Fund represents METRO Act funds used for right of way project.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

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, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Village of Dexter:					
1998 Village of Dexter Bonds	\$ 180,000	\$ -	\$ 60,000	\$ 120,000	\$ 60,000
2002 Refunding Bonds	965,000	-	130,000	835,000	135,000
2006 General Obligation Bonds	<u>1,530,000</u>	-	<u>60,000</u>	<u>1,470,000</u>	<u>65,000</u>
Total	<u>\$ 2,675,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 2,425,000</u>	<u>\$ 260,000</u>
Downtown Development Authority:					
2001 Village of Dexter Bonds	\$ 640,000	\$ -	\$ 50,000	\$ 590,000	\$ 55,000
2008A Village of Dexter Bonds	1,600,000	-	-	1,600,000	15,000
2008B Village of Dexter Bonds	<u>2,000,000</u>	-	-	<u>2,000,000</u>	<u>25,000</u>
Total	<u>\$ 4,240,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 4,190,000</u>	<u>\$ 95,000</u>
Grand Total	<u>\$ 6,915,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 6,615,000</u>	<u>\$ 355,000</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, 2011

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%.

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%.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
<u>Business-type Activities:</u>					
1998 Water General Oblig. Bonds	\$ 155,000	\$ -	\$ 50,000	\$ 105,000	\$ 50,000
Rural Development Water Bonds	2,200,000	-	48,000	2,152,000	50,000
Rural Development Sewer Bonds	2,607,000	-	49,000	2,558,000	51,000
State Revolving Fund Loan	1,746,000	-	-	1,746,000	70,000
Drinking Water Revolv. Fund Loan	1,296,000	-	-	1,296,000	50,000
Totals	<u>\$ 8,004,000</u>	<u>\$ -</u>	<u>\$ 147,000</u>	<u>\$ 7,857,000</u>	<u>\$ 271,000</u>

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

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. Payments are due for forty years beginning in 2000, and the principal payments range from \$10,000 to \$163,000.

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.

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.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2011:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	3	4.00-4.85%	2027	\$ 2,425,000
DDA Debt	3	3.60-7.80%	2033	4,190,000
				<u>\$ 6,615,000</u>
Business-type Activities:				
General Obligation Bonds	3	2.50-5.00%	2031	\$ 3,147,000
Revenue Bonds	2	4.375-5.00%	2038	4,710,000
				<u>\$ 7,857,000</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2011 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>
2012	\$ 355,000	\$ 353,992	\$ 271,000	\$ 273,844
2013	360,000	339,038	281,000	264,620
2014	310,000	323,684	236,000	254,893
2015	320,000	310,450	244,000	247,639
2016	325,000	296,554	249,000	240,144
2017-2021	1,285,000	1,277,014	1,398,000	1,058,164
2022-2026	1,760,000	923,095	1,657,000	867,910
2027-2031	1,450,000	441,420	1,973,000	560,367
2032-2036	450,000	52,650	1,333,000	238,782
2037-2038	-	-	215,000	12,694
	<u>\$ 6,615,000</u>	<u>\$ 4,317,897</u>	<u>\$ 7,857,000</u>	<u>\$ 4,019,057</u>

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

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 2010 tax roll:

Per \$1,000 of State Equalized Value					
Purpose	Authorization	Authorized Rate	Authorized Rate Post "Roll Back"	Rate Levied	Tax Margin
Operating	Charter	12.5000	9.8807	9.8151	.0656
Streets	Charter	5.0000	3.9520	2.8961	1.0559
Debt	Voted	2.0000	2.0000	.8450	1.1550

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 (MMERS), which is an agent multiple employer retirement system that covers substantially all 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, 2010.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

a. Plan Description – Continued

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; the current rate was a percentage of annual compensation at December 31, 2008 as follows:

General	11.95%
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c. Annual Pension Cost

During the year ended June 30, 2011, the Village's contributions totaling \$131,034 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2008. 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.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost – Continued

<u>Three Year Trend Information</u>				
	Valuation	Annual	Percentage	Net
	Date	Pension	of APC	Pension
<u>Fiscal Year</u>	<u>Dec. 31</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2009	2006	\$ 121,273	100%	\$ -0-
2010	2007	121,423	100%	-0-
2011	2008	131,034	100%	-0-

2. Defined Contribution Pension Plan

The Village contributes to a defined contribution money purchase pension plan for the Village Manager. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the Village Council for approval.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Contributions made by the Village for an employee vest immediately. During the year, the Village's required and actual contributions amounted to \$3,521.

3. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to three 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 \$26,963, 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.

