

City of Northville, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

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, Michigan (the "City") as of and for the year ended June 30, 2009, 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, Michigan'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, Michigan as of June 30, 2009 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, Michigan'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.

As discussed in Note 1, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees.

Plante & Moran, PLLC

September 16, 2009

City of Northville, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the financial performance for the City of Northville, Michigan (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents financial highlights for the year ended June 30, 2009.

- 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, decreased by 4.8 percent from the prior year. 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 prescribed by 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 3.1 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, 2009.
- Long-term debt for the primary government decreased by \$587,400 or 25 percent, which improves the City's overall financial position. In addition, the City's Water and Sewer Fund has no outstanding debt as of the end of the fiscal year. 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 | |
|------------------------------|-------------------------|----------------------|----------------------|-------------------------|---------|
| | 2007 | 2008 | 2009 | in Dollars | Percent |
| Assets | | | | | |
| Current assets | \$ 10,198,656 | \$ 10,331,863 | \$ 9,959,540 | \$ (372,323) | (4) |
| Noncurrent assets | 24,781,050 | 27,186,647 | 28,109,198 | 922,551 | 3 |
| Total assets | 34,979,706 | 37,518,510 | 38,068,738 | 550,228 | 1 |
| Liabilities | | | | | |
| Current liabilities | 1,318,441 | 1,300,390 | 747,816 | (552,574) | (42) |
| Long-term liabilities | 2,099,682 | 1,649,745 | 2,088,084 | 438,339 | 27 |
| Total liabilities | 3,418,123 | 2,950,135 | 2,835,900 | (114,235) | (4) |
| Net Assets | | | | | |
| Invested in capital assets - | | | | | |
| Net of related debt | 21,554,603 | 24,125,709 | 25,575,662 | 1,449,953 | 6 |
| Restricted | 3,896,693 | 4,124,585 | 3,951,221 | (173,364) | (4) |
| Unrestricted | 6,110,287 | 6,318,081 | 5,705,955 | (612,126) | (10) |
| Total net assets | \$ 31,561,583 | \$ 34,568,375 | \$ 35,232,838 | \$ 664,463 | 2 |

Overall, the City's net assets of the governmental activities increased by 2 percent from a year ago. This is due to a combination of capital expenditures, decreased debt, and recognition of advanced funding of other postemployment benefits.

The nature of 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 \$1.1 million. Major projects completed during the year include the Beal Street Bridge project (\$939,000), of which \$628,000 was paid for with a state grant administered by the Michigan Department of Transportation. Additional land was acquired for two parking areas for a total of \$357,000 while \$352,000 of improvements in a third parking lot was capitalized.

The decrease in current and 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 \$523,000 based upon the maturing of outstanding debt issues.

These financial statements reflect implementation of Governmental Accounting Standards Board Statement Number 45, *Accounting for Other Postemployment Benefits*. As a result of these new accounting requirements, the City is required to record a liability of \$594,793 related to the difference between the City's annual required contribution and the actual contributions made during the year.

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 | |
|------------------------------------|-------------------------|---------------------|-------------------|--------------------------|-------------|
| | 2007 | 2008 | 2009 | Prior Year in Dollars | Percent |
| Revenue | | | | | |
| Program revenue: | | | | | |
| Charges for services | \$ 1,433,018 | \$ 1,376,553 | \$ 1,602,160 | \$ 225,607 | 16 |
| Operating grants and contributions | 703,559 | 805,368 | 565,333 | (240,035) | (30) |
| Capital grants and contributions | 206,124 | 2,111,523 | 891,472 | (1,220,051) | (58) |
| General revenue: | | | | | |
| Property taxes | 5,184,152 | 5,430,977 | 5,443,841 | 12,864 | - |
| State-shared revenue | 587,043 | 587,870 | 559,457 | (28,413) | (5) |
| Unrestricted investment earnings | 481,862 | 491,306 | 298,179 | (193,127) | (39) |
| Franchise fees | 86,096 | 95,005 | 101,318 | 6,313 | 7 |
| Racetrack breakage | 385,879 | 327,923 | 259,504 | (68,419) | (21) |
| (Loss) gain on disposal of assets | (9,257) | 23,604 | 4,020 | (19,584) | (83) |
| Total revenue | 9,058,476 | 11,250,129 | 9,725,284 | (1,524,845) | (14) |
| Program Expenses | | | | | |
| General government | 2,699,926 | 2,120,378 | 2,515,518 | 395,140 | 19 |
| Public safety | 2,761,197 | 3,024,633 | 3,194,106 | 169,473 | 6 |
| Public works | 1,486,218 | 1,923,081 | 2,071,729 | 148,648 | 8 |
| Recreation and culture | 325,710 | 359,024 | 512,487 | 153,463 | 43 |
| Senior housing | 748,962 | 727,792 | 705,395 | (22,397) | (3) |
| Interest on long-term debt | 115,216 | 88,429 | 61,586 | (26,843) | (30) |
| Total program expenses | 8,137,229 | 8,243,337 | 9,060,821 | 817,484 | 10 |
| Change in Net Assets | \$ 921,247 | \$ 3,006,792 | \$ 664,463 | \$ (2,342,329) | (78) |

Like most municipalities, there are two major cost areas. The first is personnel costs and the second is capital related expenditures. The significant variance in the change in net assets of \$3,006,792 from last year to \$664,463 this year is primarily due to these two categories.

The increase in charges for services reflects the sale of parking credits in the downtown area in exchange for land acquired to expand parking. The total revenue for special assessments for the year ended June 30, 2009 was \$387,964.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The fluctuation in operating grants and contributions reflects a decrease of \$201,962 for an operating contribution from the component unit to pay for the final installment of the 1993 parking bond. This decreased contribution corresponds with the decrease in the debt payment.

The decrease in the capital grants and contributions is due to the timing of a major capital improvement in the prior year. A significant portion of the Town Square project, \$1,407,445, was paid for with funds from the component unit. Accordingly, a capital contribution was reflected in the prior year financial statements for that amount.

The decrease in unrestricted investment earnings reflects the trend over the past year due to the economy. The City has an actively managed portfolio that began to experience an increase in the rate of return later in the fiscal year.

The decrease in racetrack breakage reflects an ongoing trend as that industry faces new competition. The City's policy has been, and continues to be, to not budget for the racetrack breakage funds until they are received.

The increase in recreation and culture reflects an increase in the City's financial interest in the Northville Parks and Recreation joint venture with the Township of Northville by \$33,206. In the prior year there was a gain of \$7,897.

Lastly, the recognition of the postemployment liability of \$542,047 resulted in a reduction in expenditures equal to that same amount.

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 | |
|------------------------------|--------------------------|---------------------|---------------------|-------------------------|---------|
| | 2007 | 2008 | 2009 | in Dollars | Percent |
| Assets | | | | | |
| Current assets | \$ 2,677,900 | \$ 2,923,557 | \$ 2,912,700 | \$ (10,857) | - |
| Noncurrent assets | <u>6,226,343</u> | <u>6,021,689</u> | <u>5,942,087</u> | <u>(79,602)</u> | (1) |
| Total assets | 8,904,243 | 8,945,246 | 8,854,787 | (90,459) | (1) |
| Liabilities | | | | | |
| Current liabilities | 402,619 | 361,352 | 188,074 | (173,278) | (48) |
| Long-term liabilities | <u>122,348</u> | <u>25,887</u> | <u>84,768</u> | <u>58,881</u> | 227 |
| Total liabilities | <u>524,967</u> | <u>387,239</u> | <u>272,842</u> | <u>(114,397)</u> | (30) |
| Net Assets | | | | | |
| Invested in capital assets - | | | | | |
| Net of related debt | 6,030,993 | 5,918,354 | 5,936,337 | 17,983 | - |
| Restricted | 5,510 | 5,703 | 5,750 | 47 | 1 |
| Unrestricted | <u>2,342,773</u> | <u>2,633,950</u> | <u>2,639,858</u> | <u>5,908</u> | - |
| Total net assets | <u>\$ 8,379,276</u> | <u>\$ 8,558,007</u> | <u>\$ 8,581,945</u> | <u>\$ 23,938</u> | - |

A relatively minor increase in net assets of less than 1 percent was expected for the following reasons:

- There were no significant capital improvements during the year.
- The overall decrease in liabilities is due to the final payment of the only bond issue being paid during the year.

