



Financial Report
with Supplemental Information

June 30, 2012

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City of Northville, Michigan

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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, 2012, 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, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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 presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 8, 2012

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, 2012. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net increase in fund balance to the General Fund of \$284,898 is comprised of the following:

- General Fund increase of \$94,944
- Street, Drainage, and Sidewalk Improvement Fund increase of \$189,954

Property tax revenue increased 2 percent from the prior year and it continues to be the City's single largest source of revenue at approximately 55 percent of governmental revenue.

State-shared revenue, the City's second largest source of revenue in the General Fund, decreased 2 percent from the prior year. This decrease was expected as statutory revenue sharing was eliminated and replaced with a new revenue source called Economic Vitality Incentive Program (EVIP).

As of January 1, 2012, the Northville City fire department began providing fire prevention, fire suppression, and emergency medical services to the City of Plymouth. Under the cost-sharing formula, the City of Plymouth's share for this fiscal year was 55 percent. The impact to the General Fund was an overall savings of \$29,000.

Two valuations for other postemployment benefits were required as of June 30, 2012. The first was for retiree health care. That valuation increased the liability from \$19.2 million to \$27.8 million over a three-year period. The assets of the plan are \$4.6 million, leaving an unfunded liability of \$23.2 million. There are a total of 75 participants in the plan, of which only 24 are active.

The second valuation was new this year and pertains to the liability for payment of health insurance benefits. This liability was previously included with the post retiree health care valuation. The actuarial accrued liability is \$4.8 million. There are not any assets as a trust has not been established for this plan. There are a total of 30 participants in the plan, of which 14 are active.

The unfunded pension liability has increased from \$6.7 million to \$7.4 million over the previous year. The funded ratio is at 60.7 percent, down from 62.9 percent in the prior year.

Long-term debt for the primary government decreased by \$220,000. This is directly related to current year debt service payments for three general obligation debt issues. The last installment for the Public Safety Bonds that were issued in 2002 was paid this fiscal year. 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. Where appropriate, a well-planned "pay-as-you-go" system has been established and utilized.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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 City.

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:

	Governmental Activities				Percent Change
	2010	2011	2012	Change	
Other assets	\$ 13,988,919	\$ 12,861,091	\$ 13,046,556	\$ 185,465	1.4%
Capital assets	26,395,380	26,988,271	27,521,648	533,377	2.0%
Total assets	40,384,299	39,849,362	40,568,204	718,842	1.8%
Current liabilities	1,315,166	1,126,434	1,391,789	265,355	23.6%
Long-term liabilities	4,534,332	5,119,400	4,959,354	(160,046)	-3.1%
Total liabilities	5,849,498	6,245,834	6,351,143	105,309	1.7%
Net assets:					
Invested in capital assets -					
Net of related debt	25,115,178	25,183,095	25,337,835	154,740	0.6%
Restricted	1,975,640	1,601,098	1,960,284	359,186	22.4%
Unrestricted	7,443,983	6,819,335	6,918,942	99,607	1.5%
Total net assets	\$ 34,534,801	\$ 33,603,528	\$ 34,217,061	\$ 613,533	1.8%

Overall, the City's net assets of governmental activities increased by 1.8 percent from a year ago. The increase in total assets is primarily due to the addition of capital assets.

The increase in current liabilities is due to increases in accounts payable of \$191,000 and accrued payroll of \$44,000. The increase in accrued payroll was expected due to the additional fire fighters hired for the City of Plymouth coverage.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The increase in long-term liabilities is expected for two reasons. First, the City is required to record an increase of \$98,641 in the liability for other postretirement healthcare and payment in lieu of insurance benefits. This liability reflects the difference between the City's annual required contribution and the actual contributions made during the year ended June 30, 2012. Secondly, that increase is offset by the decrease in long-term debt of \$220,000.

