

City of Northville, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Northville, Michigan

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Independent Auditor's Report

To the City Council
City of Northville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the City Council
City of Northville, Michigan

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

Plante & Moran, PLLC

September 26, 2008

City of Northville, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the financial performance for the City of Northville (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents financial highlights for the year ended June 30, 2008.

- Property taxes continue to be the City's single largest source of revenue at 48 percent of governmental revenue.
- State-shared revenue, the City's second largest source of revenue in the General Fund, remained at the same level as the prior year. This is significant since the long-term stability of state-shared revenue from sales tax is a concern for municipalities. It should also be noted that the appropriation received from the State is far less than the amounts available based on state law.
- The City closely monitors revenue fluctuations and expenditure requirements which are reflected in quarterly budget amendments. As a result of those efforts, the City's largest fund, the General Fund, was within budget by less than 1 percent.
- The City Council's stated goal of maintaining financial stability is evidenced by the fact that there was no decrease to the fund balance in the General Fund for the year ended June 30, 2008.
- Long-term debt for the primary government decreased by \$450,000 or 21 percent, which improves the City's overall financial position. This is consistent with the City's long-term goal to reduce debt. Instead, where appropriate, a well-planned "pay-as-you-go" system has been established and utilized.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the current year's net assets compared to the two prior years.

TABLE I

	Governmental Activities			Changes from Prior Year	
	2006	2007	2008	in Dollars	Percent
Assets					
Current assets	\$ 9,466,278	\$ 10,198,656	\$ 10,331,863	\$ 133,207	1
Noncurrent assets	25,078,011	24,781,050	27,186,647	2,405,597	10
Total assets	34,544,289	34,979,706	37,518,510	2,538,804	7
Liabilities					
Current liabilities	1,249,378	1,318,441	1,300,390	(18,051)	(1)
Long-term liabilities	2,654,575	2,099,682	1,649,745	(449,937)	(21)
Total liabilities	3,903,953	3,418,123	2,950,135	(467,988)	(14)
Net Assets					
Invested in capital assets -					
Net of related debt	21,274,871	21,554,603	24,125,709	2,571,106	12
Restricted	3,428,965	3,896,693	4,124,585	227,892	6
Unrestricted	5,936,500	6,110,287	6,318,081	207,794	3
Total net assets	\$ 30,640,336	\$ 31,561,583	\$ 34,568,375	\$ 3,006,792	10

Overall, the City's net assets of the governmental activities increased by approximately \$3,000,000, or 10 percent, from a year ago. This is due to a combination of capital expenditures offset by decreased debt as further explained below.

The increase in noncurrent assets is consistent with the increase in net assets - invested in capital assets. Both of these categories reflect capital asset additions, net of depreciation, of \$2.4 million. Major projects completed during the year include the Town Square (\$1.8 million) and the Taft Road reconstruction project (\$1.1 million).

The decrease in long-term liabilities is expected for two reasons. First, no new debt was issued this year. Second, the majority of this decrease is due to principal paid on long-term debt of \$615,000.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows the changes in net assets during the current year as compared to the two prior years:

TABLE 2

	Governmental Activities			Changes from	
	2006	2007	2008	Prior Year in Dollars	Percent
Revenue					
Program revenue:					
Charges for services	\$ 2,335,021	\$ 1,433,018	\$ 1,376,553	\$ (56,465)	(4)
Operating grants and contributions	917,600	703,559	805,368	101,809	14
Capital grants and contributions	589,231	206,124	2,111,523	1,905,399	924
General revenue:					
Property taxes	5,113,823	5,184,152	5,430,977	246,825	5
State-shared revenue	603,834	587,043	587,870	827	-
Unrestricted investment earnings	368,647	481,862	491,306	9,444	2
Franchise fees	81,024	86,096	95,005	8,909	10
Racetrack breakage	422,381	385,879	327,923	(57,956)	(15)
Gain (loss) on disposal of assets	(938)	(9,257)	23,604	32,861	355
Total revenue	10,430,623	9,058,476	11,250,129	2,191,653	24
Program Expenses					
General government	2,167,794	2,699,926	2,120,378	(579,548)	(21)
Public safety	2,567,022	2,761,197	3,024,633	263,436	10
Public works	1,931,152	1,486,218	1,923,081	436,863	29
Recreation and culture	363,380	325,710	359,024	33,314	10
Senior housing	730,137	748,962	727,792	(21,170)	(3)
Interest on long-term debt	149,374	115,216	88,429	(26,787)	(23)
Total program expenses	7,908,859	8,137,229	8,243,337	106,108	1
Change in Net Assets	\$ 2,521,764	\$ 921,247	\$ 3,006,792	\$ 2,085,545	226

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City of Northville experienced an overall increase of 24 percent in total revenue from the prior year. This was due to the following reasons:

1. Capital grants and contributions include three unique items this year. First, \$372,000 of grant revenue for the Taft Road project. In addition, a \$185,000 grant received from the final accounting of a Michigan Department of Transportation project completed in a prior year. Third, certain capital assets, although funded by DDA tax increment financing revenue, ultimately are recorded as City assets. This year, \$1,407,445 of assets were recorded in the net assets of the City. That amount is considered a capital grant to the City from the DDA.
2. Property taxes increased 5 percent from the prior year due to an inflationary increase in the taxable value

An overall increase of 1 percent in total expenses is net of the following significant fluctuations from the prior year:

1. General government decreased approximately 21 percent for two reasons. First, the prior year reflected a transfer from an internal trust fund to a newly established trust fund through the Michigan Municipal Employees' Retirement System for postretirement health care in the amount of \$427,000. Second, the City has had positive results in its insurance retention fund which created a decrease in expense of \$79,000.
2. Public safety increased approximately 10 percent for two reasons. First, the City's cost allocation for the joint dispatch operation with the Charter Township of Northville increased based upon increased staffing at the community dispatch center. Second, the cost of fringe benefits is most noticeable in the police personnel expenditure categories. Like other municipalities, the City of Northville is faced with increased cost of health care in addition to prefunding the retiree healthcare commitment.
3. Public works expense for the fiscal year increased due to Town Square project related activity in 2008.

Business-type Activities

The City's business-type activities consist of the Water and Sewer and Refuse and Recycling Funds. The City maintains transmission lines that allow customers to receive water from the Detroit water system and deliver it to its residents. In addition, a water tower is operated and maintained to supplement water pressure during periods of peak water demand. Sewage treatment is provided through Wayne County's Rouge Valley Sewage Disposal System. Refuse collection and recycling services are provided by an outside commercial entity.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The following tables show, in a condensed format, the current year net assets and changes in net assets, compared to the prior year:

TABLE 3

	Business-type Activities			Changes from Prior Year	
	2006	2007	2008	in Dollars	Percent
Assets					
Current assets	\$ 2,302,255	\$ 2,677,900	\$ 2,923,557	\$ 245,657	9
Noncurrent assets	<u>6,417,464</u>	<u>6,226,343</u>	<u>6,021,689</u>	<u>(204,654)</u>	(3)
Total assets	8,719,719	8,904,243	8,945,246	41,003	-
Liabilities					
Current liabilities	394,775	402,619	361,352	(41,267)	(10)
Long-term liabilities	<u>211,217</u>	<u>122,348</u>	<u>25,887</u>	<u>(96,461)</u>	(79)
Total liabilities	<u>605,992</u>	<u>524,967</u>	<u>387,239</u>	<u>(137,728)</u>	(26)
Net Assets					
Invested in capital assets -					
Net of related debt	6,132,190	6,030,993	5,918,354	(112,639)	(2)
Restricted	5,260	5,510	5,703	193	4
Unrestricted	<u>1,976,277</u>	<u>2,342,773</u>	<u>2,633,950</u>	<u>291,177</u>	12
Total net assets	<u>\$ 8,113,727</u>	<u>\$ 8,379,276</u>	<u>\$ 8,558,007</u>	<u>\$ 178,731</u>	2