TABLE 4

| | Business-type Activities | | | Changes from Prior Year | |
|-----------------------------|--------------------------|-------------------|------------------|-------------------------|---------|
| | 2007 | 2008 | 2009 | in Dollars | Percent |
| Operating revenues: | | | | | |
| Water and sewer | \$ 2,260,224 | \$ 2,222,133 | \$ 2,185,467 | \$ (36,666) | (2) |
| Refuse and recycling | 461,425 | 422,704 | 423,815 | 1,111 | - |
| Operating expenses: | | | | | |
| Water and sewer | 2,086,803 | 2,152,157 | 2,223,559 | 71,402 | 3 |
| Refuse and recycling | <u>440,486</u> | <u>396,929</u> | <u>415,770</u> | <u>18,841</u> | 5 |
| Operating income (loss) | 194,360 | 95,751 | (30,047) | (125,798) | (131) |
| Investment income | 86,672 | 93,040 | 56,995 | (36,045) | (39) |
| Interest expense | <u>(15,482)</u> | <u>(10,060)</u> | <u>(3,010)</u> | <u>7,050</u> | (70) |
| Change in Net Assets | <u>\$ 265,550</u> | <u>\$ 178,731</u> | <u>\$ 23,938</u> | <u>\$ (154,793)</u> | (87) |

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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. Accordingly, the decrease in operating revenue was expected as part of the long-term projections.

Due to general economic conditions, the decrease in investment income is consistent among all funds. The decrease in interest expense is due to the maturing of long-term debt.

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 2009, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Street, Drainage, and Sidewalk Improvement Fund
- Parking Fund
- Public Improvement Fund
- Major Streets Fund

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 38 percent of total expenditures in 2009.

Other Major Funds Highlights

The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City.

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.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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.

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 2009, this fund accounted for the expenditures of reconstructing the Beal Street bridge and related grant revenue.

Capital Asset and Debt Administration

At the end of fiscal year 2009, the City had approximately \$32.7 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 Replacement Fund and a Police Equipment Replacement Fund. These funds allow 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.

Total debt outstanding at the end of the year related to governmental activities is \$1.2 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, Michigan's fiscal year 2010 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 reduction in staff by 15 percent. All departments are continuing to evaluate how to operate more efficiently, while maintaining a high level of service to the citizens.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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, Michigan'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, 2009.

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, 2009

| | Primary Government | | | Component Unit - Downtown Development Authority |
|---|----------------------------|-----------------------------|----------------------|--|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 8,886,872 | \$ 2,340,142 | \$ 11,227,014 | \$ 926,515 |
| Receivables - Net: | | | | |
| Tax receivables | 23,063 | - | 23,063 | - |
| Customer receivables | - | 521,453 | 521,453 | - |
| Special assessments | 563,977 | - | 563,977 | - |
| Other governmental units | 206,583 | - | 206,583 | - |
| Other | 167,236 | 145 | 167,381 | - |
| Internal balances | (9,886) | 9,886 | - | - |
| Inventories | 28,752 | 39,383 | 68,135 | - |
| Other assets | 62,943 | 1,691 | 64,634 | 32 |
| Long-term note - Component unit: | | | | |
| Due within one year | 30,000 | - | 30,000 | - |
| Due in more than one year | 240,000 | - | 240,000 | - |
| Investments in land | 225,000 | - | 225,000 | - |
| Restricted cash (Note 8) | 216,811 | 5,750 | 222,561 | - |
| Investment in joint ventures (Note 11) | 656,725 | - | 656,725 | - |
| Capital assets not being depreciated (Note 5) | 3,711,019 | 18,720 | 3,729,739 | - |
| Capital assets being depreciated - Net (Note 5) | 23,059,643 | 5,917,617 | 28,977,260 | - |
| Total assets | 38,068,738 | 8,854,787 | 46,923,525 | 926,547 |
| Liabilities | | | | |
| Accounts payable | 136,917 | 165,227 | 302,144 | 64,975 |
| Accrued and other liabilities | 367,437 | 14,497 | 381,934 | 32,979 |
| Due to other governmental units | 16,755 | - | 16,755 | - |
| Deferred revenue (Note 4) | 14,429 | - | 14,429 | - |
| Net retiree healthcare obligation (Note 10) | 542,047 | 52,746 | 594,793 | - |
| Compensated absences: | | | | |
| Due within one year | 117,278 | 8,350 | 125,628 | - |
| Due in more than one year | 446,037 | 32,022 | 478,059 | - |
| Long-term debt (Note 7): | | | | |
| Due within one year | 95,000 | - | 95,000 | 30,000 |
| Due in more than one year | 1,100,000 | - | 1,100,000 | 240,000 |
| Total liabilities | 2,835,900 | 272,842 | 3,108,742 | 367,954 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 25,575,662 | 5,936,337 | 31,511,999 | - |
| Restricted: | | | | |
| Streets, drainage, and sidewalk improvements | 1,919,943 | - | 1,919,943 | - |
| Cemetery | 833,335 | - | 833,335 | - |
| Insurance retention | 210,130 | - | 210,130 | - |
| Parking | 987,813 | - | 987,813 | - |
| Other purposes | - | 5,750 | 5,750 | - |
| Unrestricted | 5,705,955 | 2,639,858 | 8,345,813 | 558,593 |
| Total net assets | \$ 35,232,838 | \$ 8,581,945 | \$ 43,814,783 | \$ 558,593 |

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

City of Northville, Michigan

| Functions/Programs | Program Revenues | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,515,518 | \$ 391,121 | \$ - | \$ 3,605 |
| Public safety | 3,194,106 | 130,464 | 39,755 | 5,565 |
| Public works | 2,071,729 | 308,207 | 457,574 | 785,320 |
| Recreation and culture | 512,487 | 68,372 | - | 4,850 |
| Senior housing | 705,395 | 703,996 | 68,004 | 92,132 |
| Interest on long-term debt | 61,586 | - | - | - |
| Total governmental activities | 9,060,821 | 1,602,160 | 565,333 | 891,472 |
| Business-type activities: | | | | |
| Water and sewer | 2,226,569 | 2,185,467 | - | - |
| Refuse and recycling | 415,770 | 423,815 | - | - |
| Total business-type activities | 2,642,339 | 2,609,282 | - | - |
| Total primary government | <u>\$ 11,703,160</u> | <u>\$ 4,211,442</u> | <u>\$ 565,333</u> | <u>\$ 891,472</u> |
| Component unit - Downtown Development Authority | <u>\$ 739,448</u> | <u>\$ -</u> | <u>\$ 1,135</u> | <u>\$ -</u> |

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, 2009

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|-----------------------------|----------------------|--------------------|
| Primary Government | | | Component Units |
| Governmental Activities | Business-type Activities | Total | |
| \$ (2,120,792) | \$ - | \$ (2,120,792) | \$ - |
| (3,018,322) | - | (3,018,322) | - |
| (520,628) | - | (520,628) | - |
| (439,265) | - | (439,265) | - |
| 158,737 | - | 158,737 | - |
| (61,586) | - | (61,586) | - |
| (6,001,856) | - | (6,001,856) | - |
| - | (41,102) | (41,102) | - |
| - | 8,045 | 8,045 | - |
| - | (33,057) | (33,057) | - |
| (6,001,856) | (33,057) | (6,034,913) | - |
| - | - | - | (738,313) |
| 5,443,841 | - | 5,443,841 | 1,259,723 |
| 559,457 | - | 559,457 | - |
| 298,179 | 56,995 | 355,174 | 24,642 |
| 259,504 | - | 259,504 | - |
| 101,318 | - | 101,318 | - |
| 4,020 | - | 4,020 | - |
| 6,666,319 | 56,995 | 6,723,314 | 1,284,365 |
| 664,463 | 23,938 | 688,401 | 546,052 |
| 34,568,375 | 8,558,007 | 43,126,382 | 12,541 |
| \$ 35,232,838 | \$ 8,581,945 | \$ 43,814,783 | \$ 558,593 |