Governmental Activities

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

	Governmental Activities				
	2010	2011	2012	Change	Percent Change
Revenue					
Program revenue:					
Charges for services	\$ 1,304,335	\$ 1,325,515	\$ 1,762,588	\$ 437,073	33%
Operating grants	440,354	620,591	682,719	62,128	10%
Capital grants	263,945	1,169,013	1,522,839	353,826	30%
General revenue:					
Property taxes	5,123,838	4,638,561	4,739,832	101,271	2%
State-shared revenue	506,392	502,418	493,560	(8,858)	-2%
Investment earnings	147,678	78,148	38,072	(40,076)	-51%
Franchise fees	105,333	128,292	146,759	18,467	14%
Racetrack breakage	213,055	220,392	229,087	8,695	4%
Gain on disposal of assets	9,417	-	12,013	12,013	100%
Total revenue	8,114,347	8,682,930	9,627,469	944,539	11%
Program Expenses					
General government	2,362,198	1,825,181	1,634,536	(190,645)	-10%
Public safety	3,218,493	3,333,206	3,252,406	(80,800)	-2%
Public works	2,014,356	3,017,791	2,608,381	(409,410)	-14%
Senior housing	758,563	788,029	889,684	101,655	13%
Recreation and culture	375,410	502,293	493,886	(8,407)	-2%
Interest on long-term debt	83,364	147,703	135,043	(12,660)	-9%
Total expenses	8,812,384	9,614,203	9,013,936	(600,267)	-6%
Change in Net Assets	\$ (698,037)	\$ (931,273)	\$ 613,533	\$ 1,544,806	-166%

Overall, governmental revenue increased 11 percent from the prior year. That is due to several factors described below.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The increase in charges for services was primarily due to the additional fire service provided to the City of Plymouth this fiscal year.

The increase in operating grants and contributions was due to the Downtown Development Authority transfer to the Major Streets Fund for street and lighting improvements in the downtown area.

The increase in capital grants was due to timing of the downtown streetscape enhancement project and the environmental remediation project on private property. Both projects will be completed in the next fiscal year. In addition, a contribution from the City of Plymouth to the Fire Equipment Replacement Fund was received to augment the reserves for future fire capital assets purchases.

The 2 percent increase in property tax revenue was directly related to the decrease in reserves required for current property tax appeals.

The decrease in state-shared revenue was expected as statutory revenue sharing was eliminated and replaced with a new revenue source called Economic Vitality Incentive Program (EVIP).

The 51 percent decrease in investment earnings reflects the trend over the past few years due to the economy. The City has an actively managed portfolio in which the rate of return continued to decline.

Franchise fees increased 14 percent over the prior year. This was primarily driven by rate increases to its customers from the three cable providers in the City.

Overall, total expenditures decreased by 6 percent. General government and public safety was down due to continued cost containment measures. The decrease in public works is attributable to the timing of street improvements. The increase in senior housing was directly related to building improvements at Allen Terrace.

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:

	Business-type Activities				Percent Change
	2010	2011	2012	Change	
Other assets	\$ 2,973,040	\$ 3,084,879	\$ 2,826,748	\$ (258,131)	-8.4%
Capital assets	5,937,970	5,717,191	5,650,221	(66,970)	-1.2%
Total assets	8,911,010	8,802,070	8,476,969	(325,101)	-3.7%
Current liabilities	190,864	230,217	392,153	161,936	70.3%
Long-term liabilities	155,754	232,329	260,755	28,426	12.2%
Total liabilities	346,618	462,546	652,908	190,362	41.2%
Net assets:					
Invested in capital assets -					
Net of related debt	5,937,970	5,717,191	5,650,221	(66,970)	-1.2%
Restricted	-	-	-	-	0.0%
Unrestricted	2,626,422	2,622,333	2,173,840	(448,493)	-17.1%
Total net assets	\$ 8,564,392	\$ 8,339,524	\$ 7,824,061	\$ (515,463)	-6.2%

A decrease in total net assets of 6.2 percent was expected for the following reasons:

Cash reserves were intended to be used to smooth our water and sewer rate increases to the users of the system.

The decrease in capital assets was due to the current year depreciation expense offset by the addition of new water and sewer lines.

The postemployment liability increased \$47,000 this year for the business-type activities. Accounts payable at year end increased due to the timing of the Rogers Street watermain replacement project payment due to the State of Michigan.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities				Percent Change
	2010	2011	2012	Change	
Operating revenue:					
Water and sewer	\$ 2,004,806	\$ 2,138,956	\$ 2,225,362	\$ 86,406	4%
Refuse and recycling	423,236	443,264	461,858	18,594	4%
Operating expenses:					
Water and sewer	2,030,731	2,293,584	2,616,234	322,650	14%
Refuse and recycling	420,360	491,116	508,541	17,425	4%
Operating loss	(23,049)	(202,480)	(437,555)	(235,075)	
Interest income	23,233	11,922	5,348	(6,574)	-55%
Allocated Internal Service Fund net income	(17,737)	(34,310)	(83,256)	(48,946)	143%
Change in Net Assets	\$ (17,553)	\$ (224,868)	\$ (515,463)	\$ (290,595)	129%

The rate structure of the business-type activities is set based upon a multi-year budgeting approach to smooth out any significant fluctuations in user fees. Overall, revenue from the water and sewer operations increased 4 percent. This was primarily attributable to a 7.1 percent increase in water rates and an 8.1 percent increase in sewer rates. This was the first rate increase for water rates since July 2005 and for sewer rates since July 2003.