A relatively minor increase in net assets of 2 percent is expected for the following reasons:

1. There were no significant capital improvements during the year.
2. Funds from operations are replenishing working capital (cash) in anticipation of future capital improvements consistent with the 20-year capital improvement plan. This explains the 9 percent increase in current assets.
3. Noncurrent assets, which consists primarily of capital assets, was expected to decrease as there were no capital assets constructed during the year. The decrease is approximately equal to the annual depreciation expense.
4. The decrease in current liabilities is also due to there being no significant capital projects in process at year end.
5. The reduction in long-term liabilities reflects the maturing of outstanding debt.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

TABLE 4

	Business-type Activities			Changes from Prior Year	
	2006	2007	2008	in Dollars	Percent
Operating revenues:					
Water and sewer	\$ 2,207,352	\$ 2,260,224	\$ 2,222,133	\$ (38,091)	(2)
Refuse and recycling	459,190	461,425	422,704	(38,721)	(8)
Operating expenses:					
Water and sewer	2,328,556	2,086,803	2,152,157	65,354	3
Refuse and recycling	424,348	440,486	396,929	(43,557)	(10)
Operating income (loss)	(86,362)	194,360	95,751	(98,609)	(51)
Investment income	66,619	86,672	93,040	6,368	7
Interest expense	(20,496)	(15,482)	(10,060)	5,422	(35)
Change in Net Assets	\$ (40,239)	\$ 265,550	\$ 178,731	\$ (86,819)	(33)

The rate structure of the business activities is set based upon a multiyear budgeting approach to smooth out any significant fluctuations in user fees. This long-term approach to budgeting has resulted in no customer rate adjustments for the past year, or next year, for the base water, sewer, and refuse collection.

Water and sewer revenues and expenses were consistent with the prior year, which was expected. The decrease in revenue was due to decreased water usage because of drier weather in the prior fiscal year.

The decrease in refuse and recycling revenue and expense was due to how the pass-through activity in the prior year related to a joint household hazardous waste day event was recorded. In the current year, the pass-through revenues and expenses are netted, whereas they were recorded as gross in the prior year. The amount of that activity was approximately \$39,000. All other categories of revenues and expenses were consistent with the prior year.

The City's Funds

The presentation of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as dedicated property tax millages. The City's major funds for 2008, as defined by Governmental Accounting Standards Board Statement No. 34, are the following.

- General Fund
- Parking Fund
- Public Improvement Fund
- Major Streets Fund

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

The General Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of the City government. The budget is essentially a "maintenance" budget, which means it increases modestly from year to year. The budget is monitored closely and amended quarterly.

The General Fund pays for most of the City's governmental services. The most significant category is the police department which represents 40 percent of total expenditures in 2008.

Other Major Funds Highlights

The Parking Fund records special assessment revenue related to parking credits when new or expanded development occurs in the central business district. The current fund balance will be utilized to fund future parking expansion projects.

The Public Improvement Fund accounts for racetrack breakage revenue, special public improvement projects, and many grant activities. Annually, the Northville City Council designates use of breakage funds received in excess of police and fire service costs at Northville Downs racetrack. The allocation of those funds is generally for physical improvements or programs that are of a general public use. This fund contributed \$263,100 toward the construction of the Town Square project.

The Major Streets Fund accounts for proceeds from the statewide gas and weight tax. Those funds are reserved for maintenance and improvements of "major streets" as defined by state statute. During fiscal year 2008, this fund accounted for the expenditures of reconstructing Taft Road and related federal grant revenue.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the City had approximately \$31.7 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, infrastructure, and water and sewer lines.

The City continues to collect a dedicated millage approved by the voters in March 1997 for comprehensive improvements to streets, drains, and sidewalks. The focus of the related capital project spending continues to be in conjunction with a 20-year improvement plan, which is reviewed on an ongoing basis.

The City also funds a Fire Equipment and Replacement Fund. This fund allows for the purchase of equipment following a 20-year replacement program to keep equipment up to date and meet current standards. With careful planning and proper maintenance of existing equipment, it is anticipated that taxpayers will not be burdened with additional debt millages to replace existing equipment. This year, a similar fund was created for police equipment.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Total debt outstanding at the end of the year related to governmental activities is \$1.7 million. This represents less than 1 percent of the City's State Equalized Value (SEV). The City is under the legal debt margin, as defined by state statute, of 10 percent of SEV.

Economic Factors and Next Year's Budgets and Rates

The City of Northville's fiscal year 2009 budget reflects challenges that many municipalities in Michigan are facing. A slowed economy is resulting in a downward trend on property values while many personnel and other costs are increasing. In the foreseeable future, it is likely that expenditures will quickly outpace revenue. This City is beginning the new fiscal year with a comprehensive organizational review to proactively plan for its future. All departments are evaluating how to operate more efficiently, while maintaining a high level of service to the citizens.

The City is committed to not increasing its general operating millage rate in response to many of the challenges that its taxpayers may be facing because of the current economic climate in Michigan. The City's millage rate continues to be one of the lowest total millage rates in over 10 years.

Due to the City of Northville's decreasing debt load, programmed system improvements, controlled water loss, and long-term approach in determining the user fee structure, no increases in fees were required for business-type activities fees as of July 1, 2008.

Contacting the City's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's finance office at 215 West Main Street, Northville, Michigan 48167, or via the City's website at www.ci.northville.mi.us.

City of Northville, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 8,733,080	\$ 2,349,588	\$ 11,082,668	\$ 498,241
Receivables - Net:				
Tax receivables	24,183	-	24,183	-
Customer receivables	-	504,833	504,833	-
Special assessments	661,323	-	661,323	-
Other governmental units	655,940	2,572	658,512	3,126
Other	159,205	1,111	160,316	-
Internal balances	(27,472)	27,472	-	-
Inventories	23,386	37,981	61,367	-
Other assets	72,218	-	72,218	4,350
Long-term note - Component unit:				
Due within one year	30,000	-	30,000	-
Due in more than one year	270,000	-	270,000	-
Investments in land	225,000	-	225,000	-
Restricted cash (Note 8)	191,239	5,703	196,942	-
Investment in joint ventures (Note 11)	689,931	-	689,931	-
Capital assets not being depreciated (Note 5)	3,403,502	30,902	3,434,404	-
Capital assets being depreciated - Net (Note 5)	22,406,975	5,985,084	28,392,059	-
Total assets	37,518,510	8,945,246	46,463,756	505,717
Liabilities				
Accounts payable	316,985	231,172	548,157	63,508
Accrued and other liabilities	354,856	25,387	380,243	127,712
Due to other governmental units	14,284	-	14,284	-
Deferred revenue (Note 4)	11,469	-	11,469	-
Compensated absences:				
Due within one year	113,028	7,161	120,189	-
Due in more than one year	454,745	25,887	480,632	1,956
Long-term debt (Note 7):				
Due within one year	489,768	97,632	587,400	30,000
Due in more than one year	1,195,000	-	1,195,000	270,000
Total liabilities	2,950,135	387,239	3,337,374	493,176
Net Assets				
Invested in capital assets - Net of related debt	24,125,709	5,918,354	30,044,063	-
Restricted:				
Streets, drainage, and sidewalk improvements	1,623,608	-	1,623,608	-
Cemetery	721,531	-	721,531	-
Insurance retention	161,854	-	161,854	-
Parking	1,320,957	-	1,320,957	-
Parking debt	296,635	-	296,635	-
Other purposes	-	5,703	5,703	-
Unrestricted	6,318,081	2,633,950	8,952,031	12,541
Total net assets	\$ 34,568,375	\$ 8,558,007	\$ 43,126,382	\$ 12,541