City of Northville, Michigan

Governmental Funds Balance Sheet June 30, 2009

| | Major Special Revenue Funds | | | | | | Total Governmental Funds |
|---|-----------------------------|---|-------------------|-----------------------|-------------------|--|--------------------------------|
| | General Fund | Street, Drainage, and Sidewalk Improvement | Parking | Public Improvement | Major Steets | Other Nonmajor Governmental Funds | |
| Assets | | | | | | | |
| Cash and investments (Note 3) | \$ 2,172,025 | \$ 1,292,040 | \$ 445,245 | \$ 1,376,737 | \$ 455,411 | \$ 2,544,648 | \$ 8,286,106 |
| Restricted cash (Note 8) | 1,227 | - | - | - | - | 215,584 | 216,811 |
| Receivables - Net: | | | | | | | |
| Delinquent taxes | 23,063 | - | - | - | - | - | 23,063 |
| Other governmental units | 83,082 | - | - | - | 86,643 | 36,858 | 206,583 |
| Component unit | 270,000 | - | - | - | - | - | 270,000 |
| Assessments | - | - | 545,445 | 18,532 | - | - | 563,977 |
| Other | 146,097 | - | - | 20,683 | - | - | 166,780 |
| Other assets | 32,943 | - | - | - | - | 42,549 | 75,492 |
| Investment in land | - | - | - | 225,000 | - | - | 225,000 |
| Total assets | \$ 2,728,437 | \$ 1,292,040 | \$ 990,690 | \$ 1,640,952 | \$ 542,054 | \$ 2,839,639 | \$ 10,033,812 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 61,529 | \$ 404 | \$ 2,877 | \$ 3,406 | \$ 35,004 | \$ 32,396 | \$ 135,616 |
| Accrued and other liabilities | 273,017 | - | - | 1,092 | 1,656 | 75,497 | 351,262 |
| Due to other governmental units | 16,755 | - | - | - | - | - | 16,755 |
| Deferred revenue | - | - | 441,900 | 12,316 | - | 14,429 | 468,645 |
| Total liabilities | 351,301 | 404 | 444,777 | 16,814 | 36,660 | 122,322 | 972,278 |
| Fund Balances | | | | | | | |
| Reserved: | | | | | | | |
| Investment in land | - | - | - | 225,000 | - | - | 225,000 |
| Parking | - | - | 545,913 | - | - | - | 545,913 |
| Cemetery | - | - | - | 77,082 | - | 756,253 | 833,335 |
| Long-term receivable from component unit | 270,000 | - | - | - | - | - | 270,000 |
| Other | 4,795 | - | - | - | - | - | 4,795 |
| Unreserved: | | | | | | | |
| Designated, reported in: | | | | | | | |
| General Fund (Note 12) | 33,827 | - | - | - | - | - | 33,827 |
| Special Revenue Funds (Note 12) | - | 452,731 | - | 1,067,972 | 6,460 | 111,522 | 1,638,685 |
| Undesignated, reported in: | | | | | | | |
| General Fund | 2,068,514 | - | - | - | - | - | 2,068,514 |
| Special Revenue Funds | - | 838,905 | - | 254,084 | 498,934 | 1,251,834 | 2,843,757 |
| Debt Service Funds | - | - | - | - | - | 42,492 | 42,492 |
| Capital Projects Funds | - | - | - | - | - | 555,216 | 555,216 |
| Total fund balances | 2,377,136 | 1,291,636 | 545,913 | 1,624,138 | 505,394 | 2,717,317 | 9,061,534 |
| Total liabilities and fund balances | \$ 2,728,437 | \$ 1,292,040 | \$ 990,690 | \$ 1,640,952 | \$ 542,054 | \$ 2,839,639 | \$ 10,033,812 |

City of Northville, Michigan

Governmental Funds Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009

| | |
|---|-----------------------------|
| Fund Balances - Total Governmental Funds | \$ 9,061,534 |
| 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 | 15,732,912 |
| Infrastructure assets used in government activities are not financial resources and are not reported in the funds | 10,417,567 |
| Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures | 454,216 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (1,195,000) |
| Interest payable is not accrued in the funds | (12,967) |
| Compensated absences are not included as a liability of the funds | (563,315) |
| Net other postemployment benefits obligation is not due and payable in the current period and is not recorded in the funds | (542,047) |
| Investments in joint ventures are included as part of governmental activities | 656,725 |
| Internal Service Funds are also included as governmental activities | <u>1,223,213</u> |
| Net Assets of Governmental Activities | <u>\$ 35,232,838</u> |

City of Northville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

| | Major Special Revenue Funds | | | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------------------|--|-------------------|-----------------------|-------------------|--|--------------------------------|
| | General Fund | Street, Drainage, and Sidewalk Improvement | Parking | Public Improvement | Major Streets | | |
| Revenue | | | | | | | |
| Property taxes | \$ 4,821,939 | \$ 621,902 | \$ - | \$ - | \$ - | \$ - | \$ 5,443,841 |
| Licenses and permits | 208,393 | - | - | - | - | - | 208,393 |
| Special assessments | - | - | 378,419 | 7,934 | - | 1,561 | 387,914 |
| Federal sources | 4,362 | - | - | - | 74,921 | 98,232 | 177,515 |
| State-shared and grant revenue | 566,273 | - | - | - | 870,891 | 137,339 | 1,574,503 |
| Local contributions | 74,575 | - | - | - | - | 139,822 | 214,397 |
| Sales and services | 119,926 | - | - | - | - | 21,155 | 141,081 |
| Charges for overhead services | 196,125 | - | - | - | - | - | 196,125 |
| Fines and forfeitures | 94,732 | - | - | - | - | - | 94,732 |
| Michigan Housing Authority subsidies | - | - | - | - | - | 61,904 | 61,904 |
| Rental income | - | - | - | - | - | 690,170 | 690,170 |
| Racetrack revenue | 116,497 | - | - | 143,007 | - | - | 259,504 |
| Other | 140,015 | 33,624 | 20,048 | 110,692 | 110,504 | 137,449 | 552,332 |
| Total revenue | 6,342,837 | 655,526 | 398,467 | 261,633 | 1,056,316 | 1,287,632 | 10,002,411 |
| Expenditures - Current | | | | | | | |
| Administration | 1,251,316 | - | - | - | - | 219,834 | 1,471,150 |
| Police department | 2,439,899 | - | - | - | - | 82,305 | 2,522,204 |
| Fire and inspection | 402,733 | - | - | - | - | 102,513 | 505,246 |
| Housing operations | - | - | - | - | - | 327,459 | 327,459 |
| Public works | 600,726 | - | - | - | - | - | 600,726 |
| Planning, zoning, and inspection | 286,935 | - | - | - | - | - | 286,935 |
| Building and grounds | 472,738 | - | - | - | - | - | 472,738 |
| Legislative | 14,571 | - | - | - | - | - | 14,571 |
| Debt retirement | 53,040 | - | - | - | - | 505,855 | 558,895 |
| Shared services | 314,052 | - | - | - | - | - | 314,052 |
| Other expenditures | 347,623 | - | 664,966 | 105,339 | 24,889 | 190,110 | 1,332,927 |
| Street maintenance and repairs | - | - | - | - | 1,336,572 | 298,530 | 1,635,102 |
| Total expenditures | 6,183,633 | - | 664,966 | 105,339 | 1,361,461 | 1,726,606 | 10,042,005 |
| Excess of Revenue Over (Under) Expenditures | 159,204 | 655,526 | (266,499) | 156,294 | (305,145) | (438,974) | (39,594) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in (Note 6) | 110,034 | 48,055 | - | 32,163 | 367,485 | 526,399 | 1,084,136 |
| Transfers out (Note 6) | (229,598) | (407,861) | - | (274,987) | (59,232) | (112,458) | (1,084,136) |
| Total other financing sources (uses) | (119,564) | (359,806) | - | (242,824) | 308,253 | 413,941 | - |
| Net Change in Fund Balances | 39,640 | 295,720 | (266,499) | (86,530) | 3,108 | (25,033) | (39,594) |
| Fund Balances - Beginning of year | 2,337,496 | 995,916 | 812,412 | 1,710,668 | 502,286 | 2,742,350 | 9,101,128 |
| Fund Balances - End of year | \$ 2,377,136 | \$ 1,291,636 | \$ 545,913 | \$ 1,624,138 | \$ 505,394 | \$ 2,717,317 | \$ 9,061,534 |

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, 2009

| | |
|--|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (39,594) |
| 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 | 898,525 |
| Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities | (33,206) |
| 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 | (73,075) |
| 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 | (27,402) |
| 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 | 6,816 |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 489,768 |
| Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities | 6,429 |
| Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds | (542,047) |
| Internal Service Funds are also included as governmental activities | <u>(21,751)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 664,463</u> |