The expected increase in the refuse and recycling operating revenue was due to a 7 percent rate increase to the customers.

Due to general economic conditions, the decrease in investment income was consistent among all funds.

Water and sewer operating expenses increased due to a 10.6 percent increase in water costs by the City of Detroit and a 13.9 percent increase in sewage disposal costs by Wayne County. In addition, the increase for postemployment benefits in the Water and Sewer Fund increased by \$47,000.

The increase in the operating expenses for the Refuse and Recycling Fund was due to the larger fuel surcharge fee imposed by the residential refuse hauler.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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 2012, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Major Streets Fund
- Local Streets Fund
- Parking Fund
- Housing Commission
- Public Improvement 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.

Due to financial reporting changes required by GASB No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund and the Payroll Fund are now included with the General Fund. 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 Payroll Fund accounts for the activity related to employee fringe benefits costs.

The General Fund pays for most of the City's governmental services. The most significant category is the police department which represents 43 percent of total General Fund expenditures.

Shared services contributions account for 4 percent of total expenditures. Contributions from both the City of Northville and Northville Township provide funding for parks and recreation activities, senior adult services, and the Northville Youth Assistance program.

Operating transfers out are primarily from the Street, Drainage, and Sidewalk Fund to the Major and Local Street Funds for street improvements.

As of January 1, 2012, the Northville City Fire Department began providing fire prevention, fire suppression, and emergency medical services to the City of Plymouth. Under the cost-sharing formula, the City of Plymouth's share for fiscal year 2012 was 55 percent. This new partnership provided \$29,000 in savings to the General Fund while increasing the paid on-call staffing from 30 to 60 firefighters.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Property values appear to have stabilized in the City. Property taxes represent 73 percent of General Fund revenue. The General Fund contributed \$150,000 to the postretirement healthcare trust fund to assist with advance funding that liability.

Other Major Funds Highlights

The Major Streets Fund and Local Streets Fund account for proceeds from the statewide gas and weight tax. Those funds are dedicated for maintenance and preservation of streets. This year experienced a lower than usual snowfall which resulted in a decrease of 59 percent from the prior year in winter maintenance costs. The Major Streets Fund accounted for the expenditures of street improvements on Main, South Rogers, and Center Streets. In addition, it accounted for construction of the Sheldon Road pathway in partnership with the Charter Township of Northville. The Local Streets Fund accounted for the expenditures of street improvements on Springfield Court. Improvements for both funds combined were approximately \$390,000 and were funded primarily by a dedicated millage for street, drainage, and sidewalk improvements.

The Parking Fund records special assessment revenue related to parking credits when new or expanded development occurs in the central business district. This fiscal year provided for improvements in the Northville Square parking lot. The current fund balance will be utilized to fund future parking expansion projects.

The Housing Commission is a special revenue fund that accounts for the operation, maintenance, repair, and capital improvements of Allen Terrace, an apartment community for independent senior citizens. Improvements to the building during the current year included replacing the stoves and emergency pull cords in all the apartments, and the gutters.

The Public Improvement Fund accounts for racetrack breakage revenue and special public improvement projects. Annually, the Northville City Council commits 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.

Capital Asset and Debt Administration

At the end of fiscal year 2012, the City had approximately \$33 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 utilizes 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.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The total debt outstanding at the end of the year related to governmental activities was just under \$2.7 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

Economic Factors and Next Year's Budgets and Rates

The City of Northville's fiscal year 2013 budget reflects challenges that many municipalities in Michigan are facing. While property sales data within the City appear to be moving in a positive direction, the general economy is still slow to recover and many operational costs continue to rise. The total city operating millage rate remained constant at 15.3534 mills for fiscal year 2013.

All departments will continue to evaluate how to maintain a high level of service to the citizens while containing costs.

All four of the City's bargaining units have agreed to wage freezes through fiscal year ending 2013. Labor negotiations for contracts which expire on June 30, 2012 will commence at the beginning of 2013.

