

VILLAGE OF DEXTER
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2014

VILLAGE OF DEXTER
For the Fiscal Year Ended June 30, 2014

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For the Fiscal Year Ended June 30, 2014

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FINANCIAL SECTION

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Independent Auditor's Report

December 12, 2014

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

President and Village Council
Village of Dexter, Michigan
December 12, 2014

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, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

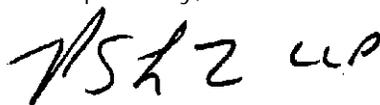
Required Supplementary Information

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

Other Information

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

Respectfully,

A handwritten signature in black ink that reads "PSLZ LLP". The letters are stylized and slanted to the right.

PSLZ 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, 2014. 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 \$17,710,465 (*net position*). Of this amount, \$2,695,936 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$696,873.
- At the close of the current fiscal year, the Village of Dexter's governmental funds reported combined ending fund balances of \$2,797,531. Thirty-six percent of this total amount, \$1,015,237, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The Village of Dexter's total debt increased by \$598,069 during the current fiscal year, as a result of water and sewer debt additions less 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 position* presents information on all of the Village of Dexter's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 \$17,710,465 at the close of the most recent fiscal year. Of the Village of Dexter's net position, 77 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 Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,217,228	\$ 3,116,512	\$ 1,966,473	\$ 2,300,769	\$ 5,183,701	\$ 5,417,281
Capital Assets	13,967,320	14,578,318	15,698,397	15,402,572	29,665,717	29,980,890
Total Assets	<u>17,184,548</u>	<u>17,694,830</u>	<u>17,664,870</u>	<u>17,703,341</u>	<u>34,849,418</u>	<u>35,398,171</u>
Long-term liabilities	6,207,586	6,491,396	10,403,151	9,489,082	16,610,737	15,980,478
Other liabilities	419,697	466,014	108,519	544,341	528,216	1,010,355
Total Liabilities	<u>6,627,283</u>	<u>6,957,410</u>	<u>10,511,670</u>	<u>10,033,423</u>	<u>17,138,953</u>	<u>16,990,833</u>
Net Position:						
Net Investment						
in capital assets	8,371,320	8,666,318	5,295,246	5,913,490	13,666,566	14,579,808
Restricted	1,347,963	1,457,641	-	-	1,347,963	1,457,641
Unrestricted	837,982	613,461	1,857,954	1,756,428	2,695,936	2,369,889
Total Net Position	<u>\$ 10,557,265</u>	<u>\$ 10,737,420</u>	<u>\$ 7,153,200</u>	<u>\$ 7,669,918</u>	<u>\$ 17,710,465</u>	<u>\$ 18,407,338</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 position, 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 position decreased by \$696,873 during the current fiscal year.

Governmental activities. Governmental activities decreased net position by \$180,155.

Business-type activities. Business-type activities decreased net position by \$516,718, which is mostly due to the sewer fund sludge handling project.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$ 1,182,096	\$ 1,499,006	\$ 1,738,402	\$ 1,788,053	\$ 2,920,498	\$ 3,287,059
Operating Grants & Contrib.	308,794	332,492	-	-	308,794	332,492
Capital Grants & Contrib.	10,462	91,637	387,788	284,847	398,250	376,484
General Revenues:						
Property Taxes	2,893,591	2,816,086	-	-	2,893,591	2,816,086
State Shared Revenues	305,641	300,046	-	-	305,641	300,046
Investment Earnings	14,807	10,883	3,622	3,664	18,429	14,547
Franchise Fees	67,825	63,647	-	-	67,825	63,647
Total Revenues	<u>4,783,216</u>	<u>5,113,797</u>	<u>2,129,812</u>	<u>2,076,564</u>	<u>6,913,028</u>	<u>7,190,361</u>
Program Expenses						
General Government	801,294	803,875	-	-	801,294	803,875
Public Safety	1,052,606	1,034,489	-	-	1,052,606	1,034,489
Community Development	307,707	190,105	-	-	307,707	190,105
Public Works	2,332,195	2,463,998	-	-	2,332,195	2,463,998
Recreation and Cultural	158,261	145,331	-	-	158,261	145,331
Interest on Long-Term Debt	311,308	324,566	-	-	311,308	324,566
Water and Sewer	-	-	2,646,530	2,262,768	2,646,530	2,262,768
Total Expenses	<u>4,963,371</u>	<u>4,962,364</u>	<u>2,646,530</u>	<u>2,262,768</u>	<u>7,609,901</u>	<u>7,225,132</u>
Change in Net Position	<u>\$ (180,155)</u>	<u>\$ 151,433</u>	<u>\$ (516,718)</u>	<u>\$ (186,204)</u>	<u>\$ (696,873)</u>	<u>\$ (34,771)</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$2,797,531, 36% of this total amount (\$1,015,237) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* (\$1,347,963), *committed* (\$119,883) or *assigned* (\$314,448) to indicate that it is not available for new spending because it has already been committed.

Total governmental fund balances increased \$147,033 for the year ended June 30, 2014 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 \$1,329,685, of which \$1,015,237 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 position of the Water and Sewer Funds at the end of the current fiscal year amounted to \$1,857,954. Factors concerning the change in net position 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 \$50,500, primarily for other revenues. The final amended budgeted expenditures in the General Fund increased by \$73,500 over the original adopted budget, primarily for general government expenses. The final amended budget for the year ended June 30, 2014 projected a \$56,400 increase in General Fund fund balance, and the final actual amount of increase to fund balance was \$232,315.

Capital Asset and Debt Administration

Capital assets. The Village of Dexter's investment in capital assets for its governmental and business type activities is \$29,665,717 (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 decreased 4% for governmental activities, and increased 2% 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 32-33 of this report.

Long-term debt. At the end of the current fiscal year, the Village of Dexter had total debt outstanding of \$15,999,151. Of this amount, \$5,596,000 is governmental, and \$10,403,151 is business-type. The Village of Dexter's total debt increased by \$598,069 during the current fiscal year as a result of \$1,229,069 of additional water and sewer improvement debt less \$631,000 of principal debt service payments made.