City of Northville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

| | Enterprise Funds | | | Internal Service Fund |
|--|---------------------------------|--------------------------------|---------------------|--------------------------|
| | Nonmajor | | Total | Municipal Equipment |
| | Major Fund - Water and Sewer | Fund - Refuse and Recycling | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,034,954 | \$ 305,188 | \$ 2,340,142 | \$ 601,067 |
| Receivables - Net: | | | | |
| Customers | 444,632 | 76,821 | 521,453 | - |
| Other governmental units | - | - | - | - |
| Other | 145 | - | 145 | 456 |
| Inventories | 39,383 | - | 39,383 | - |
| Other assets | 1,691 | - | 1,691 | 16,203 |
| Total current assets | <u>2,520,805</u> | <u>382,009</u> | <u>2,902,814</u> | <u>617,726</u> |
| Noncurrent assets: | | | | |
| Restricted cash (Note 8) | 5,750 | - | 5,750 | - |
| Capital assets not being depreciated | 18,720 | - | 18,720 | - |
| Capital assets - Net | <u>5,872,863</u> | <u>44,754</u> | <u>5,917,617</u> | <u>620,182</u> |
| Total noncurrent assets | <u>5,897,333</u> | <u>44,754</u> | <u>5,942,087</u> | <u>620,182</u> |
| Total assets | <u>8,418,138</u> | <u>426,763</u> | <u>8,844,901</u> | <u>1,237,908</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 121,282 | 43,945 | 165,227 | 1,278 |
| Accrued and other liabilities | 13,940 | 557 | 14,497 | 3,208 |
| Current portion of compensated absences | <u>7,869</u> | <u>481</u> | <u>8,350</u> | <u>3,043</u> |
| Total current liabilities | <u>143,091</u> | <u>44,983</u> | <u>188,074</u> | <u>7,529</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences - Net of current portion | 30,178 | 1,844 | 32,022 | 11,670 |
| Net retiree healthcare obligation (Note 10) | <u>52,746</u> | <u>-</u> | <u>52,746</u> | <u>-</u> |
| Total noncurrent liabilities | <u>82,924</u> | <u>1,844</u> | <u>84,768</u> | <u>11,670</u> |
| Total liabilities | <u>226,015</u> | <u>46,827</u> | <u>272,842</u> | <u>19,199</u> |
| Net Assets | | | | |
| Investment in capital assets - Net of related debt | 5,891,583 | 44,754 | 5,936,337 | 620,182 |
| Restricted | 5,750 | - | 5,750 | - |
| Unrestricted | <u>2,294,790</u> | <u>335,182</u> | <u>2,629,972</u> | <u>598,527</u> |
| Total net assets | <u>\$ 8,192,123</u> | <u>\$ 379,936</u> | 8,572,059 | <u>\$ 1,218,709</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) | | | <u>9,886</u> | |
| Net assets of business-type activities | | | <u>\$ 8,581,945</u> | |

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

| | Enterprise Funds | | | Internal Service Fund |
|---|------------------------------------|--|------------------|------------------------|
| | Major Fund - Water and Sewer | Nonmajor Fund - Refuse and Recycling | Total | Municipal Equipment |
| Operating Revenue | | | | |
| Customer charges | \$ 2,015,917 | \$ 423,100 | \$ 2,439,017 | \$ - |
| Rental income | 156,816 | - | 156,816 | 391,128 |
| Other revenue | 12,734 | 715 | 13,449 | 2,233 |
| Total operating revenue | 2,185,467 | 423,815 | 2,609,282 | 393,361 |
| Operating Expenses | | | | |
| General operations and maintenance | 1,741,110 | 385,622 | 2,126,732 | 306,043 |
| Depreciation | 224,514 | 1,543 | 226,057 | 142,622 |
| Other expenses | 240,349 | 28,605 | 268,954 | - |
| Total operating expenses | 2,205,973 | 415,770 | 2,621,743 | 448,665 |
| Operating (Loss) Income | (20,506) | 8,045 | (12,461) | (55,304) |
| Nonoperating Revenue (Expense) | | | | |
| Gain on sale of assets | - | - | - | 3,510 |
| Investment income | 49,349 | 7,646 | 56,995 | 15,966 |
| Interest expense | (3,010) | - | (3,010) | - |
| Total nonoperating revenue | 46,339 | 7,646 | 53,985 | 19,476 |
| Net Income (Loss) | 25,833 | 15,691 | 41,524 | (35,828) |
| Net Assets - Beginning of year | 8,166,290 | 364,245 | | 1,254,537 |
| Net Assets - End of year | <u>\$ 8,192,123</u> | <u>\$ 379,936</u> | | <u>\$ 1,218,709</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 | | | (17,586) | |
| Change in net assets of business-type activities | | | <u>\$ 23,938</u> | |

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

| | 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 | \$ 2,017,480 | \$ 421,906 | \$ 2,439,386 | \$ 390,672 |
| Payments to suppliers | (1,478,280) | (408,205) | (1,886,485) | (150,268) |
| Payments to employees | (508,897) | (20,160) | (529,057) | (153,231) |
| Other receipts | 156,814 | - | 156,814 | 2,233 |
| Net cash provided by (used in) operating activities | 187,117 | (6,459) | 180,658 | 89,406 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Proceeds from sale of assets | - | - | - | 3,510 |
| Purchase of capital assets | (100,112) | (46,298) | (146,410) | (154,265) |
| Principal and interest paid on capital debt | (100,642) | - | (100,642) | - |
| Net cash used in capital and related financing activities | (200,754) | (46,298) | (247,052) | (150,755) |
| Cash Flows from Investing Activities - Interest received on investments | | | | |
| | 49,349 | 7,646 | 56,995 | 15,966 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 35,712 | (45,111) | (9,399) | (45,383) |
| Cash and Cash Equivalents - Beginning of year | 2,004,992 | 350,299 | 2,355,291 | 646,450 |
| Cash and Cash Equivalents - End of year | <u>\$ 2,040,704</u> | <u>\$ 305,188</u> | <u>\$ 2,345,892</u> | <u>\$ 601,067</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | |
| Cash | \$ 2,034,954 | \$ 305,188 | \$ 2,340,142 | \$ 601,067 |
| Restricted cash | 5,750 | - | 5,750 | - |
| Total cash and cash equivalents | <u>\$ 2,040,704</u> | <u>\$ 305,188</u> | <u>\$ 2,345,892</u> | <u>\$ 601,067</u> |
| Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities | | | | |
| Operating (loss) income | \$ (20,506) | \$ 8,045 | \$ (12,461) | \$ (55,304) |
| Adjustments to reconcile operating (loss) income to net cash from operating activities: | | | | |
| Depreciation and amortization | 224,514 | 1,543 | 226,057 | 142,622 |
| Changes in assets and liabilities: | | | | |
| Receivables | (11,172) | (1,908) | (13,080) | (456) |
| Inventories | (1,402) | - | (1,402) | - |
| Other assets | (1,691) | - | (1,691) | 1,865 |
| Accounts payable | (51,484) | (14,461) | (65,945) | (2,522) |
| Net retiree healthcare obligation | 52,746 | - | 52,746 | - |
| Accrued and other liabilities | (3,888) | 322 | (3,566) | 3,201 |
| Net cash provided by (used in) operating activities | <u>\$ 187,117</u> | <u>\$ (6,459)</u> | <u>\$ 180,658</u> | <u>\$ 89,406</u> |

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

City of Northville, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

| | Private Purpose Trust - Allen Terrace Trust Fund | Agency Funds |
|-----------------------------------|---|--------------------------|
| | | |
| Assets | | |
| Cash and investments | \$ 148,681 | \$ 368,659 |
| Other assets | - | 170,784 |
| | | |
| Total assets | 148,681 | <u>\$ 539,443</u> |
| Liabilities | | |
| Accounts payable | - | \$ 44,972 |
| Accrued and other liabilities | - | 469,794 |
| Due to other governmental units | - | 24,677 |
| | | |
| Total liabilities | - | <u>\$ 539,443</u> |
| Net Assets - Held in trust | <u>\$ 148,681</u> | |

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

| | Private Purpose Trust - Allen Terrace Trust Fund |
|-----------------------------------|---|
| Revenue | |
| Interest revenue | \$ 2,129 |
| Contributions from local units | 5,771 |
| Donations | <u>205</u> |
| Total revenue | 8,105 |
| Expenses - Rent subsidies | <u>1,149</u> |
| Change in Net Assets | 6,956 |
| Net Assets - July 1, 2008 | <u>141,725</u> |
| Net Assets - June 30, 2009 | <u><u>\$ 148,681</u></u> |

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Northville, Michigan (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, Michigan:

Reporting Entity

The City of Northville, Michigan 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 1 - 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.

Street, Drainage, and Sidewalk Improvement Fund - The Street, Drainage, and Sidewalk Improvement Fund is a Special Revenue Fund that is used to account for proceeds from a dedicated millage for such improvements throughout the City. The expenditures are based on a 20-year capital improvement plan.