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Northville, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,120,378	\$ 508,183	\$ -	\$ 3,845
Public safety	3,024,633	123,998	48,146	8,104
Public works	1,923,081	13,305	675,253	2,084,992
Recreation and culture	359,024	58,851	-	14,582
Senior housing	727,792	672,216	81,969	-
Interest on long-term debt	88,429	-	-	-
Total governmental activities	8,243,337	1,376,553	805,368	2,111,523
Business-type activities:				
Water and sewer	2,162,217	2,222,133	-	-
Refuse and recycling	396,929	422,704	-	-
Total business-type activities	2,559,146	2,644,837	-	-
Total primary government	\$ 10,802,483	\$ 4,021,390	\$ 805,368	\$ 2,111,523
Component unit - Downtown Development Authority	\$ 2,584,633	\$ -	\$ 11,491	\$ 319,200

General revenues:

- Property taxes
- State-shared revenues
- Unrestricted investment earnings
- Racetrack breakage revenue
- Franchise fee revenue
- Gain on sale of capital asset

Total general revenues and gain on sale of capital asset

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,608,350)	\$ -	\$ (1,608,350)	\$ -
(2,844,385)	-	(2,844,385)	-
850,469	-	850,469	-
(285,591)	-	(285,591)	-
26,393	-	26,393	-
(88,429)	-	(88,429)	-
(3,949,893)	-	(3,949,893)	-
	59,916	59,916	-
-	25,775	25,775	-
-	85,691	85,691	-
(3,949,893)	85,691	(3,864,202)	-
-	-	-	(2,253,942)
5,430,977	-	5,430,977	1,102,922
587,870	-	587,870	-
491,306	93,040	584,346	33,926
327,923	-	327,923	-
95,005	-	95,005	-
23,604	-	23,604	-
6,956,685	93,040	7,049,725	1,136,848
3,006,792	178,731	3,185,523	(1,117,094)
31,561,583	8,379,276	39,940,859	1,129,635
\$ 34,568,375	\$ 8,558,007	\$ 43,126,382	\$ 12,541

City of Northville, Michigan

Governmental Funds Balance Sheet June 30, 2008

	Major Special Revenue Funds					
	General		Public		Other Nonmajor	Total
	Fund	Parking	Improvement	Major Steets	Governmental	Governmental
					Funds	Funds
Assets						
Cash and investments (Note 3)	\$ 1,959,775	\$ 798,128	\$ 1,454,722	\$ 388,251	\$ 3,486,055	\$ 8,086,931
Restricted cash	1,216	-	-	-	190,023	191,239
Receivables - Net:						
Delinquent taxes	24,183	-	-	-	-	24,183
Other governmental units	292,054	13,390	-	306,531	43,965	655,940
Component unit	300,000	-	-	-	-	300,000
Assessments	-	608,400	25,041	-	27,882	661,323
Other	123,995	-	27,710	-	7,500	159,205
Other assets	31,852	-	-	-	45,684	77,536
Investment in land	-	-	225,000	-	-	225,000
Total assets	\$ 2,733,075	\$ 1,419,918	\$ 1,732,473	\$ 694,782	\$ 3,801,109	\$ 10,381,357
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 87,492	\$ 98,961	\$ 2,810	\$ 110,189	\$ 13,710	\$ 313,162
Accrued and other liabilities	293,803	-	250	1,379	37,664	333,096
Due to other governmental units	14,284	-	-	-	-	14,284
Deferred revenue	-	508,545	18,745	80,928	11,469	619,687
Total liabilities	395,579	607,506	21,805	192,496	62,843	1,280,229
Fund Balances						
Reserved:						
Investment in land	-	-	225,000	-	-	225,000
Parking	-	812,412	-	-	-	812,412
Cemetery	-	-	69,972	-	721,531	791,503
Other	304,753	-	6,810	-	-	311,563
Unreserved:						
Designated, reported in:						
General Fund (Note 12)	10,393	-	-	-	-	10,393
Special Revenue Funds (Note 12)	-	-	1,175,685	-	-	1,175,685
Undesignated, reported in:						
General Fund	2,022,350	-	-	-	-	2,022,350
Special Revenue Funds	-	-	233,201	502,286	2,170,242	2,905,729
Debt Service Funds	-	-	-	-	342,259	342,259
Capital Projects Funds	-	-	-	-	504,234	504,234
Total fund balances	2,337,496	812,412	1,710,668	502,286	3,738,266	9,101,128
Total liabilities and fund balances	\$ 2,733,075	\$ 1,419,918	\$ 1,732,473	\$ 694,782	\$ 3,801,109	\$ 10,381,357

City of Northville, Michigan

Governmental Funds Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

Fund Balances - Total Governmental Funds \$ 9,101,128

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,541,631
Infrastructure assets used in government activities are not financial resources and are not reported in the funds	9,660,307
Grant revenue is recognized in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	80,928
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	527,290
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,684,768)
Interest payable is not accrued in the funds	(19,783)
Compensated absences are not included as a liability of the funds	(567,773)
Investments in joint ventures are included as part of governmental activities	689,931
Internal Service Funds are also included as governmental activities	<u>1,239,484</u>

Net Assets of Governmental Activities **\$ 34,568,375**

City of Northville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Special Revenue Funds					Total Governmental Funds
	General	Parking	Public		Other Nonmajor	
	Fund		Improvement	Major Streets	Funds	
Revenue						
Property taxes	\$ 4,806,297	\$ -	\$ -	\$ -	\$ 624,680	\$ 5,430,977
Licenses and permits	263,280	-	-	-	-	263,280
Special assessments	-	172,899	8,885	-	31,005	212,789
Federal sources	-	-	-	285,039	6,000	291,039
State-shared and grant revenue	600,483	-	-	338,778	125,276	1,064,537
Local contributions	75,151	-	4,500	2,812	373,602	456,065
Sales and services	129,334	-	-	-	36,284	165,618
Charges for overhead services	192,277	-	-	-	-	192,277
Fines and forfeitures	97,861	-	-	-	-	97,861
Michigan Housing Authority subsidies	-	-	-	-	75,969	75,969
Rental income	-	-	-	-	660,917	660,917
Racetrack revenue	155,184	-	172,739	-	-	327,923
Other	279,892	33,046	135,856	10,507	194,471	653,772
Total revenue	6,599,759	205,945	321,980	637,136	2,128,204	9,893,024
Expenditures - Current						
Administration	1,163,651	-	-	-	223,830	1,387,481
Police department	2,420,067	-	-	-	-	2,420,067
Fire and inspection	393,569	-	-	-	222,017	615,586
Housing operations	-	-	-	-	329,198	329,198
Public works	673,380	-	-	-	-	673,380
Planning, zoning, and inspection	264,918	-	-	-	-	264,918
Building and grounds	483,956	-	-	-	-	483,956
Legislative	14,130	-	-	-	-	14,130
Debt retirement	68,615	-	45,513	-	504,826	618,954
Shared services	285,080	-	-	-	-	285,080
Other expenditures	343,467	115,857	372,471	24,761	53,046	909,602
Street maintenance and repairs	-	-	-	1,027,237	266,862	1,294,099
Total expenditures	6,110,833	115,857	417,984	1,051,998	1,599,779	9,296,451
Excess of Revenue Over (Under) Expenditures	488,926	90,088	(96,004)	(414,862)	528,425	596,573
Other Financing Sources (Uses)						
Transfers in (Note 6)	6,521	-	222,813	660,112	635,404	1,524,850
Transfers out (Note 6)	(494,639)	-	(197,977)	(55,000)	(777,234)	(1,524,850)
Total other financing sources (uses)	(488,118)	-	24,836	605,112	(141,830)	-
Net Change in Fund Balances	808	90,088	(71,168)	190,250	386,595	596,573
Fund Balances - Beginning of year	2,336,688	722,324	1,781,836	312,036	3,351,671	8,504,555
Fund Balances - End of year	\$ 2,337,496	\$ 812,412	\$ 1,710,668	\$ 502,286	\$ 3,738,266	\$ 9,101,128