Additional information on the Village of Dexter's long-term debt can be found in note III.D on pages 34-38 of this report.

Economic Factors and Next Year's Budgets and Rates

- In November 2014, Village residents voted to decide whether the Village should incorporate as a City. As this was approved by the voters, Village taxpayers will no longer pay Township taxes. The current amount paid by Village taxpayers to the Townships is approximately \$340,000.
- The Village Council is supportive of redevelopment in the Village to encourage investment that will increase tax revenues. With cooperation from Scio Township an annexation of land into the Dexter Business and Research Park was approved in 2013. This facilitated the \$33,000,000 expansion of Dexter Fastener, the Village's largest taxpayer, which was completed in Summer 2014. New home construction in the Village's subdivisions has also stayed at a level that has not been seen since before the 2008 downturn of the housing market.
- The millage rate for 2013-2014 is 13.5562, which has been kept constant for the past eight years. Village Council does plan to increase the millage rate dedicated to the street fund by 0.5 in fiscal year 2014-2015 to facilitate the sale of an \$800,000 bond for road repair.
- In fiscal year 2014-2015, the Village has continued to budget \$75,000 from the increase in constitutional revenue sharing along with an additional \$20,000 to fund the post retirement healthcare liability.
- The Village continued to budget in fiscal year 2014-2015 to make additional contributions to the MERS defined benefit plan to continue to increase the Village's funded percentage. Over the past five years the funded percentage has risen from 67% to 83%.

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 Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,987,506	\$ 1,642,123	\$ 4,629,629
Receivables (net of allowance for uncollectibles):			
Accounts	183,776	324,350	508,126
Due from Other Governmental Units	45,946	-	45,946
Capital Assets (net of Accumulated Depreciation)	13,967,320	15,698,397	29,665,717
Total Assets	17,184,548	17,664,870	34,849,418
<u>LIABILITIES</u>			
Accounts Payable	202,743	67,361	270,104
Accrued Liabilities	84,045	41,158	125,203
Due to Other Governmental Units	132,909	-	132,909
Noncurrent Liabilities:			
Other Post Employment Benefit Liability	611,586	-	611,586
Due within one year	324,000	455,000	779,000
Due in more than one year	5,272,000	9,948,151	15,220,151
Total Liabilities	6,627,283	10,511,670	17,138,953
<u>NET POSITION</u>			
Net Investment in Capital Assets	8,371,320	5,295,246	13,666,566
Restricted for:			
Debt Service	257,514	-	257,514
Streets	404,743	-	404,743
Downtown Development	535,614	-	535,614
Trees	150,092	-	150,092
Unrestricted	837,982	1,857,954	2,695,936
Total Net Position	\$ 10,557,265	\$ 7,153,200	\$ 17,710,465

VILLAGE OF DEXTER
Statement of Activities
For the Year Ended June 30, 2014

<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	\$ 801,294	\$ 344,105	\$ 10,250	\$ -
Public Safety	1,052,606	11,994	3,101	-
Community Development	307,707	166,148	-	-
Public Works	2,332,195	659,749	286,036	10,462
Recreation and Cultural	158,261	100	9,407	-
Interest on Long-Term Debt	311,308	-	-	-
Total Governmental Activities	<u>4,963,371</u>	<u>1,182,096</u>	<u>308,794</u>	<u>10,462</u>
Business-type Activities:				
Water	1,021,948	671,857	-	146,339
Sewer	1,624,582	1,066,545	-	241,449
Total Business-type Activities	<u>2,646,530</u>	<u>1,738,402</u>	<u>-</u>	<u>387,788</u>
Grand Total	<u>\$ 7,609,901</u>	<u>\$ 2,920,498</u>	<u>\$ 308,794</u>	<u>\$ 398,250</u>

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

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (446,939)	\$ -	\$ (446,939)
(1,037,511)	-	(1,037,511)
(141,559)	-	(141,559)
(1,375,948)	-	(1,375,948)
(148,754)	-	(148,754)
(311,308)	-	(311,308)
<u>(3,462,019)</u>	<u>-</u>	<u>(3,462,019)</u>
-	(203,752)	(203,752)
-	(316,588)	(316,588)
-	<u>(520,340)</u>	<u>(520,340)</u>
<u>(3,462,019)</u>	<u>(520,340)</u>	<u>(3,982,359)</u>
2,893,591	-	2,893,591
305,641	-	305,641
67,825	-	67,825
14,807	3,622	18,429
<u>3,281,864</u>	<u>3,622</u>	<u>3,285,486</u>
(180,155)	(516,718)	(696,873)
<u>10,737,420</u>	<u>7,669,918</u>	<u>18,407,338</u>
<u>\$ 10,557,265</u>	<u>\$ 7,153,200</u>	<u>\$ 17,710,465</u>

VILLAGE OF DEXTER
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,402,124	\$ 53,371	\$ 41,056
Receivables (net of allowance for uncollectibles):			
Accounts	142,302	-	-
Due from Other Governmental Units	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,544,426</u>	<u>\$ 53,371</u>	<u>\$ 41,056</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 130,696	\$ 43,668	\$ 10,524
Accrued and Other Liabilities	84,045	-	-
Due to Other Governmental Units	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>214,741</u>	<u>43,668</u>	<u>10,524</u>
Fund Balances:			
Restricted for:			
Debt Service	-	-	-
Streets	-	9,703	30,532
Downtown Development	-	-	-
Trees	-	-	-
Committed for Capital Projects	-	-	-
Assigned for Facilities	264,248	-	-
Assigned for Subsequent Years Expenditures	50,200	-	-
Unassigned	<u>1,015,237</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,329,685</u>	<u>9,703</u>	<u>30,532</u>
Total Liabilities and Fund Balances	<u>\$ 1,544,426</u>	<u>\$ 53,371</u>	<u>\$ 41,056</u>