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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

The Agency Fund accounts for assets held in an agent capacity for other entities. It is custodial in nature (assets are equal to liabilities) and does not involve the measurement of results of operations.

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 I - 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 2008 taxable valuation of the City totaled \$352 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 0.1378 mill for public safety debt service. The ad valorem taxes levied raised approximately \$4.7 million for operations, \$622,000 for street, drainage, and sidewalk improvements, and \$49,000 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:

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

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City has elected to compute the annual required contribution necessary to fund the obligation over the remaining amortization period using the alternative measurement method (permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members). In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

New Accounting Standard - In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 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 pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the government-wide statement of activities and the proprietary funds of \$542,047 in excess of what would have been reported in prior years.

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Reporting Change - In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Upcoming Reporting Change - In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with fiscal year ending June 30, 2011.

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.

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

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.

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.

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.

Note 3 - Deposits and Investments (Continued)

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 the 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 no bank deposits (checking and savings accounts in addition to certificates of deposits) that were uninsured and uncollateralized. 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, 2009, the City utilized 16 banks for the deposit of City funds.

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 Organization | |
|---|------------|---------------------|---------|
| | | Standard & Poor's | Moody's |
| Bank investment pools | \$ 355,958 | N/A | N/A |
| Federal Home Loan Mortgage Corporation | 1,370,036 | AAA | Aaa |
| Federal National Mortgage Association | 1,028,719 | AAA | Aaa |
| Federal Home Loan Bank | 2,715,540 | AAA | Aaa |
| Commercial paper | 249,975 | AI | PI |
| Banker's acceptances | 759,878 | AI + | PI |
| Municipal tax notes | 1,302,359 | SPI +/AI + | PI/MIGI |

Note 3 - 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 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 | \$ 1,370,036 | 96 days |
| Federal National Mortgage Association | 1,028,719 | 46 days |
| Federal Home Loan Bank | 2,715,540 | 377 days |
| Commercial paper | 249,975 | 2 days |
| Banker's acceptances | 759,878 | 12 days |
| Municipal tax notes | 1,302,359 | 42 days |

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 the 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:

| Investment | Percent |
|--|---------|
| Federal Home Bank | 20% |
| Federal Home Loan Mortgage Corporation | 10% |
| Federal National Mortgage Association | 8% |

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, 2009, the carrying amount of cash and investments for the component unit was \$926,516. For the purpose 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.

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

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:

| | Unavailable | Unearned |
|--------------------------------------|-------------------|------------------|
| Special assessments | \$ 454,216 | \$ - |
| Other miscellaneous deferred revenue | - | 14,429 |
| Total | <u>\$ 454,216</u> | <u>\$ 14,429</u> |

Note 5 - Capital Assets

Capital asset activity of the primary government was as follows:

| | Balance July 1, 2008 | Additions | Disposals and Adjustments | Balance June 30, 2009 |
|---------------------------------------|-------------------------|---------------------|------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,126,946 | \$ 357,265 | \$ - | \$ 3,484,211 |
| Works of art | 93,785 | - | - | 93,785 |
| Construction in progress | 182,771 | 106,679 | 156,427 | 133,023 |
| Subtotal | 3,403,502 | 463,944 | 156,427 | 3,711,019 |
| Capital assets being depreciated: | | | | |
| Roads, sidewalks, and bridges | 24,075,688 | 1,267,510 | 69,750 | 25,273,448 |
| Buildings and improvements | 10,318,548 | 133,342 | - | 10,451,890 |
| Parking system | 4,872,193 | 369,334 | - | 5,241,527 |
| Streetscape | 2,177,777 | 3,818 | - | 2,181,595 |
| Vehicles | 2,192,463 | 73,989 | 51,482 | 2,214,970 |
| Equipment | 1,752,721 | 277,763 | 25,232 | 2,005,252 |
| Subtotal | 45,389,390 | 2,125,756 | 146,464 | 47,368,682 |
| Accumulated depreciation: | | | | |
| Roads, sidewalks, and bridges | 14,504,055 | 474,129 | 69,750 | 14,908,434 |
| Buildings and improvements | 4,231,828 | 420,502 | - | 4,652,330 |
| Parking system | 1,402,767 | 117,344 | - | 1,520,111 |
| Streetscape | 172,339 | 112,867 | - | 285,206 |
| Vehicles | 1,430,959 | 177,732 | 51,482 | 1,557,209 |
| Equipment | 1,240,467 | 170,514 | 25,232 | 1,385,749 |
| Subtotal | 22,982,415 | 1,473,088 | 146,464 | 24,309,039 |
| Net capital assets being depreciated | 22,406,975 | 652,668 | - | 23,059,643 |
| Net capital assets | <u>\$ 25,810,477</u> | <u>\$ 1,116,612</u> | <u>\$ 156,427</u> | <u>\$ 26,770,662</u> |

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2008 | Additions | Disposals and Adjustments | Balance June 30, 2009 |
|--|-------------------------|--------------------|------------------------------|--------------------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Construction in progress | \$ 30,902 | \$ 18,720 | \$ 30,902 | \$ 18,720 |
| Capital assets being depreciated: | | | | |
| Buildings | 21,535 | - | - | 21,535 |
| Water and sewer distribution system | 10,386,763 | 112,294 | - | 10,499,057 |
| Refuse and recycling syetm | - | 46,296 | - | 46,296 |
| Subtotal | 10,408,298 | 158,590 | - | 10,566,888 |
| Accumulated depreciation: | | | | |
| Buildings | 21,535 | - | - | 21,535 |
| Water and sewer distribution system | 4,401,679 | 224,514 | - | 4,626,193 |
| Refuse and recycling syetm | - | 1,543 | - | 1,543 |
| Subtotal | 4,423,214 | 226,057 | - | 4,649,271 |
| Net capital assets being depreciated | 5,985,084 | (67,467) | - | 5,917,617 |
| Net capital assets | <u>\$ 6,015,986</u> | <u>\$ (48,747)</u> | <u>\$ 30,902</u> | <u>\$ 5,936,337</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 234,117 |
| Public safety | 182,550 |
| Public works | 705,546 |
| Recreation and culture | 23,417 |
| Senior housing | 184,836 |
| Internal Service Fund depreciation is charged to the various functions based on their usage of the asset | <u>142,622</u> |
| Total governmental activities | <u>\$ 1,473,088</u> |
| Business-type activities: | |
| Water and sewer | \$ 224,514 |
| Refuse and recycling | <u>1,543</u> |
| Total business-type activities | <u>\$ 226,057</u> |

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

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, 2009 are as follows:

| | Spent to Date | Remaining Commitment |
|---|-------------------|-------------------------|
| Downtown sidewalk and landscape replacement | \$ 28,806 | \$ 1,250 |
| Church Street parking lot | 268,295 | 91,120 |
| E. Dunlap Street reconstruction | 16,690 | 9,165 |
| Novi Street watermain and reconstruction | 29,898 | 14,902 |
| Wing/Cady intersection improvements | 135 | 4,610 |
| Total | <u>\$ 343,824</u> | <u>\$ 121,047</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) \$ 16,300 |
| General Fund | Public Improvement Fund | (2) 5,000 |
| General Fund | Other nonmajor governmental funds | (1) 72,848 |
| General Fund | Other nonmajor governmental funds | (2) <u>135,450</u> |
| | Total | 229,598 |
| Street, drainage, and sidewalk improvement | Major Streets Fund | (2) 326,918 |
| Street, drainage, and sidewalk improvement | Other nonmajor governmental funds | (2) <u>80,943</u> |
| | Total | 407,861 |
| Major Streets Fund | Other nonmajor governmental funds | (1) 59,232 |
| Public Improvement Fund | General Fund | (2) 110,034 |
| Public Improvement Fund | Street, drainage, and sidewalk improvement | (2) 48,055 |
| Public Improvement Fund | Major Streets Fund | (2) 40,567 |
| Public Improvement Fund | Other nonmajor governmental funds | (2) <u>76,331</u> |
| | Total | 274,987 |
| Other nonmajor governmental funds | Public Improvement Fund | (2) 10,863 |
| Other nonmajor governmental funds | Other nonmajor governmental funds | (2) <u>101,595</u> |
| | Total | <u>112,458</u> |
| | Total transfers | <u>\$ 1,084,136</u> |

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Transfers

- (1) The transfers from the General Fund and Major Streets 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 projects, capital improvements, or debt service expenditures accounted for in the respective funds.