City of Northville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 596,573
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	1,938,727
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	20,862
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(163,158)
Grant revenue is recognized in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	80,928
Interest expense reported in the statement of activities that does not use current financial resources and is not reported as expense in the governmental funds	6,181
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	523,419
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(46,290)
Internal Service Funds are also included as governmental activities	<u>49,550</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,006,792</u>

City of Northville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise Funds			Internal Service
	Nonmajor		Total	Fund
	Major Fund - Water and Sewer	Fund - Refuse and Recycling		Municipal Equipment
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,999,289	\$ 350,299	\$ 2,349,588	\$ 646,450
Receivables - Net:				
Customers	430,510	74,323	504,833	-
Other governmental units	1,982	590	2,572	-
Other	1,111	-	1,111	-
Other assets	37,981	-	37,981	18,068
Total current assets	2,470,873	425,212	2,896,085	664,518
Noncurrent assets:				
Restricted cash	5,703	-	5,703	-
Capital assets not being depreciated	30,902	-	30,902	-
Capital assets - Net	5,985,084	-	5,985,084	608,539
Total noncurrent assets	6,021,689	-	6,021,689	608,539
Total assets	8,492,562	425,212	8,917,774	1,273,057
Liabilities				
Current liabilities:				
Accounts payable	172,765	58,407	231,172	3,800
Accrued and other liabilities	25,181	206	25,387	1,977
Current portion of compensated absences	6,651	510	7,161	-
Current portion of long-term debt	97,632	-	97,632	-
Total current liabilities	302,229	59,123	361,352	5,777
Noncurrent liabilities - Compensated absences - Net of current portion	24,043	1,844	25,887	12,743
Total liabilities	326,272	60,967	387,239	18,520
Net Assets				
Investment in capital assets - Net of related debt	5,918,354	-	5,918,354	608,539
Restricted	5,703	-	5,703	-
Unrestricted	2,242,233	364,245	2,606,478	645,998
Total net assets	<u>\$ 8,166,290</u>	<u>\$ 364,245</u>	8,530,535	<u>\$ 1,254,537</u>

Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund is allocated to business-type activities (amount reported as internal balance)

	27,472
Net assets of business-type activities	<u>\$ 8,558,007</u>

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise Funds			Internal Service Fund
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	Municipal Equipment
Operating Revenue				
Customer charges	\$ 2,063,923	\$ 422,214	\$ 2,486,137	\$ -
Rental income	152,368	-	152,368	418,963
Other revenue	5,842	490	6,332	10,056
Total operating revenue	2,222,133	422,704	2,644,837	429,019
Operating Expenses				
General operations and maintenance	1,716,783	365,484	2,082,267	261,233
Depreciation	224,518	-	224,518	134,917
Other expenses	220,666	31,445	252,111	-
Total operating expenses	2,161,967	396,929	2,558,896	396,150
Operating Income	60,166	25,775	85,941	32,869
Nonoperating Revenue (Expense)				
Gain on sale of assets	-	-	-	47,498
Investment income	80,726	12,314	93,040	26,791
Interest expense	(10,060)	-	(10,060)	-
Total nonoperating revenue	70,666	12,314	82,980	74,289
Net Income	130,832	38,089	168,921	107,158
Net Assets - Beginning of year	8,035,458	326,156		1,147,379
Net Assets - End of year	<u>\$ 8,166,290</u>	<u>\$ 364,245</u>		<u>\$ 1,254,537</u>
Amounts reported for business-type activities in the statement of activities are different because a portion of the Internal Service Fund net income is allocable to the Enterprise Funds			9,810	
Change in net assets of business-type activities			<u>\$ 178,731</u>	

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Funds			Internal Service Fund
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	Municipal Equipment
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,145,053	\$ 424,068	\$ 2,569,121	\$ 418,963
Payments to suppliers	(1,543,744)	(351,928)	(1,895,672)	(150,784)
Payments to employees	(475,814)	(15,853)	(491,667)	(123,490)
Other receipts	152,364	-	152,364	10,056
Net cash provided by operating activities	277,859	56,287	334,146	154,745
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	-	-	60,000
Purchase of capital assets	(19,670)	-	(19,670)	(303,862)
Principal and interest paid on capital debt	(102,268)	-	(102,268)	-
Net cash used in capital and related financing activities	(121,938)	-	(121,938)	(243,862)
Cash Flows from Investing Activities - Interest received on investments				
	80,729	12,314	93,043	26,790
Net Increase (Decrease) in Cash and Cash Equivalents	236,650	68,601	305,251	(62,327)
Cash and Cash Equivalents - Beginning of year	1,768,342	281,698	2,050,040	708,777
Cash and Cash Equivalents - End of year	\$ 2,004,992	\$ 350,299	\$ 2,355,291	\$ 646,450
Balance Sheet Classification of Cash and Cash Equivalents				
Cash	\$ 1,999,289	\$ 350,299	\$ 2,349,588	\$ 646,450
Restricted cash	5,703	-	5,703	-
Total cash and cash equivalents	\$ 2,004,992	\$ 350,299	\$ 2,355,291	\$ 646,450
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 60,166	\$ 25,775	\$ 85,941	\$ 32,869
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	224,518	-	224,518	134,917
Changes in assets and liabilities:				
Receivables	75,287	1,364	76,651	-
Other assets	(7,444)	-	(7,444)	(707)
Accounts payable	(77,141)	29,171	(47,970)	(13,989)
Accrued and other liabilities	2,473	(23)	2,450	1,655
Net cash provided by operating activities	\$ 277,859	\$ 56,287	\$ 334,146	\$ 154,745

There were no noncash capital, financing, or investing activities during the year.

City of Northville, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Funds
Assets		
Cash and investments	\$ 141,725	\$ 357,926
Accounts receivable	-	9,462
Other assets	-	156,465
Total assets	141,725	<u><u>\$ 523,853</u></u>
Liabilities		
Accounts payable	-	\$ 31,175
Accrued and other liabilities	-	419,482
Due to other governmental units	-	73,196
Total liabilities	-	<u><u>\$ 523,853</u></u>
 Net Assets - Held in trust	 \$ 141,725	

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008

	Private Purpose Trust - Allen Terrace Trust Fund
Revenue	
Interest revenue	\$ 5,193
Contributions from local units	6,028
Donations	<u>165</u>
Total revenue	11,386
Expenses - Rent subsidies	<u>1,915</u>
Change in Net Assets	9,471
Net Assets - July 1, 2007	<u>132,254</u>
Net Assets - June 30, 2008	<u><u>\$ 141,725</u></u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Northville (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Northville:

Reporting Entity

The City of Northville is governed by a City Council of five members consisting of the elected council members and the mayor, who is deemed a member of the council for all purposes. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Unit - The Downtown Development Authority (DDA) of the City is reported in a separate component unit column to emphasize that it is legally separate from the City. The DDA was created to assist the City in the development of the downtown area. The DDA's governing body, which consists of nine individuals, is approved by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The financial information included in the separate column is condensed. The complete financial statements of the DDA can be obtained from the City Offices at 215 W. Main Street, Northville, Michigan 48167.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note II.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 are reported instead as general revenue.

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.

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes, state-shared revenue, and racetrack breakage. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes, state-shared revenue, and racetrack breakage. All other revenue items are considered to be available when cash is received by the City.