Amounts reported for governmental activities in the statement of net position 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 Position of Governmental Activities

Municipal Street Special Revenue	Downtown Dev. Authority Special Revenue	Other Governmental Funds	Total Governmental Funds
\$ 367,697	\$ 834,552	\$ 288,706	\$ 2,987,506
-	41,474	-	183,776
-	45,946	-	45,946
<u>\$ 367,697</u>	<u>\$ 921,972</u>	<u>\$ 288,706</u>	<u>\$ 3,217,228</u>

\$ 3,189	\$ 1,890	\$ 12,776	\$ 202,743
-	-	-	84,045
-	132,909	-	132,909
<u>3,189</u>	<u>134,799</u>	<u>12,776</u>	<u>419,697</u>

-	251,559	5,955	257,514
364,508	-	-	404,743
-	535,614	-	535,614
-	-	150,092	150,092
-	-	119,883	119,883
-	-	-	264,248
-	-	-	50,200
-	-	-	1,015,237
<u>364,508</u>	<u>787,173</u>	<u>275,930</u>	<u>2,797,531</u>
<u>\$ 367,697</u>	<u>\$ 921,972</u>	<u>\$ 288,706</u>	

13,967,320
(611,586)

(5,596,000)

\$ 10,557,265

VILLAGE OF DEXTER
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>
<u>Revenues</u>			
Property Taxes	\$ 1,881,197	\$ -	\$ -
Licenses and Permits	11,090	-	-
Intergovernmental:			
Federal, State and Local	308,742	180,610	89,849
Grants	9,750	-	-
Charges for Services	787,810	-	-
Fines and Forfeitures	5,591	-	-
Franchise Fees	67,825	-	-
Interest	7,448	21	33
Other	139,385	18,250	7,789
Total Revenues	<u>3,218,838</u>	<u>198,881</u>	<u>97,671</u>
<u>Expenditures</u>			
Current:			
General Government	605,045	-	-
Public Safety	1,029,969	-	-
Community Development	98,013	-	-
Public Works	851,592	407,725	404,393
Recreation and Cultural	100,834	-	-
Other	163,447	-	-
Debt Service:			
Principal	70,000	-	-
Interest and Other Charges	57,632	-	-
Capital Outlay	17,991	-	-
Total Expenditures	<u>2,994,523</u>	<u>407,725</u>	<u>404,393</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>224,315</u>	<u>(208,844)</u>	<u>(306,722)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	8,000	200,000	320,000
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>200,000</u>	<u>320,000</u>
Net Change in Fund Balances	232,315	(8,844)	13,278
Fund Balances - Beginning	<u>1,097,370</u>	<u>18,547</u>	<u>17,254</u>
Fund Balances - Ending	<u>\$ 1,329,685</u>	<u>\$ 9,703</u>	<u>\$ 30,532</u>

Municipal Street Special Revenue	Downtown Dev. Authority Special Revenue	Other Governmental Funds	Total Governmental Funds
\$ 550,591	\$ 295,385	\$ 166,418	\$ 2,893,591
-	-	-	11,090
-	-	-	579,201
-	-	-	9,750
-	20,549	98,904	907,263
-	-	-	5,591
-	-	-	67,825
598	4,900	1,807	14,807
-	128,674	-	294,098
<u>551,189</u>	<u>449,508</u>	<u>267,129</u>	<u>4,783,216</u>
-	-	-	605,045
-	-	-	1,029,969
-	209,694	-	307,707
44,308	-	35,067	1,743,085
-	-	-	100,834
-	-	-	163,447
-	106,000	140,000	316,000
-	230,886	22,790	311,308
-	-	40,797	58,788
<u>44,308</u>	<u>546,580</u>	<u>238,654</u>	<u>4,636,183</u>
<u>506,881</u>	<u>(97,072)</u>	<u>28,475</u>	<u>147,033</u>
-	-	-	528,000
<u>(520,000)</u>	<u>-</u>	<u>(8,000)</u>	<u>(528,000)</u>
<u>(520,000)</u>	<u>-</u>	<u>(8,000)</u>	<u>-</u>
(13,119)	(97,072)	20,475	147,033
<u>377,627</u>	<u>884,245</u>	<u>255,455</u>	<u>2,650,498</u>
\$ <u>364,508</u>	\$ <u>787,173</u>	\$ <u>275,930</u>	\$ <u>2,797,531</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, 2014

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

Net change in fund balances - total governmental funds	\$	147,033
<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	58,788
	Capital Outlay-Nondepartmental	140,122
	Depreciation Expense	(809,908)
Change in Other Post Employment Benefits		(32,190)
<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>316,000</u>
Change in net position in governmental activities	\$	<u><u>(180,155)</u></u>

VILLAGE OF DEXTER
Balance Sheet
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 677,450	\$ 964,673	\$ 1,642,123
Accounts Receivable	115,191	209,159	324,350
Total Current Assets	792,641	1,173,832	1,966,473
Fixed Assets:			
Land	261,577	206,532	468,109
Water System	10,473,606	-	10,473,606
Sewer System	-	17,822,859	17,822,859
Vehicles	21,737	53,390	75,127
Accumulated Depreciation	(4,567,621)	(8,573,683)	(13,141,304)
Net Fixed Assets	6,189,299	9,509,098	15,698,397
Total Assets	\$ 6,981,940	\$ 10,682,930	\$ 17,664,870
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 16,934	\$ 50,427	\$ 67,361
Accrued Liabilities	20,579	20,579	41,158
General Obligation Bonds Payable	165,000	290,000	455,000
Total Current Liabilities	202,513	361,006	563,519
Long-Term Liabilities:			
General Obligation Bonds Payable (net of current portion)	3,382,861	6,565,290	9,948,151
Total Liabilities	3,585,374	6,926,296	10,511,670
Net Position:			
Net Investment in Capital Assets	2,641,438	2,653,808	5,295,246
Unrestricted	755,128	1,102,826	1,857,954
Total Net Position	3,396,566	3,756,634	7,153,200
Total Liabilities and Net Position	\$ 6,981,940	\$ 10,682,930	\$ 17,664,870