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 | \$ 390,000 | \$ - | \$ 390,000 | \$ - | \$ - |
| Allen Terrace renovation bonds | 3.1%-4.875% | 2022 | 1,120,000 | - | 40,000 | 1,080,000 | 55,000 |
| Public safety bonds | 4.70%-5.00% | 2011 | 170,000 | - | 55,000 | 115,000 | 40,000 |
| Installment purchase agreements | 3.45%-6.50% | 2009 | 4,768 | - | 4,768 | - | - |
| Total governmental activities | | | <u>\$ 1,684,768</u> | <u>\$ -</u> | <u>\$ 489,768</u> | <u>\$ 1,195,000</u> | <u>\$ 95,000</u> |
| Business-type activities - General obligation bonds - County contracts | | | | | | | |
| | 5.50%-6.00% | 2009 | <u>\$ 97,632</u> | <u>\$ -</u> | <u>\$ 97,632</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| | Governmental Activities | | |
|-----------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ 95,000 | \$ 50,000 | \$ 145,000 |
| 2011 | 105,000 | 45,980 | 150,980 |
| 2012 | 105,000 | 41,578 | 146,578 |
| 2013 | 65,000 | 38,028 | 103,028 |
| 2014 | 65,000 | 35,428 | 100,428 |
| 2015-2019 | 385,000 | 131,855 | 516,855 |
| 2020-2023 | <u>375,000</u> | <u>36,669</u> | <u>411,669</u> |
| Total | <u>\$ 1,195,000</u> | <u>\$ 379,538</u> | <u>\$ 1,574,538</u> |

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

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 \$270,000.

Prior to year end, the Northville City Council adopted a resolution to issue up to \$2,000,000 of limited tax obligation bonds for a proposed streetscape improvement project in the downtown on behalf of the component unit. The proposed bonds would be payable in 15 annual installments. The board of the component unit adopted a related resolution pledging future tax increment revenues for the payment of those bonds. It is anticipated that bonds will be issued later in fiscal year 2010.

Note 8 - Restricted Cash

The balances of the restricted cash accounts are as follows:

| | Governmental Activities | Business-type Activities |
|---------------------------------|----------------------------|-----------------------------|
| Funds held for insurance claims | \$ 215,481 | \$ - |
| Debt service | 1,330 | - |
| Sewer system grant program | - | 5,750 |
| Total restricted assets | <u>\$ 216,811</u> | <u>\$ 5,750</u> |

Note 9 - Pension Plans

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.

Note 9 - Pension Plans (Continued)

Annual Pension Costs - For the year ended June 30, 2009, the City's annual pension cost of \$544,825 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, 2007, 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.

Three-year trend information is as follows:

| | Fiscal Year Ended June 30 | | |
|-------------------------------|---------------------------|------------|------------|
| | 2007 | 2008 | 2009 |
| Annual pension costs (APC) | \$ 586,128 | \$ 541,632 | \$ 544,825 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | \$ - | \$ - | \$ - |

| | Actuarial Valuation as of December 31 | | |
|--|---------------------------------------|---------------|---------------|
| | 2006 | 2007 | 2008 |
| Actuarial value of assets | \$ 10,914,256 | \$ 11,291,010 | \$ 11,350,741 |
| Actuarial accrued liability (AAL) (entry age) | \$ 16,511,320 | \$ 16,912,905 | \$ 17,430,748 |
| Unfunded AAL (UAAL) | \$ 5,597,064 | \$ 5,621,895 | \$ 6,080,277 |
| Funded ratio | 66% | 67% | 65% |
| Covered payroll | \$ 1,982,054 | \$ 1,878,443 | \$ 1,818,683 |
| UAAL as a percentage of covered payroll | 282% | 299% | 334% |

Note 9 - Pension Plans (Continued)

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 are fully vested by the employee after seven years of service.

The City's total payroll during the current year was \$4,568,648. The current year contribution was calculated based on covered payroll of \$1,548,861, resulting in an employer contribution of \$152,180.

Note 10 - Other Postemployment Benefits

Plan Description

The City provides retiree healthcare benefits to eligible employees and their spouses. This is an agent multiple employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. For employees hired prior to July 1, 2009, the plan provides lifetime healthcare insurance for eligible retirees and their eligible spouses through the City's group health insurance plan. This plan covers both active and retired members. Benefit provisions are established through negotiated labor contracts and the non-union benefits policy established by the City Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The City 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). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Note 10 - Other Postemployment Benefits (Continued)

Eligible employees hired after July 1, 2009 are provided a defined contribution plan. As established by City Council action, the City contributes 2 percent to 6 percent of gross earnings, based upon years of service, into a healthcare savings plan. The City's contribution vests after five years of service. In addition, employees may contribute 1 percent up to 6 percent of earnings into the plan. There are no employees participating in this plan.

The City funded 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2009, the City contributed \$1,138,764 to the plan. Plan members receiving benefits contribute between 0 percent to 60 percent of their premium costs depending upon their years of service and date of retirement. In fiscal year 2009, total member contributions were \$4,667.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

| | |
|------------------------------|----------------------------|
| Annual required contribution | \$ 1,733,557 |
| Contributions made | <u>1,138,764</u> |
| Net OPEB obligation | <u><u>\$ (594,793)</u></u> |

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

| | |
|------------------------|--------------|
| Annual OPEB cost | \$ 1,733,557 |
| Percentage contributed | 65.7% |
| Net OPEB obligation | \$ 594,793 |

Note 10 - Other Postemployment Benefits (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was \$19,178,333, of which \$2,530,151 was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,399,339 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 490 percent.

The projection of future benefit payments for an ongoing plan involves 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 funding progress of the plan as of the two most recent valuation dates is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Simplified Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|-------------------------------------|---|-----------------------------------|--------------------------|---------------------------|---|
| 6/30/2009 | \$ 2,530,151 | \$ 19,178,333 | \$ 16,648,182 | 13.2% | \$ 3,399,339 | 490% |

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 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.

Note 10 - Other Postemployment Benefits (Continued)

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 57, or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data are the life tables for males and females, 2002 version (Tables 2 and 3 from the National Vital Statistics Reports, Vol. 53, No. 6 dated November 10, 2004).

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, reduced to an ultimate rate of 6.8 percent after six years, was used.

Health Insurance Premiums - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate - The expected long-term inflation assumption of 2.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Note 10 - Other Postemployment Benefits (Continued)

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

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, 2009, the investment in the Recreation Commission was \$513,716. During the current year, the City contributed \$283,323 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.

The City of Northville sponsors the pension plan and postretirement benefit plan on behalf of the Recreation Commission. The employer of record for the Commission is the City of Northville. Accordingly, employees and retirees of the Commission 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 for its pro rata share of employee fringe benefit costs in the same manner as City departments are charged for fringe benefits. The Commission contributes a pro rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan.

The Recreation Commission reimbursed the City \$446,765 for fringe benefit expenditures during the year ended June 30, 2009.

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

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, 2009, the investment in the Commission was \$31,911. During the current year, the City contributed \$21,999 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, 2009, the investment in the Court System was \$111,098. Complete financial statements for the Court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, Michigan 48170.

Note 12 - Fund Balance Designations

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

Designated fund balance - Designated for:

| | |
|---|------------------|
| Criminal forfeitures | \$ 10,237 |
| State and DARE drug forfeitures | 3,948 |
| Subsequent year budgeted expenditures in excess of budgeted revenues | <u>19,642</u> |
| Total designated fund balance - General Fund | <u>\$ 33,827</u> |

City of Northville, Michigan

Notes to Financial Statements June 30, 2009

Note 12 - Fund Balance Designations (Continued)

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

Designated fund balance - Designated for:

| | |
|--|---------------------|
| City Hall capital maintenance plan | \$ 71,027 |
| Certified local government project | 79 |
| Contingency/Grant match | 48,727 |
| Downtown cut-through | 258,610 |
| Emergency warning siren activation | 8,000 |
| Fire department safety equipment | 5,000 |
| Internal loan program | 96,837 |
| Mill Pond restoration | 80,000 |
| Mill Race Village grants | 17,750 |
| Nonmotorized improvements | 19,461 |
| Police training equipment | 2,419 |
| Post office expansion | 5,000 |
| Projects under consideration (fiscal year 2009 breakage to be designated) | 137,996 |
| Randolph Drain assessment | 120,000 |
| Special projects | 170,894 |
| Taft Road lighting and landscaping | 26,172 |
| | <hr/> |
| Subtotal - Public Improvement Fund | 1,067,972 |
| Housing Commission Fund - Allen Terrace Capital Projects | 109,000 |
| Other Special Revenue Funds - | |
| Subsequent year budgeted expenditures in excess of budgeted revenues: | |
| Street, Drainage and Sidewalk Improvement Fund | 452,731 |
| Major Streets Fund | 6,460 |
| Local Streets Fund | 2,522 |
| | <hr/> |
| Total designated fund balance - Special Revenue Funds | <u>\$ 1,638,685</u> |