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

Funding Progress – For the year ended June 30, 2011, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study 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 computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$	157,480
Interest on the prior year's net OPEB obligation		-
Less adjustment to the annual required contribution		-
Annual OPEB Cost		157,480
Amounts Contributed:		
Payments of current premiums		(26,963)
Advance funding		(10,000)
Increase(Decrease) in net OPEB obligation		120,517
OPEB (asset)liability - Beginning of Year		(46,009)
OPEB (asset)liability - End of Year	\$	74,508

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/2010	1/1/2008	\$ 157,480	129%	\$ (46,009)
6/30/2011	1/1/2008	\$ 157,480	23%	\$ 74,508

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of January 1, 2008:

Actuarial Value of Assets	\$	-
Actuarial Accrued Liability (AAL)		1,594,792
Unfunded AAL (UAAL)		1,594,792
Funded Ratio		0.00%
Ratio of UAAL to covered payroll		Not available

VILLAGE OF DEXTER  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

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.

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 January 1, 2008 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.50 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, 2011

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.

In December 2010, the Economic Development Corporation, pursuant to Michigan Public Act 338 of 1974, as amended, approved the issuance of revenue bonds in a maximum principal amount not to exceed \$13,000,000 to assist in the refinancing of the Cedars of Dexter project for the United Methodist Retirement Community. The Village has no obligation to fund deficits of the EDC nor does it guarantee its debt.

D. Subsequent Events

1. Drinking Water Revolving Fund 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.

2. 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. The first debt payment will commence in November 2011.



REQUIRED SUPPLEMENTARY INFORMATION



Village of Dexter  
Required Supplementary Information  
Defined Benefit Pension Plans Trend Information (Unaudited)  
June 30, 2011

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010, 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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,780,700	\$ 1,780,700	\$ 1,787,999	\$ 7,299
Licenses and Permits	6,500	6,500	7,315	815
Intergovernmental - State	204,500	204,500	285,459	80,959
Charges for Services	748,100	749,100	778,364	29,264
Fines and Forfeitures	4,900	4,900	6,407	1,507
Franchise Fees	51,000	51,000	57,553	6,553
Interest	35,000	35,000	8,575	(26,425)
Other	12,500	12,500	27,266	14,766
Total Revenues	<u>2,843,200</u>	<u>2,844,200</u>	<u>2,958,938</u>	<u>114,738</u>
Expenditures:				
General Government:				
Village Council	43,600	43,600	40,032	3,568
Village Manager	274,300	278,300	272,093	6,207
Finance	12,200	12,200	11,192	1,008
Attorney	22,500	33,000	32,647	353
Clerk	6,700	6,700	5,600	1,100
Treasurer	102,800	102,800	100,466	2,334
Building and Grounds	56,800	59,400	55,667	3,733
Tree Program	21,000	21,000	18,736	2,264
Total General Government	<u>539,900</u>	<u>557,000</u>	<u>536,433</u>	<u>20,567</u>
Public Safety:				
Law Enforcement	549,000	549,000	544,175	4,825
Fire Department	384,000	384,000	379,500	4,500
Total Public Safety	<u>933,000</u>	<u>933,000</u>	<u>923,675</u>	<u>9,325</u>
Planning and Zoning:				
Planning	137,000	127,000	119,361	7,639
Board of Appeals	1,100	1,100	99	1,001
Total Planning and Zoning	<u>138,100</u>	<u>128,100</u>	<u>119,460</u>	<u>8,640</u>
Public Works:				
Department of Public Works	217,400	225,200	222,832	2,368
Downtown Public Works	65,300	76,600	76,550	50
Storm Water	5,000	5,000	4,890	110
Engineering	11,000	11,000	9,091	1,909
Street Lights	135,000	138,500	138,465	35
Solid Waste	510,000	508,600	494,551	14,049
Total Public Works	<u>943,700</u>	<u>964,900</u>	<u>946,379</u>	<u>18,521</u>
Parks and Recreation	<u>63,250</u>	<u>58,850</u>	<u>53,144</u>	<u>5,706</u>
Insurance and Bonds	<u>80,600</u>	<u>97,300</u>	<u>90,834</u>	<u>6,466</u>
Contributions	<u>23,250</u>	<u>23,250</u>	<u>23,250</u>	<u>-</u>
Other	<u>25,000</u>	<u>5,000</u>	<u>748</u>	<u>4,252</u>

(continued)