The City reports the following major governmental funds:

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

Parking Fund - The Parking Fund is a Special Revenue Fund that is used to account for parking credit special assessment revenue and to pay for related public parking expenditures.

Public Improvement Fund - The Public Improvement Fund is a Special Revenue Fund that accounts for breakage revenue to the extent that it exceeds the cost of providing police and fire service at the racetrack. The expenditures in this fund are primarily for public improvement projects and related debt expenditures. Most grant activity is also recorded in this fund.

Major Streets Fund - The Major Streets Fund is a Special Revenue Fund that is used to account for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.

Water and Sewer Fund - The Water and Sewer Fund is the City's only major proprietary fund. It accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for shared machinery and equipment purchases and maintenance provided to other departments of the City on a cost reimbursement basis.

Trust and Agency Funds - Fiduciary funds account for the activities of the Allen Terrace Trust Fund, which provides rental subsidies for eligible Allen Terrace residents and funding for capital improvements for Allen Terrace. The Agency Fund accounts for assets held in an agent capacity for other entities.

Note I - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - Outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The 2007 taxable valuation of the City totaled \$355 million (net of captured taxable value of \$28 million), on which ad valorem taxes levied consisted of 13.3 mills for the City's operating purposes, 1.7670 mills for street improvements, and 0.1374 mill for public safety debt service. The ad valorem taxes levied raised \$4.7 million for operations, \$625,000 for street, drainage, and sidewalk improvements, and \$48,000 for public safety debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as taxes receivable - current or as tax revenue.

The delinquent real property taxes of the City are purchased by Wayne and Oakland counties. The counties sell tax notes, the proceeds of which are used to pay the City for these property taxes. Both the Wayne County and Oakland County shares of delinquent real property taxes have been recorded as revenue in the current year.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Cash - Restricted cash represents both funds held with the Michigan Municipal Risk Management Authority for insurance claims and with Wayne County for the North Huron Valley/Rouge Valley sewer system grant program. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, and bridges	20-50 years
Wells, water, and sewer distribution systems	30-90 years
Buildings and building improvements	5-50 years
Equipment	3-15 years
Vehicles	2-20 years
Streetscape	3-20 years
Parking system	5-10 years
Land improvements	10-20 years

Compensated Absences (Vacation, Compensatory, and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent for retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. If applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end. The legal level of budgetary control adopted by the City is the activity level.

The budget represents a complete financial plan for all activities of the City for the ensuing fiscal year. All estimated income and proposed expenditures are detailed and presented in a form prescribed by law. In addition, this budget presents the proposed budget as part of a five-year plan to improve the decision-making process.

The budget process begins with goals and objectives meetings in January with the City Council, City manager, and administrative staff. These are public meetings. Based upon presentations by the City staff and discussion between the mayor and City Council, goals and objectives are prioritized by the City Council for the next fiscal year.

Each February, department heads receive workpapers to prepare their individual line item budgets. Upon completion, the departmental budgets are returned to the finance director in March. The City manager and the finance director then analyze these amounts. Further discussions occur with department heads and the budget is adjusted accordingly.

A proposed balanced budget is then developed to support the direction and focus established for the community by the City Council. Specific issues are identified which are vital to continued quality services within the means available. This method of budgeting serves to improve the level of organizational accountability. City Council meetings, held in April and May, provide all interested citizens an open forum where they can be heard. Upon review, and a subsequent public hearing, the City Council adopts the budget by resolution.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget is scheduled for adoption at the second regular City Council meeting in May. The operating millage rate is established as part of the budget adoption resolution at that meeting.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances except for transfers out.

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions, which are rated as investment grade, mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools organized under the surplus funds investment pool acts of the State of Michigan. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized the City to invest in all vehicles covered by the state statute listed above.

The City'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 City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by Council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had \$878,236 of bank deposits (checking and savings accounts in addition to certificates of deposits) that were uninsured and uncollateralized. The City believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City 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. As of June 30, 2008, the City utilized six banks for the deposit of City funds.

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's policy is consistent with state law. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 1,360,409	A+	S&P
Federal Home Loan Mortgage Corporation	100,172	AAA	S&P/Moody's
Federal National Mortgage Association	500,781	AAA	S&P/Moody's
Federal Home Loan Bank	5,272,406	AAA	S&P/Moody's
Commercial paper	2,965,213	AI, AI+ and PI	S&P/Moody's

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 City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Federal Home Loan Mortgage Corporation	\$ 100,172	7 days
Federal National Mortgage Association	500,781	29 days
Federal Home Loan Bank	5,272,406	417 days
Commercial paper	2,965,213	57 days

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

It is the City's policy to diversify its investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. The City's concentration of credit risk is shown below:

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Bank	41%

Component Unit

The component unit's investments are subject to several types of risk. At year end, the carrying amount of the component unit's cash and investments was pooled with City cash and investments. At June 30, 2008, the carrying amount of cash and investments for the component unit was \$498,241. For purposes of risk disclosure, it is not practical to allocate risk between the primary government and the City's component unit. Disclosures related to the overall risk for the City's investments are presented above.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 527,290	\$ -
Grant revenue	80,928	-
Other miscellaneous deferred revenue	-	11,469
Total	<u>\$ 608,218</u>	<u>\$ 11,469</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the primary government was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,051,946	\$ 75,000	\$ -	\$ 3,126,946
Works of art	74,785.00	19,000	-	93,785
Construction in progress	469,861	42,333	329,423	182,771
Subtotal	3,596,592	136,333	329,423	3,403,502
Capital assets being depreciated:				
Roads, sidewalks, and bridges	22,980,086	1,150,871	55,269	24,075,688
Buildings and improvements	10,270,348	68,180	19,980	10,318,548
Parking system	4,849,293	22,900	-	4,872,193
Streetscape	332,245	1,866,444	20,912	2,177,777
Vehicles	2,224,100	318,974	350,611	2,192,463
Equipment	1,607,523	186,350	41,152	1,752,721
Subtotal	42,263,595	3,613,719	487,924	45,389,390
Accumulated depreciation:				
Roads, sidewalks, and bridges	14,123,934	425,242	45,121	14,504,055
Buildings and improvements	3,838,154	416,416	22,742	4,231,828
Parking system	1,295,674	107,093	-	1,402,767
Streetscape	128,979	64,272	20,912	172,339
Vehicles	1,588,989	162,028	320,058	1,430,959
Equipment	1,121,666	151,197	32,396	1,240,467
Subtotal	22,097,396	1,326,248	441,229	22,982,415
Net capital assets being depreciated	20,166,199	2,287,471	46,695	22,406,975
Net capital assets	<u>\$ 23,762,791</u>	<u>\$ 2,423,804</u>	<u>\$ 376,118</u>	<u>\$ 25,810,477</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ 11,231	\$ 19,671	\$ -	\$ 30,902
Capital assets being depreciated:				
Buildings	21,535	-	-	21,535
Water and sewer distribution system	<u>10,386,763</u>	<u>-</u>	<u>-</u>	<u>10,386,763</u>
Subtotal	10,408,298	-	-	10,408,298
Accumulated depreciation:				
Buildings	21,535	-	-	21,535
Water and sewer distribution system	<u>4,177,161</u>	<u>224,518</u>	<u>-</u>	<u>4,401,679</u>
Subtotal	<u>4,198,696</u>	<u>224,518</u>	<u>-</u>	<u>4,423,214</u>
Net capital assets being depreciated	<u>6,209,602</u>	<u>(224,518)</u>	<u>-</u>	<u>5,985,084</u>
Net capital assets	<u>\$ 6,220,833</u>	<u>\$ (204,847)</u>	<u>\$ -</u>	<u>\$ 6,015,986</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 233,403
Public safety	154,028
Public works	597,813
Recreation and culture	23,862
Senior housing	182,225
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>134,917</u>
Total governmental activities	<u>\$ 1,326,248</u>
Business-type activities - Water and sewer	<u>\$ 224,518</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. The City's commitments with contractors at June 30, 2008 are as follows:

	Spent to Date	Remaining Commitment
Beal Street Bridge reconstruction	\$ 75,902	\$ 71,403
E. Main Sewer relocation	30,902	88,283
Marquis parking lot improvements	11,000	18,860
Total	<u>\$ 117,804</u>	<u>\$ 178,546</u>

Note 6 - Interfund Transfers

Interfund operating transfers for the current year are as follows:

Transfers From (Out)	Transfers To (In)	Amount
General Fund	Public Improvement Fund	(1) \$ 222,813
General Fund	Other nonmajor governmental funds	(1) <u>271,826</u>
	Total	494,639
Major Streets	Other nonmajor governmental funds	(2) 55,000
Public Improvement Fund	General Fund	(2) 6,521
Public Improvement Fund	Major Streets Fund	(2) 34,261
Public Improvement Fund	Other nonmajor governmental funds	(2) <u>157,195</u>
	Total	197,977
Other nonmajor governmental funds	Major Streets Fund	(2) 625,851
Other nonmajor governmental funds	Other nonmajor governmental funds	(2) <u>151,383</u>
	Total	<u>777,234</u>
	Total transfers	<u>\$ 1,524,850</u>

- (1) The transfers from the General Fund to the nonmajor funds and the Public Improvement Fund are to support the operations of those funds.
- (2) Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund operations and projects accounted for in the respective funds.

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bonds:							
Parking deck bonds	5.60%	2009	\$ 755,000	\$ -	\$ 365,000	\$ 390,000	\$ 390,000
Allen Terrace renovation bonds	3.1%-4.875%	2022	1,175,000	-	55,000	1,120,000	55,000
Public safety bonds	4.70%-5.00%	2011	210,000	-	40,000	170,000	40,000
Installment purchase agreements	3.45%-6.50%	2009	68,188	-	63,420	4,768	4,768
Total governmental activities			<u>\$ 2,208,188</u>	<u>\$ -</u>	<u>\$ 523,420</u>	<u>\$ 1,684,768</u>	<u>\$ 489,768</u>
Business-type activities - General obligation bonds - County contracts							
	5.50%-6.00%	2009	<u>\$ 189,840</u>	<u>\$ -</u>	<u>\$ 92,208</u>	<u>\$ 97,632</u>	<u>\$ 97,632</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 489,768	\$ 64,663	\$ 554,431	\$ 97,632	\$ 5,858	\$ 103,490
2010	95,000	50,000	145,000	-	-	-
2011	105,000	45,980	150,980	-	-	-
2012	105,000	41,577	146,577	-	-	-
2013	65,000	38,028	103,028	-	-	-
2014-2018	365,000	147,703	512,703	-	-	-
2019-2023	460,000	56,249	516,249	-	-	-
Total	<u>\$ 1,684,768</u>	<u>\$ 444,200</u>	<u>\$ 2,128,968</u>	<u>\$ 97,632</u>	<u>\$ 5,858</u>	<u>\$ 103,490</u>

Component Unit - Long-term debt of the component unit consists of one loan owed to the General Fund in the amount of \$300,000 maturing through 2018 and bearing interest at a rate of 5.5 percent. At year end, the remaining principal balance was \$300,000.

Note 8 - Restricted Cash

The balances of the restricted cash accounts are as follows:

	Governmental Activities	Business-type Activities
Funds held for insurance claims	\$ 189,707	\$ -
Debt service	1,532	-
Sewer system grant program	-	5,703
	<u> </u>	<u> </u>
Total restricted assets	<u>\$ 191,239</u>	<u>\$ 5,703</u>

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers regular employees of the City hired prior to certain dates. All divisions were closed in a previous year. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units. The labor agreement with the City's two police unions requires an employee contribution of 2.65 percent for plan-eligible employees.

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$541,632 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return; (b) projected salary increases of 4.5 percent to 12.9 percent per year including step increases; and (c) no postretirement benefit increases. The actuarial value of assets is determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized over 18 to 26 years, depending on the length of time that the employee division has been closed. The amortization will continue to decrease by two years per year until a minimum of five-year amortization is attained.

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension costs (APC)	\$ 524,726	\$ 586,128	\$ 541,632
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 10,287,251	\$ 10,914,256	\$ 11,291,010
Actuarial Accrued Liability (AAL) (entry age)	\$ 15,561,301	\$ 16,511,320	\$ 16,912,905
Unfunded AAL (UAAL)	\$ 5,274,050	\$ 5,597,064	\$ 5,621,895
Funded ratio	66%	66%	67%
Covered payroll	\$ 2,149,100	\$ 1,982,054	\$ 1,878,443
UAAL as a percentage of covered payroll	245%	282%	299%

Defined Contribution Pension Plan

The City provides pension benefits through a defined contribution plan to its regular employees hired after various dates beginning in 1997. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council action, the City contributes 10 percent of employees' gross earnings for regular nonunion, clerical, and public works employees, 11 percent for each eligible police patrol and command employee, and 5 percent for each eligible part-time employee. There is a 3 percent employee contribution for patrol and command employees. The City's contribution plus investment earnings is fully vested by the employee after seven years of service.

The City's total payroll during the current year was \$4,393,402. The current year contribution was calculated based on covered payroll of \$1,471,568, resulting in an employer contribution of \$144,038.

Note 10 - Other Postemployment Benefits

The City provides postemployment health benefits to certain retirees and their beneficiaries. The government pays the full cost of insurance premiums for those retired prior to April 1, 1997. Since then, a graduated postemployment healthcare vesting schedule applies for eligible employees with a minimum of 10 years of service. Currently, 37 retirees are eligible for postemployment health benefits. For the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums and related plan costs of \$651,272. The government obtains healthcare coverage through private insurers.

The City utilizes the MERS Health Care Savings Plan Trust Fund, established under Section 115 of the Internal Revenue Code, to pre-fund future retiree healthcare benefits. Given that the Trust Fund holds the assets of the plan, those assets are not reported in the City's basic financial statements. The City made a contribution of \$482,745 to the fund in the current year.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Jointly Governed Organizations

The City participates in the Northville Parks and Recreation Commission (the "Recreation Commission") as a joint venture with the Charter Township of Northville. The City is represented by the mayor or mayor pro tem and one other member of the City Council. Approval of the annual budget is required by the City and the Charter Township of Northville. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. At June 30, 2008, the investment in the Recreation Commission was \$491,234. During the current year, the City contributed \$265,089 for the operations of the Recreation Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Recreation Commission can be obtained from the City offices at 215 W. Main Street, Northville, Michigan 48167.

City of Northville, Michigan

Notes to Financial Statements June 30, 2008

Note 11 - Jointly Governed Organizations (Continued)

The City participates in the Northville Youth Assistance Commission (the "Commission") as a joint venture with the Charter Township of Northville and Northville Public Schools. The City appoints three members to the governing board of the Commission. Approval of the annual budget is required by the City and the Charter Township of Northville. At June 30, 2008, the investment in the Commission was \$37,646. During the current year, the City contributed \$19,991 for the operations of the Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Commission can be obtained from the Charter Township of Northville at 44405 Six Mile Road, Northville, Michigan 48167.

The City is a member of the 35th District Court System, which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's board, which then approves the annual budget, and one member to the related Building Authority board. At June 30, 2008, the investment in the Court System was \$161,051.