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, 2008 | | \$ (398,294) |
| Building permit revenue | \$ 60,785 | |
| Related expenditures: | | |
| Direct costs | 70,490 | |
| Estimated indirect costs | <u>182,273</u> | |
| Total construction code expenditures | 252,763 | |
| Shortfall - Current year | | <u>(191,978)</u> |
| Cumulative shortfall - June 30, 2009 | | <u><u>\$ (590,272)</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, 2009, 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.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance from Amended Budget |
|---|--------------------|-------------------|--------------|------------------------------------|
| Fund Balance - Beginning of year | \$ 2,337,496 | \$ 2,337,496 | \$ 2,337,496 | \$ - |
| Resources (Inflows) | | | | |
| Property taxes | 4,818,013 | 4,817,818 | 4,821,939 | 4,121 |
| Licenses and permits | 273,856 | 206,407 | 208,393 | 1,986 |
| Federal sources | 600 | - | 4,362 | 4,362 |
| State-shared and grant revenue | 592,852 | 574,385 | 566,273 | (8,112) |
| Sales and services | 105,454 | 124,156 | 119,926 | (4,230) |
| Charges for services | 199,260 | 197,260 | 196,125 | (1,135) |
| Fines and forfeitures | 78,000 | 79,436 | 94,732 | 15,296 |
| Racetrack breakage | 186,120 | 123,388 | 116,497 | (6,891) |
| Other | 142,725 | 134,236 | 140,015 | 5,779 |
| Transfer from other funds and component units | 152,575 | 193,724 | 184,609 | (9,115) |
| Total resources (inflows) | 6,549,455 | 6,450,810 | 6,452,871 | 2,061 |
| Charges to Appropriations (Outflows) | | | | |
| General government: | | | | |
| City Council | 19,340 | 15,855 | 14,571 | 1,284 |
| City manager | 226,475 | 297,309 | 288,399 | 8,910 |
| Clerk - Elections | 60,539 | 42,060 | 40,661 | 1,399 |
| City clerk | 210,136 | 234,572 | 232,056 | 2,516 |
| Finance and administrative services | 295,959 | 296,794 | 296,411 | 383 |
| Taxation | 214,782 | 250,464 | 270,003 | (19,539) |
| City attorney | 135,000 | 135,000 | 123,786 | 11,214 |
| Planning, zoning, and inspection | 258,465 | 339,162 | 286,935 | 52,227 |
| Public safety: | | | | |
| Police track services | 119,645 | 96,995 | 88,441 | 8,554 |
| Police department | 2,377,641 | 2,444,646 | 2,351,458 | 93,188 |
| Fire department | 351,275 | 379,875 | 385,267 | (5,392) |
| Fire track services | 13,740 | 15,175 | 17,466 | (2,291) |

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance from Amended Budget |
|--|----------------------------|----------------------------|----------------------------|------------------------------------|
| Charges to Appropriations (Outflows) | | | | |
| (Continued) | | | | |
| Public works: | | | | |
| Civic decorations | \$ 40,345 | \$ 42,225 | \$ 35,653 | \$ 6,572 |
| Fall leaf pickup | 55,930 | 41,285 | 41,332 | (47) |
| Street lighting and miscellaneous public works | 193,270 | 184,193 | 171,289 | 12,904 |
| Parking system | 138,935 | 168,541 | 153,344 | 15,197 |
| Public works administration | 218,265 | 201,332 | 199,108 | 2,224 |
| Buildings and grounds: | | | | |
| Cemetery maintenance | 153,620 | 156,725 | 148,359 | 8,366 |
| City Hall buildings and grounds | 185,655 | 184,639 | 192,366 | (7,727) |
| Mill Race Village maintenance | 22,855 | 20,971 | 23,093 | (2,122) |
| City property - Other | 87,700 | 101,585 | 92,102 | 9,483 |
| Parks and playgrounds | 11,445 | 2,830 | 892 | 1,938 |
| Tree maintenance | 19,000 | 16,500 | 15,926 | 574 |
| Debt retirement | 52,440 | 52,440 | 53,040 | (600) |
| Shared services | 306,248 | 314,052 | 314,052 | - |
| Other expenditures: | | | | |
| Technology costs | 270,560 | 255,309 | 251,176 | 4,133 |
| Insurance, bonds, and employee reserve | 64,950 | 53,623 | 53,622 | 1 |
| Central supply | 55,000 | 45,851 | 42,825 | 3,026 |
| Transfers to other funds | 266,272 | 229,598 | 229,598 | - |
| Unallocated reserve | 100,000 | - | - | - |
| Total charges to appropriations (outflows) | <u>6,525,487</u> | <u>6,619,606</u> | <u>6,413,231</u> | <u>206,375</u> |
| Fund Balance - End of year | <u>\$ 2,361,464</u> | <u>\$ 2,168,700</u> | <u>\$ 2,377,136</u> | <u>\$ 208,436</u> |

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance from Amended Budget |
|--|----------------------------|----------------------------|----------------------------|------------------------------------|
| <u>Street, Drainage and Sidewalk Improvement Fund</u> | | | | |
| Fund Balance - Beginning of year | \$ 995,916 | \$ 995,916 | \$ 995,916 | \$ - |
| Resources (Inflows) | | | | |
| Property taxes | 623,552 | 622,266 | 621,902 | (364) |
| Other revenue | 18,250 | 35,000 | 33,624 | (1,376) |
| Transfers in from other funds | - | 48,055 | 48,055 | - |
| Total resources (inflows) | 641,802 | 705,321 | 703,581 | (1,740) |
| Charges to Appropriations (Outflows) - | | | | |
| Transfers to other funds | 310,000 | 493,576 | 407,861 | 85,715 |
| Fund Balance - End of year | <u>\$ 1,327,718</u> | <u>\$ 1,207,661</u> | <u>\$ 1,291,636</u> | <u>\$ 83,975</u> |
| <u>Parking Fund</u> | | | | |
| Fund Balance - Beginning of year | \$ 812,412 | \$ 812,412 | \$ 812,412 | \$ - |
| Resources (Inflows) | | | | |
| Special assessments | 137,716 | 378,419 | 378,419 | - |
| Other revenue | 12,670 | 20,350 | 20,048 | (302) |
| Total resources (inflows) | 150,386 | 398,769 | 398,467 | (302) |
| Charges to Appropriations (Outflows) - | | | | |
| Other expenditures | 355,162 | 890,757 | 664,966 | 225,791 |
| Fund Balance - End of year | <u>\$ 607,636</u> | <u>\$ 320,424</u> | <u>\$ 545,913</u> | <u>\$ 225,489</u> |

City of Northville, Michigan

Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance from Amended Budget |
|---|----------------------------|----------------------------|----------------------------|------------------------------------|
| Public Improvement Fund | | | | |
| Fund Balance - Beginning of year | \$ 1,710,668 | \$ 1,710,668 | \$ 1,710,668 | \$ - |
| Resources (Inflows) | | | | |
| Special assessment | 7,715 | 7,795 | 7,934 | 139 |
| Racetrack breakage | - | 109,576 | 143,007 | 33,431 |
| Other revenue | 116,297 | 112,963 | 110,692 | (2,271) |
| Transfers in from other funds and component unit | <u>34,674</u> | <u>32,163</u> | <u>32,163</u> | <u>-</u> |
| Total resources (inflows) | 158,686 | 262,497 | 293,796 | 31,299 |
| Charges to Appropriations (Outflows) | | | | |
| Other expenditures | 180,899 | 114,707 | 105,339 | 9,368 |
| Transfers to other funds and component unit | <u>345,430</u> | <u>309,535</u> | <u>274,987</u> | <u>34,548</u> |
| Total charges to appropriations (outflows) | <u>526,329</u> | <u>424,242</u> | <u>380,326</u> | <u>43,916</u> |
| Fund Balance - End of year | <u>\$ 1,343,025</u> | <u>\$ 1,548,923</u> | <u>\$ 1,624,138</u> | <u>\$ 75,215</u> |