VILLAGE OF DEXTER
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Water Billings	\$ 658,428	\$ -	\$ 658,428
Sewer Billings	-	1,048,198	1,048,198
Miscellaneous	13,429	18,347	31,776
Total Operating Revenues	<u>671,857</u>	<u>1,066,545</u>	<u>1,738,402</u>
Operating Expenses:			
Operations & Maintenance	566,013	930,293	1,496,306
Depreciation Expense	361,824	539,137	900,961
Total Operating Expenses	<u>927,837</u>	<u>1,469,430</u>	<u>2,397,267</u>
Operating Income (Loss)	<u>(255,980)</u>	<u>(402,885)</u>	<u>(658,865)</u>
Nonoperating Revenues (Expenses):			
State Grant	617	-	617
Interest Income	2,436	1,186	3,622
Interest and Fees	(94,111)	(155,152)	(249,263)
Total Nonoperating Revenues (Expenses)	<u>(91,058)</u>	<u>(153,966)</u>	<u>(245,024)</u>
Income (Loss) Before Contributions and Transfers	(347,038)	(556,851)	(903,889)
Capital Contributions	<u>145,722</u>	<u>241,449</u>	<u>387,171</u>
Net Income (Loss)	(201,316)	(315,402)	(516,718)
Net Position - July 1	<u>3,597,882</u>	<u>4,072,036</u>	<u>7,669,918</u>
Net Position - June 30	<u>\$ 3,396,566</u>	<u>\$ 3,756,634</u>	<u>\$ 7,153,200</u>

VILLAGE OF DEXTER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 701,873	\$ 1,490,039	\$ 2,191,912
Payments to suppliers	(362,122)	(1,081,686)	(1,443,808)
Payments to employees	(198,022)	(290,298)	(488,320)
Net Cash Provided (Used) by Operating Activities	141,729	118,055	259,784
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Contributions	145,722	241,449	387,171
State Grant Contribution	617	-	617
Construction of capital assets	(34,318)	(1,162,468)	(1,196,786)
Proceeds from SRF Loan	-	1,229,069	1,229,069
Principal Paid on Debt	(155,000)	(160,000)	(315,000)
Interest Paid on Debt	(94,111)	(155,152)	(249,263)
Net Cash Provided (Used) by Capital and Related Financing Activities	(137,090)	(7,102)	(144,192)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Earned	2,436	1,186	3,622
Net Cash Provided (Used) by Investing Activities	2,436	1,186	3,622
Net Increase (Decrease) in Cash and Cash Equivalents	7,075	112,139	119,214
Cash and Cash Equivalents, Beginning	670,375	852,534	1,522,909
Cash and Cash Equivalents, Ending	\$ 677,450	\$ 964,673	\$ 1,642,123
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$ (255,980)	\$ (402,885)	\$ (658,865)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	361,824	539,137	900,961
(Increase) Decrease in Accounts Receivable	30,016	423,494	453,510
Increase (Decrease) in Accounts Payable	1,670	(445,890)	(444,220)
Increase (Decrease) in Accrued Liabilities	4,199	4,199	8,398
Net Cash Provided (Used) by Operating Activities	\$ 141,729	\$ 118,055	\$ 259,784

VILLAGE OF DEXTER
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u><u>300,068</u></u>
<u>LIABILITIES</u>	
Due to Other	\$ <u><u>300,068</u></u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

Downtown Development Authority

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

Jointly Governed Organizations

Dexter Area Fire Department

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

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 position and the statement of changes in net position) 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, 2014

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, 2014

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, 2014

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 Position

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, 2014.

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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

4. Capital Assets

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

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

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. This liability is composed of any unused vacation and sick time paid upon termination of employment. The total liability at June 30, 2014 is \$125,188.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 Position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

7. Fund Equity

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

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

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

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

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

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

1. Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. These are prepared on the activity level basis using the modified accrued method of accounting.
2. Public hearings are conducted by Village Council to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. The Village Manager or her designee is authorized to transfer budgeted amounts within the departmental appropriation accounts; however, the Village Council must approve any revisions that alter the total expenditures of any department.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2014 several budget amendments were made and are reflected in the financial statements.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2014.

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, 2014.

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 Position:	
Cash and Cash Equivalents	\$4,629,629
Statement of Fiduciary Net Position	<u>300,068</u>
Total	<u>\$4,929,697</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, 2014, the Village's book balance of its cash deposits (certificates of deposit, checking and savings accounts) was \$4,929,697. The bank balance was \$4,264,343, of which \$1,823,145 was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk

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

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Savings and Checking Accounts	\$2,455,428	Demand
Certificates of Deposit	1,708,392	32 Months
Pooled Investments (Share Price = \$1)	<u>100,523</u>	Demand
	<u>\$4,264,343</u>	

Credit Risk

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

Concentration of Credit Risk

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	\$ 2,809,526	\$ -	\$ -	\$ 2,809,526
Capital Assets, being depreciated:				
Building and Improvements	3,469,772	-	-	3,469,772
Machinery and Equipment	349,807	6,606	-	356,413
Infrastructure	12,953,987	151,507	-	13,105,494
Vehicles	901,861	40,797	-	942,658
Land Improvements	2,125,647	-	-	2,125,647
	<u>19,801,074</u>	<u>198,910</u>	<u>-</u>	<u>19,999,984</u>
Less: Accumulated Depreciation:				
Building and Improvements	(1,495,517)	(66,953)	-	(1,562,470)
Machinery and Equipment	(228,933)	(22,993)	-	(251,926)
Infrastructure	(5,763,313)	(634,671)	-	(6,397,984)
Vehicles	(471,277)	(47,974)	-	(519,251)
Land Improvements	(73,242)	(37,317)	-	(110,559)
	<u>(8,032,282)</u>	<u>(809,908)</u>	<u>-</u>	<u>(8,842,190)</u>
Governmental Activities Capital Assets, net	<u>\$ 14,578,318</u>	<u>\$ (610,998)</u>	<u>\$ -</u>	<u>\$ 13,967,320</u>