**VILLAGE OF DEXTER**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Debt Service:				
Principal	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Interest and Fees	<u>65,300</u>	<u>65,300</u>	<u>65,182</u>	<u>118</u>
Total Debt Service	<u>125,300</u>	<u>125,300</u>	<u>125,182</u>	<u>118</u>
Capital Outlay:				
Capital Outlay-General	-	93,100	92,656	444
Mill Creek Park Project	-	<u>112,300</u>	<u>78,832</u>	<u>33,468</u>
Total Capital Outlay	<u>-</u>	<u>205,400</u>	<u>171,488</u>	<u>33,912</u>
Total Expenditures	<u>2,872,100</u>	<u>3,098,100</u>	<u>2,990,593</u>	<u>107,507</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(28,900)</u>	<u>(253,900)</u>	<u>(31,655)</u>	<u>222,245</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	<u>(92,900)</u>	-	<u>92,900</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(92,900)</u>	<u>-</u>	<u>92,900</u>
Change in Fund Balance	<u>\$ (28,900)</u>	<u>\$ (346,800)</u>	(31,655)	<u>\$ 315,145</u>
Fund Balance - July 1			<u>1,567,317</u>	
Fund Balance - June 30			<u>\$ 1,535,662</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 114,100	\$ 114,100	\$ 116,419	\$ 2,319
Interest	3,500	3,500	922	(2,578)
Total Revenues	<u>117,600</u>	<u>117,600</u>	<u>117,341</u>	<u>(259)</u>
Expenditures:				
Public Works	<u>306,300</u>	<u>366,600</u>	<u>297,170</u>	<u>69,430</u>
Excess (Deficiency) of Revenues Over Expenditures	(188,700)	(249,000)	(179,829)	69,171
Other Financing Sources:				
Operating Transfers In	<u>188,700</u>	<u>257,500</u>	<u>227,000</u>	<u>(30,500)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 8,500</u>	47,171	<u>\$ 38,671</u>
Fund Balance - July 1			<u>142,632</u>	
Fund Balance - June 30			<u>\$ 189,803</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 51,500	\$ 51,500	\$ 61,737	\$ 10,237
Interest	600	600	115	(485)
Other	-	-	210	210
Total Revenues	<u>52,100</u>	<u>52,100</u>	<u>62,062</u>	<u>9,962</u>
Expenditures:				
Public Works	<u>191,050</u>	<u>218,250</u>	<u>174,280</u>	<u>43,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(138,950)</u>	<u>(166,150)</u>	<u>(112,218)</u>	<u>53,932</u>
Other Financing Sources (Uses):				
Operating Transfers In	138,950	216,150	195,000	(21,150)
Operating Transfers Out	<u>-</u>	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>138,950</u>	<u>179,150</u>	<u>158,000</u>	<u>(21,150)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 13,000</u>	45,782	<u>\$ 32,782</u>
Fund Balance - July 1			<u>4,342</u>	
Fund Balance - June 30			<u>\$ 50,124</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, 2011**

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 523,033	\$ 523,033	\$ 527,829	\$ 4,796
Interest	3,000	3,000	1,038	(1,962)
Total Revenues	<u>526,033</u>	<u>526,033</u>	<u>528,867</u>	<u>2,834</u>
Expenditures:				
Public Works	<u>34,800</u>	<u>34,800</u>	<u>30,539</u>	<u>4,261</u>
Excess (Deficiency) of Revenues Over Expenditures	491,233	491,233	498,328	7,095
Other Financing Uses:				
Operating Transfers Out	<u>(327,650)</u>	<u>(428,150)</u>	<u>(385,000)</u>	<u>43,150</u>
Change in Fund Balance	<u>\$ 163,583</u>	<u>\$ 63,083</u>	113,328	<u>\$ 50,245</u>
Fund Balance - July 1			<u>510,119</u>	
Fund Balance - June 30			<u>\$ 623,447</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 445,000	\$ 445,000	\$ 396,245	\$ (48,755)
Interest	4,000	4,000	2,159	(1,841)
Total Revenues	<u>449,000</u>	<u>449,000</u>	<u>398,404</u>	<u>(50,596)</u>
Expenditures:				
Community Development	56,500	56,500	49,947	6,553
Debt Service:				
Principal	50,000	50,000	50,000	-
Interest	254,000	254,000	253,929	71
Capital Outlay	-	-	-	-
Total Expenditures	<u>360,500</u>	<u>360,500</u>	<u>353,876</u>	<u>6,624</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 88,500</u>	<u>\$ 88,500</u>	44,528	<u>\$ (57,220)</u>
Fund Balance - July 1			<u>269,977</u>	
Fund Balance - June 30			<u>\$ 314,505</u>	