Note 12 - Fund Balance Designations

The City has designated fund balance in the General Fund as follows:

Designated fund balance - Designated for:

Drug Awareness Resistance Education (DARE) donations	\$	742
Criminal forfeitures		8,889
State and DARE drug forfeitures		<u>762</u>

Total designated fund balance - General Fund	\$	<u><u>10,393</u></u>
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Note 12 - Fund Balance Designations (Continued)

The City has designated fund balance in the Special Revenue Funds as follows:

Designated fund balance - Designated for:

Beal Street Bridge	\$ 26,000
Certified local government project	1,167
City Hall capital maintenance plan	76,279
Contingency/Grant match	40,793
Downtown cut-thru	258,610
Emergency warning siren activation	8,000
Install new sidewalks	8,813
Internal loan program	99,291
Mill Pond restoration	80,000
Nonmotorized improvements	51,893
Police training equipment	5,350
Post Office expansion	5,000
Projects under consideration (fiscal year 2008 breakage to be designated)	57,739
Randolph Drain assessment	80,000
Special projects	327,611
Taft Road lighting and landscaping	40,739
VICMIC microphones for police department	8,400
	<hr/>
Total designated fund balance - Special Revenue Funds	\$ 1,175,685

Note 13 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity is as follows:

Cumulative shortfall - July 1, 2007		\$ (285,106)
Building permit revenue	\$ 114,238	
Related expenditures:		
Direct costs	132,076	
Estimated indirect costs	<u>95,350</u>	
Total construction code expenditures	227,426	
Shortfall - Current year		<u>(113,188)</u>
Cumulative shortfall - June 30, 2008		<u><u>\$ (398,294)</u></u>

Note 14 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to property loss, torts, and errors and omissions. The City also participates in the Michigan Municipal League (MML) risk pool for employee injuries. The City purchases commercial insurance for all medical benefits and for firefighter death and disability coverage. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although annual premiums are paid to the Authority, these amounts are used to pay claims up to the retention limits. The ultimate liability for claims remains with the City. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

Note 14 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as claims that may have been incurred but not reported. During the year ended June 30, 2008, there were no uninsured claims paid by the City and no significant outstanding balances at year end.

The Michigan Municipal League workers' compensation risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 15 - Employee Benefits

The City of Northville is the employer of record for the Northville Parks and Recreation Commission and the DDA. Accordingly, the employees of those entities participate in the City's employee benefit programs and policies and are pooled with all other City employees for benefits administration. The City charges the Commission and DDA for their pro rata share of employee fringe benefit costs in the same manner as City departments are charged for fringe benefits. To the extent applicable, the Commission and DDA contribute a pro rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan.

The Commission and DDA reimbursed the City \$471,357 and \$36,555, respectively, for all fringe benefit expenditures during the year ended June 30, 2008.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Fund Balance - Beginning of year	\$ 2,336,688	\$ 2,336,688	\$ 2,336,688	\$ -
Resources (Inflows)				
Property taxes	4,842,801	4,842,910	4,806,297	(36,613)
Licenses and permits	280,936	256,985	263,280	6,295
State-shared and grant revenue	570,152	588,583	600,483	11,900
Sales and services	125,389	128,927	129,334	407
Charges for services	194,210	194,210	192,277	(1,933)
Fines and forfeitures	87,330	80,700	97,861	17,161
Racetrack breakage	182,045	181,880	155,184	(26,696)
Other	291,305	282,449	279,892	(2,557)
Transfer from other funds and component units	206,040	85,207	81,672	(3,535)
Total resources (inflows)	6,780,208	6,641,851	6,606,280	(35,571)
Charges to Appropriations (Outflows)				
General government:				
City Council	16,205	16,505	14,130	2,375
City manager	249,170	257,800	256,927	873
Clerk - Elections	60,656	43,181	33,100	10,081
City clerk	207,845	211,685	202,871	8,814
Finance and administrative services	294,745	302,395	300,786	1,609
Taxation	236,960	253,320	245,554	7,766
City attorney	123,300	131,300	124,413	6,887
Planning, zoning, and inspection	243,590	265,680	264,918	762
Public safety:				
Police track services	152,215	150,550	125,644	24,906
Police department	2,614,163	2,366,405	2,294,423	71,982
Fire department	340,225	376,488	378,135	(1,647)
Fire track services	13,280	15,160	15,434	(274)

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Charges to Appropriations (Outflows)				
(Continued)				
Public works:				
Civic decorations	\$ 40,955	\$ 44,105	\$ 40,439	\$ 3,666
Fall leaf pickup	53,800	56,480	56,473	7
Street lighting and miscellaneous public works	195,530	187,135	186,756	379
Parking system	136,385	169,245	171,987	(2,742)
Public works administration	210,828	215,575	217,725	(2,150)
Buildings and grounds:				
Cemetery maintenance	167,320	151,325	157,495	(6,170)
City Hall buildings and grounds	197,420	183,870	172,959	10,911
Mill Race Village maintenance	22,265	22,790	22,132	658
City property - Other	61,750	100,425	114,620	(14,195)
Parks and playgrounds	9,800	7,660	2,554	5,106
Tree maintenance	29,800	19,975	14,196	5,779
Debt retirement	68,022	68,022	68,615	(593)
Shared services	280,886	285,080	285,080	-
Other expenditures:				
Technology costs	233,200	257,663	246,674	10,989
Insurance, bonds, and employee reserve	73,210	70,103	70,102	1
Central supply	31,473	26,847	26,691	156
Transfers to other funds	226,277	351,640	494,639	(142,999)
Unallocated reserve	160,679	5,188	-	5,188
Total charges to appropriations (outflows)	<u>6,751,954</u>	<u>6,613,597</u>	<u>6,605,472</u>	<u>8,125</u>
Fund Balance - End of year	<u>\$ 2,364,942</u>	<u>\$ 2,364,942</u>	<u>\$ 2,337,496</u>	<u>\$ (27,446)</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<u>Parking Fund</u>				
Fund Balance - Beginning of year	\$ 722,324	\$ 722,324	\$ 722,324	\$ -
Resources (Inflows) - Other revenue				
Special assessments	144,068	277,317	172,899	(104,418)
Other revenue	<u>27,190</u>	<u>31,190</u>	<u>33,046</u>	<u>1,856</u>
Total resources (inflows)	171,258	308,507	205,945	(102,562)
Charges to Appropriations (Outflows) -				
Other expenditures	<u>144,841</u>	<u>519,107</u>	<u>115,857</u>	<u>403,250</u>
Fund Balance - End of year	<u>\$ 748,741</u>	<u>\$ 511,724</u>	<u>\$ 812,412</u>	<u>\$ 300,688</u>
<u>Public Improvement Fund</u>				
Fund Balance - Beginning of year	\$ 1,781,836	\$ 1,781,836	\$ 1,781,836	\$ -
Resources (Inflows)				
Special assessment	8,108	8,108	8,885	777
Racetrack breakage	-	115,303	172,739	57,436
Other revenue	128,891	136,627	135,856	(771)
Transfers in from other funds and component unit	<u>79,814</u>	<u>84,314</u>	<u>227,313</u>	<u>142,999</u>
Total resources (inflows)	216,813	344,352	544,793	200,441
Charges to Appropriations (Outflows)				
Debt retirement	45,514	45,514	45,513	1
Other expenditures	114,041	390,329	372,471	17,858
Transfers to other funds and component unit	<u>121,288</u>	<u>320,281</u>	<u>197,977</u>	<u>122,304</u>
Total charges to appropriations (outflows)	280,843	756,124	615,961	140,163
Fund Balance - End of year	<u>\$ 1,717,806</u>	<u>\$ 1,370,064</u>	<u>\$ 1,710,668</u>	<u>\$ 340,604</u>