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

General Government	\$ 26,428
Public Safety	22,637
Public Works	696,810
Recreation and Cultural	64,033
	<u>\$ 809,908</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

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	\$ 468,109	\$ -	\$ -	\$ 468,109
Capital Assets, being depreciated:				
Water and Sewer System	27,174,806	1,196,786	-	28,371,592
Less: Accumulated Depreciation:				
Water and Sewer System	<u>(12,240,343)</u>	<u>(900,961)</u>	<u>-</u>	<u>(13,141,304)</u>
Business Activities				
Capital Assets, net	<u>\$ 15,402,572</u>	<u>\$ 295,825</u>	<u>\$ -</u>	<u>\$ 15,698,397</u>

C. Interfund Operating Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Street Fund	Municipal Street Fund	\$ 200,000
Local Street Fund	Municipal Street Fund	320,000
General Fund	Tree Replacement Fund	8,000
		<u>\$ 528,000</u>

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

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

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, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Village of Dexter:					
2002 Refunding Bonds	\$ 560,000	\$ -	\$ 140,000	\$ 420,000	\$ 140,000
2006 General Obligation Bonds	1,340,000	-	70,000	1,270,000	75,000
Total	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 1,690,000</u>	<u>\$ 215,000</u>
Downtown Development Authority:					
2008A Village of Dexter Bonds	\$ 1,570,000	\$ -	\$ 15,000	\$ 1,555,000	\$ 15,000
2008B Village of Dexter Bonds	1,950,000	-	25,000	1,925,000	25,000
2011 Refunding Bonds	492,000	-	66,000	426,000	69,000
Total	<u>\$ 4,012,000</u>	<u>\$ -</u>	<u>\$ 106,000</u>	<u>\$ 3,906,000</u>	<u>\$ 109,000</u>
Grand Total	<u>\$ 5,912,000</u>	<u>\$ -</u>	<u>\$ 316,000</u>	<u>\$ 5,596,000</u>	<u>\$ 324,000</u>

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

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, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

DDA Debt

2008A Village of Dexter Downtown Development Bonds

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

2008B Village of Dexter Downtown Development Bonds

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

2011 Village of Dexter Downtown Development Refunding Bonds

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

	Balance			Balance	Due Within
	June 30, 2013	Additions	Reductions	June 30, 2014	One Year
<u>Business-type Activities:</u>					
2012 Water GO Refunding Bonds	\$ 1,710,000	\$ -	\$ 70,000	\$ 1,640,000	\$ 80,000
2012 Sewer GO Refunding Bonds	2,170,000	-	90,000	2,080,000	90,000
2009 State Revolving Fund Bonds	1,545,290	-	70,000	1,475,290	70,000
2012 State Revolving Fund Bonds	2,070,931	1,229,069	-	3,300,000	130,000
2010 Drinking Water Rev Fund Bonds	1,124,226	-	50,000	1,074,226	50,000
2011 Drinking Water Rev Fund Bonds	868,635	-	35,000	833,635	35,000
Totals	<u>\$ 9,489,082</u>	<u>\$ 1,229,069</u>	<u>\$ 315,000</u>	<u>\$ 10,403,151</u>	<u>\$ 455,000</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

Following is a detailed description of the above debts:

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, 2014 was \$1,475,290. 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, 2014 was \$1,074,226. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting October 1, 2010 through October 1, 2030.

2011 Drinking Water Revolving Fund Program Loan

In September 2011, the Village of Dexter commenced financing for the construction of water supply system improvements through the Michigan Department of Environmental Quality Drinking Water Revolving Fund Program for \$1,550,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting in November 2012. The Village has received \$903,635 of loan draws through June 30, 2014.

2012 State Revolving Fund Loan

In September 2012, the Village of Dexter commenced financing for the construction of sewer system improvements through the Michigan Department of Environmental Quality Revolving Fund Program for \$3,300,000. The interest rate is 2.50% and the principal and interest amounts are due over 20 years starting in April 2013. The Village has received \$3,300,000 of loan draws through June 30, 2014.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

2012 Water G.O. Refunding Bonds

In May 2012, the Village issued \$1,770,000 of general obligation bonds with interest rates of 1.90 – 3.25% and semi-annual maturities from October 2012 through October 2031. The net proceeds of \$1,937,764, which included \$207,348 of debt service reserves, were used to advance refund \$2,102,000 of 1999 Water Revenue Bonds with interest rates of 4.375% and maturing through 2038.

2012 Sewer G.O. Refunding Bonds

In May 2012, the Village issued \$2,225,000 of general obligation bonds with interest rates of 1.90 – 3.25% and semi-annual maturities from October 2012 through October 2031. The net proceeds of \$2,446,000 which included \$235,444 of debt service reserves were used to advance refund \$2,507,000 of Sewer Revenue Bonds Series 2000A and 2000B with interest rates of 5.0% and maturing through 2038.

The following is a summary of general obligation debt outstanding of the Village as of June 30, 2014:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	2	3.25-4.40%	2027	\$ 1,690,000
DDA Debt	3	2.95-7.90%	2033	3,906,000
				<u>\$ 5,596,000</u>
Business-type Activities:				
General Obligation Bonds	2	1.90-3.25%	2032	\$ 3,720,000
Drinking Water Rev Fund Bonds	2	2.50%	2032	1,907,861
State Revolving Fund Bonds	2	2.50%	2034	4,775,290
				<u>\$ 10,403,151</u>

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2014 are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 324,000	\$ 297,603	\$ 455,000	\$ 405,875
2016	328,000	281,832	470,000	417,625
2017	332,000	271,784	485,000	424,313
2018	205,000	258,195	500,000	430,876
2019	224,000	249,837	505,000	432,376
2020-2024	1,483,000	1,076,888	2,715,000	2,226,003
2025-2029	1,800,000	636,330	3,110,000	2,413,440
2030-2034	900,000	175,500	2,163,151	1,245,403
	<u>\$ 5,596,000</u>	<u>\$ 3,247,969</u>	<u>\$ 10,403,151</u>	<u>\$ 7,995,911</u>

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 2013 tax roll:

<u>Per \$1,000 of State Equalized Value</u>					
<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	Charter	12.5000	9.8807	9.8665	.0142
Streets	Charter	5.0000	3.9520	2.8874	1.0646
Debt	Voted	2.0000	2.0000	.8023	1.1977

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), which is an agent multiple employer retirement system that covers 12 full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2013.