City of Northville, Michigan

Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance from Amended Budget |
|---|--------------------|-------------------|-------------------|------------------------------------|
| <u>Major Streets Fund</u> | | | | |
| Fund Balance - Beginning of year | \$ 502,286 | \$ 502,286 | \$ 502,286 | \$ - |
| Resources (Inflows) | | | | |
| Federal sources | - | - | 74,921 | 74,921 |
| State-shared and grant revenue | 245,122 | 868,847 | 870,891 | 2,044 |
| Local contributions | - | 19,188 | - | (19,188) |
| Other | 6,480 | 11,000 | 110,504 | 99,504 |
| Transfer from other funds and component units | 275,000 | 476,521 | 367,485 | (109,036) |
| Total resources (inflows) | 526,602 | 1,375,556 | 1,423,801 | 48,245 |
| Charges to Appropriations (Outflows) | | | | |
| Street maintenance and repairs | 432,395 | 1,297,711 | 1,336,572 | (38,861) |
| Other | 26,890 | 25,321 | 24,889 | 432 |
| General government - Transfers to other funds | 59,232 | 59,232 | 59,232 | - |
| Total charges to appropriations (outflows) | 518,517 | 1,382,264 | 1,420,693 | (38,429) |
| Fund Balance - End of year | \$ 510,371 | \$ 495,578 | \$ 505,394 | \$ 9,816 |

Other Supplemental Information

City of Northville, Michigan

| | Local Streets | Housing Commission | Cemetery | Employees' Accumulated Compensation | Insurance Retention Fund |
|--|-------------------|-----------------------|-------------------|---|-----------------------------|
| Assets | | | | | |
| Cash and investments | \$ 109,659 | \$ 550,187 | \$ 756,486 | \$ 493,006 | \$ 61,668 |
| Restricted cash | - | - | - | - | 215,481 |
| Receivables - Net - Other government units | 16,386 | 20,472 | - | - | - |
| Other assets | - | 160 | - | - | - |
| Total assets | \$ 126,045 | \$ 570,819 | \$ 756,486 | \$ 493,006 | \$ 277,149 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,471 | \$ 12,101 | \$ 233 | \$ 146 | \$ 19 |
| Accrued and other liabilities | 1,661 | 6,836 | - | - | 67,000 |
| Deferred revenue | - | 14,429 | - | - | - |
| Total liabilities | 3,132 | 33,366 | 233 | 146 | 67,019 |
| Fund Balances | | | | | |
| Reserved for cemetery trust | - | - | 756,253 | - | - |
| Designated | 2,522 | 109,000 | - | - | - |
| Unreserved | 120,391 | 428,453 | - | 492,860 | 210,130 |
| Total fund balances | 122,913 | 537,453 | 756,253 | 492,860 | 210,130 |
| Total liabilities and fund balances | \$ 126,045 | \$ 570,819 | \$ 756,486 | \$ 493,006 | \$ 277,149 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

| Nonmajor Debt Service Funds | | Nonmajor Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--------------------------------|------------------------------|------------------------------------|------------------------------------|---------------------|---|
| Parking Deck | 2002 Debt Retirement Fund | Fire Equipment Replacement | Police Equipment Replacement | | |
| \$ - | \$ - | \$ 557,943 | \$ 15,699 | \$ 2,544,648 | |
| - | 103 | - | - | 215,584 | |
| - | - | - | - | 36,858 | |
| - | 42,389 | - | - | 42,549 | |
| \$ - | \$ 42,492 | \$ 557,943 | \$ 15,699 | \$ 2,839,639 | |
| | | | | | |
| \$ - | \$ - | \$ 18,417 | \$ 9 | \$ 32,396 | |
| - | - | - | - | 75,497 | |
| - | - | - | - | 14,429 | |
| - | - | 18,417 | 9 | 122,322 | |
| - | - | - | - | 756,253 | |
| - | - | - | - | 111,522 | |
| - | 42,492 | 539,526 | 15,690 | 1,849,542 | |
| - | 42,492 | 539,526 | 15,690 | 2,717,317 | |
| \$ - | \$ 42,492 | \$ 557,943 | \$ 15,699 | \$ 2,839,639 | |

City of Northville, Michigan

| | Local Streets | Housing Commission | Cemetery | Employees' Accumulated Compensation | Insurance Retention Fund |
|---|-------------------|-----------------------|-------------------|---|-----------------------------|
| Revenue | | | | | |
| Special assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal sources | - | 98,232 | - | - | - |
| State-shared and grant revenue | 114,066 | - | - | - | - |
| Local contributions | - | - | - | 18,897 | - |
| Sales and services | - | 4,496 | 16,659 | - | - |
| Michigan Housing Authority subsidies | - | 61,904 | - | - | - |
| Rental income | - | 690,170 | - | - | - |
| Contributions from other funds | - | - | - | - | 20,000 |
| Other | 2,151 | 20,781 | 18,063 | 11,433 | 71,405 |
| Total revenue | 116,217 | 875,583 | 34,722 | 30,330 | 91,405 |
| Expenditures | | | | | |
| Administration | 15,918 | 203,916 | - | - | - |
| Current capital outlay | - | - | - | - | - |
| Street maintenance and repairs | 298,530 | - | - | - | - |
| Housing operations | - | 327,459 | - | - | - |
| Other expenditures | - | 146,981 | - | - | 43,129 |
| Debt service | - | - | - | - | - |
| Total expenditures | 314,448 | 678,356 | - | - | 43,129 |
| Excess of Revenue Over (Under) | | | | | |
| Expenditures | (198,231) | 197,227 | 34,722 | 30,330 | 48,276 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 195,738 | 17,285 | - | - | - |
| Transfers out | - | (101,595) | - | - | - |
| Total other financing sources (uses) | 195,738 | (84,310) | - | - | - |
| Net Change in Fund Balances | (2,493) | 112,917 | 34,722 | 30,330 | 48,276 |
| Fund Balances - Beginning of year | 125,406 | 424,536 | 721,531 | 462,530 | 161,854 |
| Fund Balances - End of year | \$ 122,913 | \$ 537,453 | \$ 756,253 | \$ 492,860 | \$ 210,130 |

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2009

| Nonmajor Debt Service Funds | | Nonmajor Capital Projects Funds | | Total Nonmajor Governmental Funds |
|--------------------------------|------------------------------|---------------------------------|---------------------------------|---|
| Parking Deck | 2002 Debt Retirement Fund | Fire Equipment Replacement | Police Equipment Replacement | |
| \$ 1,561 | \$ - | \$ - | \$ - | \$ 1,561 |
| - | - | - | - | 98,232 |
| - | - | 18,273 | 5,000 | 137,339 |
| 100,925 | - | - | - | 119,822 |
| - | - | - | - | 21,155 |
| - | - | - | - | 61,904 |
| - | - | - | - | 690,170 |
| - | - | - | - | 20,000 |
| 1,999 | 8 | 11,289 | 320 | 137,449 |
| 104,485 | 8 | 29,562 | 5,320 | 1,287,632 |
| - | - | - | - | 219,834 |
| - | - | 102,513 | 82,305 | 184,818 |
| - | - | - | - | 298,530 |
| - | - | - | - | 327,459 |
| - | - | - | - | 190,110 |
| 401,120 | 104,735 | - | - | 505,855 |
| 401,120 | 104,735 | 102,513 | 82,305 | 1,726,606 |
| (296,635) | (104,727) | (72,951) | (76,985) | (438,974) |
| - | 101,595 | 146,450 | 65,331 | 526,399 |
| - | - | - | (10,863) | (112,458) |
| - | 101,595 | 146,450 | 54,468 | 413,941 |
| (296,635) | (3,132) | 73,499 | (22,517) | (25,033) |
| 296,635 | 45,624 | 466,027 | 38,207 | 2,742,350 |
| \$ - | \$ 42,492 | \$ 539,526 | \$ 15,690 | \$ 2,717,317 |

City of Northville, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities - Agency Funds Fiduciary Funds June 30, 2009

| | Agency Funds | | |
|---------------------------------|-------------------|------------------|-------------------|
| | Payroll | Agency | Total |
| Assets | | | |
| Cash and investments | \$ 347,496 | \$ 21,163 | \$ 368,659 |
| Other assets | 170,784 | - | 170,784 |
| Total assets | <u>\$ 518,280</u> | <u>\$ 21,163</u> | <u>\$ 539,443</u> |
| Liabilities | | | |
| Accounts payable | \$ 44,969 | \$ 3 | \$ 44,972 |
| Accrued and other liabilities | 458,324 | 11,370 | 469,694 |
| Due to other governmental units | 14,987 | 9,790 | 24,777 |
| Total liabilities | <u>\$ 518,280</u> | <u>\$ 21,163</u> | <u>\$ 539,443</u> |