City of Northville, Michigan

Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Major Streets Fund				
Fund Balance - Beginning of year	\$ 312,036	\$ 312,036	\$ 312,036	\$ -
Resources (Inflows)				
Federal sources	435,000	787,078	285,039	(502,039)
State-shared and grant revenue	261,502	254,158	338,778	84,620
Local contributions	-	22,000	2,812	(19,188)
Other	10,970	10,750	10,507	(243)
Transfer from other funds and component units	<u>465,000</u>	<u>866,678</u>	<u>660,112</u>	<u>(206,566)</u>
Total resources (inflows)	1,172,472	1,940,664	1,297,248	(643,416)
Charges to Appropriations (Outflows)				
Street maintenance and repairs	1,065,765	1,834,446	1,027,237	807,209
Other	26,335	25,955	24,761	1,194
General government - Transfers to other funds	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>1,147,100</u>	<u>1,915,401</u>	<u>1,106,998</u>	<u>808,403</u>
Fund Balance - End of year	<u>\$ 337,408</u>	<u>\$ 337,299</u>	<u>\$ 502,286</u>	<u>\$ 164,987</u>

Other Supplemental Information

City of Northville, Michigan

	Nonmajor Special Revenue Funds				
	Street, Drainage, and Sidewalk Improvement	Local Streets	Housing Commission	Cemetery	Employees' Accumulated Compensation
Assets					
Cash and investments	\$ 975,427	\$ 112,499	\$ 444,221	\$ 721,676	\$ 462,619
Restricted cash	-	-	-	-	-
Receivables - Net:					
Other government units	20,716	17,249	6,000	-	-
Assessments	-	-	-	-	-
Other	-	-	-	-	-
Other assets	-	-	155	-	-
Total assets	\$ 996,143	\$ 129,748	\$ 450,376	\$ 721,676	\$ 462,619
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 227	\$ 1,278	\$ 7,624	\$ 145	\$ 89
Accrued and other liabilities	-	3,064	6,747	-	-
Deferred revenue	-	-	11,469	-	-
Total liabilities	227	4,342	25,840	145	89
Fund Balances					
Reserved for cemetery trust	-	-	-	721,531	-
Unreserved	995,916	125,406	424,536	-	462,530
Total fund balances	995,916	125,406	424,536	721,531	462,530
Total liabilities and fund balances	\$ 996,143	\$ 129,748	\$ 450,376	\$ 721,676	\$ 462,619

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

		Nonmajor Debt Service Funds		Nonmajor Capital Projects Fund		
Insurance Retention Fund	Parking Deck	2002 Debt Retirement Fund	Fire Equipment and Replacement	Police Equipment and Replacement	Total Nonmajor Governmental Funds	
\$ -	\$ 268,587	\$ -	\$ 466,099	\$ 34,927	\$ 3,486,055	
189,707	221	95	-	-	190,023	
-	-	-	-	-	43,965	
-	27,882	-	-	-	27,882	
-	-	-	-	7,500	7,500	
-	-	45,529	-	-	45,684	
<u>\$ 189,707</u>	<u>\$ 296,690</u>	<u>\$ 45,624</u>	<u>\$ 466,099</u>	<u>\$ 42,427</u>	<u>\$ 3,801,109</u>	
\$ -	\$ 55	\$ -	\$ 72	\$ 4,220	\$ 13,710	
27,853	-	-	-	-	37,664	
-	-	-	-	-	11,469	
27,853	55	-	72	4,220	62,843	
-	-	-	-	-	721,531	
161,854	296,635	45,624	466,027	38,207	3,016,735	
161,854	296,635	45,624	466,027	38,207	3,738,266	
<u>\$ 189,707</u>	<u>\$ 296,690</u>	<u>\$ 45,624</u>	<u>\$ 466,099</u>	<u>\$ 42,427</u>	<u>\$ 3,801,109</u>	

City of Northville, Michigan

	Nonmajor Special Revenue Funds				
	Street, Drainage, and Sidewalk Improvement	Local Streets	Housing Commission	Cemetery	Employees' Accumulated Compensation
Revenue					
Property taxes	\$ 624,680	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Federal sources	-	-	6,000	-	-
State-shared and grant revenue	-	117,776	-	-	-
Local contributions	-	-	-	-	20,715
Sales and services	-	-	4,799	31,485	-
Michigan Housing Authority subsidies	-	-	75,969	-	-
Rental income	-	-	660,917	-	-
Contributions from other funds	-	-	-	-	-
Other	54,018	3,679	20,463	28,986	18,119
Total revenue	678,698	121,455	768,148	60,471	38,834
Expenditures					
Administration	-	16,516	207,314	-	-
Current capital outlay	-	-	-	-	-
Street maintenance and repairs	-	266,862	-	-	-
Housing operations	-	-	329,198	-	-
Other expenditures	56,100	-	9,329	-	-
Debt service	-	-	1,022	-	-
Total expenditures	56,100	283,378	546,863	-	-
Excess of Revenue Over (Under)					
Expenditures	622,598	(161,923)	221,285	60,471	38,834
Other Financing Sources (Uses)					
Transfers in	23,028	163,072	18,598	-	-
Transfers out	(674,030)	-	(103,204)	-	-
Total other financing sources (uses)	(651,002)	163,072	(84,606)	-	-
Net Change in Fund Balances	(28,404)	1,149	136,679	60,471	38,834
Fund Balances - Beginning of year	1,024,320	124,257	287,857	661,060	423,696
Fund Balances - End of year	\$ 995,916	\$ 125,406	\$ 424,536	\$ 721,531	\$ 462,530

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Insurance Retention Fund	Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds
	Parking Deck	2002 Debt Retirement Fund	Fire Equipment and Replacement	Police Equipment and Replacement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,680
-	31,005	-	-	-	31,005
-	-	-	-	-	6,000
-	-	-	-	7,500	125,276
-	302,887	-	-	-	323,602
-	-	-	-	-	36,284
-	-	-	-	-	75,969
-	-	-	-	-	660,917
50,000	-	-	-	-	50,000
<u>30,288</u>	<u>13,570</u>	<u>4</u>	<u>15,125</u>	<u>10,219</u>	<u>194,471</u>
80,288	347,462	4	15,125	17,719	2,128,204
-	-	-	-	-	223,830
-	-	-	25,627	196,390	222,017
-	-	-	-	-	266,862
-	-	-	-	-	329,198
(12,383)	-	-	-	-	53,046
-	<u>397,460</u>	<u>106,344</u>	-	-	<u>504,826</u>
<u>(12,383)</u>	<u>397,460</u>	<u>106,344</u>	<u>25,627</u>	<u>196,390</u>	<u>1,599,779</u>
92,671	(49,998)	(106,340)	(10,502)	(178,671)	528,425
-	-	103,204	110,624	216,878	635,404
-	-	-	-	-	(777,234)
-	-	<u>103,204</u>	<u>110,624</u>	<u>216,878</u>	<u>(141,830)</u>
92,671	(49,998)	(3,136)	100,122	38,207	386,595
<u>69,183</u>	<u>346,633</u>	<u>48,760</u>	<u>365,905</u>	<u>-</u>	<u>3,351,671</u>
\$ 161,854	\$ 296,635	\$ 45,624	\$ 466,027	\$ 38,207	\$ 3,738,266

City of Northville, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities - Agency Funds Fiduciary Funds June 30, 2008

	Agency Funds		
	Payroll	Agency	Total
Assets			
Cash and investments	\$ 283,677	\$ 74,249	\$ 357,926
Accounts receivable	9,042	420	9,462
Other assets	156,465	-	156,465
Total assets	<u>\$ 449,184</u>	<u>\$ 74,669</u>	<u>\$ 523,853</u>
Liabilities			
Accounts payable	\$ 30,645	\$ 530	\$ 31,175
Accrued and other liabilities	411,445	7,937	419,382
Due to other governmental units	7,094	66,202	73,296
Total liabilities	<u>\$ 449,184</u>	<u>\$ 74,669</u>	<u>\$ 523,853</u>