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

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and personnel policy. The Village is required to contribute at an actuarially determined rate, and employees are required to contribute 5.0%. As of July 1, 2011, the Village closed all defined benefit groups to new members, so the Village now contributes a monthly flat rate of \$4,346 per month.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the year ended June 30, 2014, the Village's contributions totaling \$52,333 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011, plus an additional contribution of \$28,106. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Valuation Date</u> <u>Dec. 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	2009	\$ 71,534	100%	\$ -0-
2013	2010	37,500	100%	-0-
2014	2011	52,333	100%	-0-

In the current year, the Village made an additional contribution of \$28,106 in excess of its annual required contribution. This contribution was made in accordance with the Village's intent to reduce the unfunded actuarial accrued liability.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Pension Plan

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

As established by the Village Council, the Village contributes 2.5% of employees' gross earnings and employees are required to contribute 5% to the defined contribution plan which is administered by the Michigan Municipal Employees' Retirement System (MERS). The Village also contributes to a defined contribution money purchase pension plan for the Village Manager, which is administered by the ICMA Retirement Corporation (ICMA). Total current year employer contributions, including both plans was \$6,011.

3. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to four retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$30,593, net of participant contributions.

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

Funding Progress – For the year ended June 30, 2014, the Village has estimated the cost of providing retiree healthcare benefits through use of the alternate calculation method as established under GASB 45. The alternate calculation method computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The alternate calculation method uses actuarial techniques, although it was not performed by an actuary.

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 150,259
Interest on the prior year's net OPEB obligation	40,558
Less adjustment to the annual required contribution	<u>(33,034)</u>
Annual OPEB Cost	157,783

Amounts Contributed:

Payments of current premiums	(30,593)
Advance funding	<u>(95,000)</u>
Increase(Decrease) in net OPEB obligation	32,190
OPEB liability - Beginning of Year	<u>579,396</u>
OPEB liability - End of Year	<u>\$ 611,586</u>

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	7/1/2011	\$ 348,084	17%	\$ 362,509
6/30/2013	7/1/2011	\$ 348,084	38%	\$ 579,396
6/30/2014	6/30/2014	\$ 157,783	80%	\$ 611,586

Valuation as of:	<u>July 1, 2011</u>	<u>June 30, 2014</u>
Actuarial Value of Assets	\$ 289,282	\$ 616,820
Actuarial Accrued Liability	4,054,728	2,175,035
Unfunded AAL	3,765,446	1,558,215
Funded Ratio	7%	28%

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

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

In the June 30, 2014 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.00 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

B. Risk Management

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

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

VILLAGE OF DEXTER
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

C. Economic Development Corporation

The Village of Dexter Economic Development Corporation (EDC) is governed by a nine member board appointed by the Village Council. The EDC was established to promote economic development within the Village. The annual operating budget and any modifications require the approval of the Village Council. During fiscal year 2012-2013, the Economic Development Corporation, pursuant to Michigan Public Act 338 of 1974, as amended, did not have an opportunity to approve any issuance of revenue bonds to assist in refinancing of projects. The EDC continues to meet annually to maintain its status as a Corporation in order to assist with refinancing projects. The Village has no obligation to fund deficits of the EDC nor does it guarantee its debt.

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Village's fiscal year ended June 30, 2015.

E. Subsequent Event

On November 20, 2014, the Village of Dexter filed a city charter, which was approved by the voters on November 4, 2014 and certified by the Washtenaw County Clerk, with the Michigan Office of the Great Seal. Upon filing, the Village of Dexter officially became a Home Rule City, named the City of Dexter. The City's fiscal year is unchanged from the Village's fiscal year, and the City Council, at their first meeting, adopted the Fiscal Year 2014-2015 Village budget as the budget of the new City, as well as assuming all contracts and other agreements of the former Village. As of January 1, 2015, the City of Dexter will assume election and assessing duties.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Dexter
Required Supplementary Information
Defined Benefit Pension Plans Trend Information (Unaudited)
June 30, 2014