OTHER SUPPLEMENTARY INFORMATION

**VILLAGE OF DEXTER**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	<u>Special Revenue Tree Replacement</u>	<u>Debt Service Streetscape</u>	<u>Capital Project Equipment Replacement</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ 240,699	\$ 128,790	\$ 194,038	\$ 563,527
Special Assessments Receivable	<u>-</u>	<u>88,882</u>	<u>-</u>	<u>88,882</u>
Total Assets	<u>\$ 240,699</u>	<u>\$ 217,672</u>	<u>\$ 194,038</u>	<u>\$ 652,409</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ -	\$ 19	\$ 22,596	\$ 22,615
Deferred Revenue	<u>-</u>	<u>88,882</u>	<u>-</u>	<u>88,882</u>
Total Liabilities	<u>-</u>	<u>88,901</u>	<u>22,596</u>	<u>111,497</u>
Fund Balance:				
Restricted for:				
Debt Service	-	128,771	-	128,771
Trees	240,699	-	-	240,699
Committed for Equipment	<u>-</u>	<u>-</u>	<u>171,442</u>	<u>171,442</u>
Total Fund Balance	<u>240,699</u>	<u>128,771</u>	<u>171,442</u>	<u>540,912</u>
Total Liabilities and Fund Balance	<u>\$ 240,699</u>	<u>\$ 217,672</u>	<u>\$ 194,038</u>	<u>\$ 652,409</u>

**VILLAGE OF DEXTER**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2011**

	<u>Special Revenue Tree Replacement</u>	<u>Debt Service Streetscape</u>	<u>Capital Project Equipment Replacement</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ -	\$ 170,182	\$ -	\$ 170,182
Charges for Services	-	-	73,155	73,155
Special Assessments	-	59,654	-	59,654
Contributions	240,189	-	-	240,189
Interest	510	574	319	1,403
Total Revenues	<u>240,699</u>	<u>230,410</u>	<u>73,474</u>	<u>544,583</u>
Expenditures:				
Public Works	-	-	15,182	15,182
Debt Service:				
Principal	-	190,000	-	190,000
Interest and Fees	-	45,208	-	45,208
Capital Outlay	-	-	170,969	170,969
Total Expenditures	<u>-</u>	<u>235,208</u>	<u>186,151</u>	<u>421,359</u>
Excess (Deficiency) of Revenues Over Expenditures	240,699	(4,798)	(112,677)	123,224
Fund Balance - July 1	<u>-</u>	<u>133,569</u>	<u>284,119</u>	<u>417,688</u>
Fund Balance - June 30	<u>\$ 240,699</u>	<u>\$ 128,771</u>	<u>\$ 171,442</u>	<u>\$ 540,912</u>

**VILLAGE OF DEXTER**  
**Combining Balance Sheet**  
**Downtown Development Authority**  
**June 30, 2011**

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ 60,434	\$ 325,771	\$ 4,000	\$ 390,205
Accounts Receivable	<u>-</u>	<u>-</u>	<u>4,300</u>	<u>4,300</u>
Total Assets	<u>\$ 60,434</u>	<u>\$ 325,771</u>	<u>\$ 8,300</u>	<u>\$ 394,505</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Due to Other Governmental Units	\$ -	\$ 80,000	\$ -	\$ 80,000
Fund Balance:				
Restricted for:				
Debt	-	245,771	-	245,771
Downtown Development	<u>60,434</u>	<u>-</u>	<u>8,300</u>	<u>68,734</u>
Total Fund Balance	<u>60,434</u>	<u>245,771</u>	<u>8,300</u>	<u>314,505</u>
Total Liabilities and Fund Balance	<u>\$ 60,434</u>	<u>\$ 325,771</u>	<u>\$ 8,300</u>	<u>\$ 394,505</u>

**VILLAGE OF DEXTER**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Downtown Development Authority**  
**For the Year Ended June 30, 2011**

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ 396,245	\$ -	\$ -	\$ 396,245
Interest	<u>662</u>	<u>1,497</u>	<u>-</u>	<u>2,159</u>
Total Revenues	<u>396,907</u>	<u>1,497</u>	<u>-</u>	<u>398,404</u>
Expenditures:				
Community Development	49,947	-	-	49,947
Debt Service:				
Principal	-	50,000	-	50,000
Interest and Fees	-	253,929	-	253,929
Capital Outlay	-	-	-	-
Total Expenditures	<u>49,947</u>	<u>303,929</u>	<u>-</u>	<u>353,876</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>346,960</u>	<u>(302,432)</u>	<u>-</u>	<u>44,528</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	304,000	-	304,000
Operating Transfers Out	<u>(304,000)</u>	<u>-</u>	<u>-</u>	<u>(304,000)</u>
Total Other Financing Sources (Uses)	<u>(304,000)</u>	<u>304,000</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	42,960	1,568	-	44,528
Fund Balance - July 1	<u>17,474</u>	<u>244,203</u>	<u>8,300</u>	<u>269,977</u>
Fund Balance - June 30	<u>\$ 60,434</u>	<u>\$ 245,771</u>	<u>\$ 8,300</u>	<u>\$ 314,505</u>