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$ 1,107,517	\$ 1,303,343	\$ 195,826	85%	\$687,506	28%
12/31/01	1,271,105	1,469,988	198,883	86	680,185	29
12/31/02	1,417,789	1,784,208	366,419	79	835,232	44
12/31/03	1,630,529	1,978,833	348,304	82	866,692	40
12/31/04	1,814,081	2,370,866	556,785	77	882,564	63
12/31/05	1,975,646	2,715,100	739,454	73	946,516	78
12/31/06	2,176,383	2,985,549	809,166	73	1,055,372	77
12/31/07	2,046,134	2,785,187	739,053	73	812,681	91
12/31/08	2,203,644	3,286,312	1,082,668	67	941,034	115
12/31/09	2,390,044	3,033,468	643,464	79	838,362	77
12/31/10	2,635,286	3,370,134	734,848	78	781,444	94
12/31/11	2,718,224	3,130,767	412,543	87	704,861	59
12/31/12	2,764,508	3,254,029	489,521	85	692,056	71
12/31/13	2,850,594	3,444,340	593,746	83	591,332	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	25 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,877,000	\$ 1,877,000	\$ 1,881,197	\$ 4,197
Licenses and Permits	10,200	10,200	11,090	890
Intergovernmental - State	309,000	314,000	308,742	(5,258)
Grants	-	9,500	9,750	250
Charges for Services	780,900	791,800	787,810	(3,990)
Fines and Forfeitures	4,200	4,200	5,591	1,391
Franchise Fees	63,000	67,500	67,825	325
Interest	6,500	6,500	7,448	948
Other	9,400	30,000	139,385	109,385
Total Revenues	<u>3,060,200</u>	<u>3,110,700</u>	<u>3,218,838</u>	<u>108,138</u>
Expenditures:				
General Government:				
Village Council	49,600	64,200	60,537	3,663
Village Manager	302,700	289,600	289,384	216
Finance	10,000	10,600	10,197	403
Attorney	25,000	47,000	47,000	-
Clerk	12,300	12,300	10,028	2,272
Treasurer	104,400	105,400	104,944	456
Building and Grounds	62,600	72,600	68,918	3,682
Tree Program	24,000	24,000	14,037	9,963
Total General Government	<u>590,600</u>	<u>625,700</u>	<u>605,045</u>	<u>20,655</u>
Public Safety:				
Law Enforcement	564,000	564,000	556,885	7,115
Fire Department	460,000	474,000	473,084	916
Total Public Safety	<u>1,024,000</u>	<u>1,038,000</u>	<u>1,029,969</u>	<u>8,031</u>
Planning and Zoning:				
Planning	100,900	97,900	97,818	82
Board of Appeals	1,100	1,100	195	905
Total Planning and Zoning	<u>102,000</u>	<u>99,000</u>	<u>98,013</u>	<u>987</u>
Public Works:				
Department of Public Works	169,500	164,500	148,326	16,174
Downtown Public Works	73,300	76,200	73,664	2,536
Engineering	11,000	11,000	10,990	10
Street Lights	75,000	75,000	72,287	2,713
Solid Waste	536,400	546,400	546,325	75
Total Public Works	<u>865,200</u>	<u>873,100</u>	<u>851,592</u>	<u>21,508</u>
Economic Development	1,000	1,000	945	55
Parks and Recreation	94,300	101,300	100,834	466
Insurance and Bonds	117,100	117,100	115,491	1,609
Contributions	23,300	33,300	33,250	50
Other	12,000	14,500	13,761	739

(continued)

VILLAGE OF DEXTER
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Debt Service:				
Principal	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Interest and Fees	<u>57,800</u>	<u>57,800</u>	<u>57,632</u>	<u>168</u>
Total Debt Service	<u>127,800</u>	<u>127,800</u>	<u>127,632</u>	<u>168</u>
Capital Outlay:				
Capital Outlay-General	<u>31,500</u>	<u>31,500</u>	<u>17,991</u>	<u>13,509</u>
Total Expenditures	<u>2,988,800</u>	<u>3,062,300</u>	<u>2,994,523</u>	<u>67,777</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,400</u>	<u>48,400</u>	<u>224,315</u>	<u>175,915</u>
Other Financing Sources:				
Operating Transfers In	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Change in Fund Balance	<u>\$ 79,400</u>	<u>\$ 56,400</u>	232,315	<u>\$ 175,915</u>
Fund Balance - July 1			<u>1,097,370</u>	
Fund Balance - June 30			<u>\$ 1,329,685</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 179,000	\$ 179,000	\$ 180,610	\$ 1,610
Interest	100	100	21	(79)
Other	-	17,000	18,250	1,250
Total Revenues	<u>179,100</u>	<u>196,100</u>	<u>198,881</u>	<u>2,781</u>
Expenditures:				
Public Works	<u>506,500</u>	<u>525,500</u>	<u>407,725</u>	<u>117,775</u>
Excess (Deficiency) of Revenues Over Expenditures	(327,400)	(329,400)	(208,844)	120,556
Other Financing Sources:				
Operating Transfers In	<u>326,800</u>	<u>326,800</u>	<u>200,000</u>	<u>(126,800)</u>
Change in Fund Balance	<u>\$ (600)</u>	<u>\$ (2,600)</u>	(8,844)	<u>\$ (6,244)</u>
Fund Balance - July 1			<u>18,547</u>	
Fund Balance - June 30			<u>\$ 9,703</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 80,000	\$ 80,000	\$ 89,849	\$ 9,849
Interest	100	100	33	(67)
Other	-	7,000	7,789	789
Total Revenues	<u>80,100</u>	<u>87,100</u>	<u>97,671</u>	<u>10,571</u>
Expenditures:				
Public Works	<u>314,600</u>	<u>429,600</u>	<u>404,393</u>	<u>25,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(234,500)</u>	<u>(342,500)</u>	<u>(306,722)</u>	<u>35,778</u>
Other Financing Sources:				
Operating Transfers In	<u>233,900</u>	<u>342,500</u>	<u>320,000</u>	<u>(22,500)</u>
Change in Fund Balance	<u>\$ (600)</u>	<u>\$ -</u>	13,278	<u>\$ 13,278</u>
Fund Balance - July 1			<u>17,254</u>	
Fund Balance - June 30			<u>\$ 30,532</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 548,900	\$ 548,900	\$ 550,591	\$ 1,691
Interest	1,000	1,000	598	(402)
Total Revenues	<u>549,900</u>	<u>549,900</u>	<u>551,189</u>	<u>1,289</u>
Expenditures:				
Public Works	<u>41,000</u>	<u>46,000</u>	<u>44,308</u>	<u>1,692</u>
Excess (Deficiency) of Revenues Over Expenditures	508,900	503,900	506,881	2,981
Other Financing Uses:				
Operating Transfers Out	<u>(560,700)</u>	<u>(653,700)</u>	<u>(520,000)</u>	<u>133,700</u>
Change in Fund Balance	<u>\$ (51,800)</u>	<u>\$ (149,800)</u>	(13,119)	<u>\$ 136,681</u>
Fund Balance - July 1			<u>377,627</u>	
Fund Balance - June 30			<u>\$ 364,508</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 348,000	\$ 296,000	\$ 295,385	\$ (615)
Rent	22,000	22,000	20,549	(1,451)
Interest	1,200	1,200	4,900	3,700
Other	80,000	129,000	128,674	(326)
Total Revenues	<u>451,200</u>	<u>448,200</u>	<u>449,508</u>	<u>1,308</u>
Expenditures:				
Community Development	122,800	232,800	209,694	23,106
Debt Service:				
Principal	106,000	106,000	106,000	-
Interest	231,100	231,100	230,886	214
Total Expenditures	<u>459,900</u>	<u>569,900</u>	<u>546,580</u>	<u>23,320</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,700)</u>	<u>\$ (121,700)</u>	(97,072)	<u>\$ 24,628</u>
Fund Balance - July 1			<u>884,245</u>	
Fund Balance - June 30			<u>\$ 787,173</u>	

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF DEXTER
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	<u>Special Revenue Tree Replacement</u>	<u>Debt Service Streetscape</u>	<u>Capital Project Equipment Replacement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ <u>150,092</u>	\$ <u>6,841</u>	\$ <u>131,773</u>	\$ <u>288,706</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ <u>-</u>	\$ <u>886</u>	\$ <u>11,890</u>	\$ <u>12,776</u>
Fund Balance:				
Restricted for:				
Debt Service	-	5,955	-	5,955
Trees	150,092	-	-	150,092
Committed for Equipment	-	-	119,883	119,883
Total Fund Balance	<u>150,092</u>	<u>5,955</u>	<u>119,883</u>	<u>275,930</u>
Total Liabilities and Fund Balance	\$ <u>150,092</u>	\$ <u>6,841</u>	\$ <u>131,773</u>	\$ <u>288,706</u>

VILLAGE OF DEXTER
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014

	Special Revenue <u>Tree Replacement</u>	Debt Service <u>Streetscape</u>	Capital Project <u>Equipment Replacement</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ -	\$ 166,418	\$ -	\$ 166,418
Charges for Services	-	-	98,904	98,904
Interest	1,584	108	115	1,807
Total Revenues	<u>1,584</u>	<u>166,526</u>	<u>99,019</u>	<u>267,129</u>
Expenditures:				
Public Works	-	1,241	33,826	35,067
Debt Service:				
Principal	-	140,000	-	140,000
Interest and Fees	-	22,790	-	22,790
Capital Outlay	-	-	40,797	40,797
Total Expenditures	<u>-</u>	<u>164,031</u>	<u>74,623</u>	<u>238,654</u>
Excess (Deficiency) of Revenues Over Expenditures	1,584	2,495	24,396	28,475
Other Financing Sources(Uses):				
Operating Transfers Out	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
Change in Fund Balance	(6,416)	2,495	24,396	20,475
Fund Balance - July 1	<u>156,508</u>	<u>3,460</u>	<u>95,487</u>	<u>255,455</u>
Fund Balance - June 30	<u>\$ 150,092</u>	<u>\$ 5,955</u>	<u>\$ 119,883</u>	<u>\$ 275,930</u>

VILLAGE OF DEXTER
Combining Balance Sheet
Downtown Development Authority
June 30, 2014

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 378,194	\$ 251,559	\$ 204,799	\$ 834,552
Accounts Receivable	37,174	-	4,300	41,474
Due from Other Governmental Units	<u>45,946</u>	<u>-</u>	<u>-</u>	<u>45,946</u>
Total Assets	<u>\$ 461,314</u>	<u>\$ 251,559</u>	<u>\$ 209,099</u>	<u>\$ 921,972</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 1,890	\$ -	\$ -	\$ 1,890
Due to Other Governmental Units	<u>132,909</u>	<u>-</u>	<u>-</u>	<u>132,909</u>
Total Liabilities	<u>134,799</u>	<u>-</u>	<u>-</u>	<u>134,799</u>
Fund Balance:				
Restricted for:				
Debt	-	251,559	-	251,559
Downtown Development	<u>326,515</u>	<u>-</u>	<u>209,099</u>	<u>535,614</u>
Total Fund Balance	<u>326,515</u>	<u>251,559</u>	<u>209,099</u>	<u>787,173</u>
Total Liabilities and Fund Balance	<u>\$ 461,314</u>	<u>\$ 251,559</u>	<u>\$ 209,099</u>	<u>\$ 921,972</u>

VILLAGE OF DEXTER
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Downtown Development Authority
For the Year Ended June 30, 2014

	<u>Downtown Development Authority</u>	<u>DDA Debt</u>	<u>DDA Project Fund</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ 295,385	\$ -	\$ -	\$ 295,385
Rent	20,549	-	-	20,549
Interest	2,041	1,396	1,463	4,900
Other	122,174	-	6,500	128,674
Total Revenues	<u>440,149</u>	<u>1,396</u>	<u>7,963</u>	<u>449,508</u>
Expenditures:				
Community Development	138,841	-	70,853	209,694
Debt Service:				
Principal	-	106,000	-	106,000
Interest and Fees	-	230,886	-	230,886
Total Expenditures	<u>138,841</u>	<u>336,886</u>	<u>70,853</u>	<u>546,580</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>301,308</u>	<u>(335,490)</u>	<u>(62,890)</u>	<u>(97,072)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	257,100	60,600	317,700
Operating Transfers Out	<u>(317,700)</u>	<u>-</u>	<u>-</u>	<u>(317,700)</u>
Total Other Financing Sources (Uses)	<u>(317,700)</u>	<u>257,100</u>	<u>60,600</u>	<u>-</u>
Change in Fund Balance	(16,392)	(78,390)	(2,290)	(97,072)
Fund Balance - July 1	<u>342,907</u>	<u>329,949</u>	<u>211,389</u>	<u>884,245</u>
Fund Balance - June 30	<u>\$ 326,515</u>	<u>\$ 251,559</u>	<u>\$ 209,099</u>	<u>\$ 787,173</u>