Public Act 152 created the Publicly Funded Health Insurance Contribution Act. This act imposes certain limits on the portion of employees' medical benefit plan coverages paid by public employers. City administration is currently evaluating its options for compliance. Currently, all eligible employees are covered under a contract.

The elimination of personal property taxes continues to be discussed by State legislators. Most municipalities are opposed to elimination unless it is replaced with another source of revenue.

The City has no debt in the Water and Sewer Fund and has controlled its water loss. However, rate adjustments were required for water and sewer fees as of July 1, 2012. This was due to a water cost increase from the City of Detroit of 8.3 percent and a sewage disposal cost increase from Wayne County of 5.4 percent effective July 1, 2012.

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, 2012

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 10,054,514	\$ 2,248,071	\$ 12,302,585	\$ 1,334,869
Receivables:				
Property taxes receivable	29,990	-	29,990	-
Receivables from sales to customers on account	-	723,851	723,851	-
Accrued interest receivable	66,588	-	66,588	-
Other receivables	133,936	600	134,536	-
Due from other governmental units	287,973	-	287,973	-
Special assessments receivable	266,336	-	266,336	-
Due from component units	180,000	-	180,000	-
Internal balances	187,362	(187,362)	-	-
Inventory	64,977	41,388	106,365	-
Prepaid expenses and other assets	237,979	200	238,179	31,277
Restricted assets	698,871	-	698,871	-
Investment in joint ventures	613,030	-	613,030	-
Land held for resale	225,000	-	225,000	-
Capital assets:				
Assets not subject to depreciation	4,498,233	172,609	4,670,842	-
Assets subject to depreciation	23,023,415	5,477,612	28,501,027	-
Total assets	40,568,204	8,476,969	49,045,173	1,366,146
Liabilities				
Accounts payable	328,096	352,517	680,613	144,226
Due to other governmental units	41,291	-	41,291	-
Refundable deposits, bonds, etc.	-	72	72	-
Accrued liabilities and other	658,655	22,078	680,733	176,763
Deferred revenue	14,268	-	14,268	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	169,479	17,486	186,965	-
Current portion of long-term debt	180,000	-	180,000	30,000
Due in more than one year:				
Compensated absences - Net of current portion	326,354	15,946	342,300	-
Net healthcare opt out liability	59,638	10,709	70,347	-
Net retiree healthcare obligation	2,078,362	234,100	2,312,462	-
Long-term debt	2,495,000	-	2,495,000	150,000
Total liabilities	6,351,143	652,908	7,004,051	500,989
Net Assets				
Invested in capital assets - Net of related debt	25,337,835	5,650,221	30,988,056	-
Restricted for:				
Streets, drainage, and sidewalk improvements	1,781,923	-	1,781,923	-
Insurance retention	146,537	-	146,537	-
Police forfeitures	31,824	-	31,824	-
Unrestricted	6,918,942	2,173,840	9,092,782	865,157
Total net assets	<u>\$ 34,217,061</u>	<u>\$ 7,824,061</u>	<u>\$ 42,041,122</u>	<u>\$ 865,157</u>

City of Northville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,634,536	\$ 575,719	\$ 2,696	\$ 91,285
Public safety	3,252,406	315,860	20,247	66,503
Public works	2,608,381	27,385	617,053	1,313,770
Senior housing	889,684	761,915	42,723	51,281
Recreation and culture	493,886	81,709	-	-
Interest on long-term debt	135,043	-	-	-
Total governmental activities	9,013,936	1,762,588	682,719	1,522,839
Business-type activities:				
Water and sewer	2,699,490	2,225,362	-	-
Refuse and recycling	508,541	461,858	-	-
Total business-type activities	3,208,031	2,687,220	-	-
Total primary government	<u>\$ 12,221,967</u>	<u>\$ 4,449,808</u>	<u>\$ 682,719</u>	<u>\$ 1,522,839</u>
Component unit - Downtown Development Authority	<u>\$ 1,581,493</u>	<u>\$ -</u>	<u>\$ 135,229</u>	<u>\$ 600,507</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Racetrack breakage				
Franchise fee revenue				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (964,836)	\$ -	\$ (964,836)	\$ -
(2,849,796)	-	(2,849,796)	-
(650,173)	-	(650,173)	-
(33,765)	-	(33,765)	-
(412,177)	-	(412,177)	-
(135,043)	-	(135,043)	-
(5,045,790)	-	(5,045,790)	-
-	(474,128)	(474,128)	-
-	(46,683)	(46,683)	-
-	(520,811)	(520,811)	-
(5,045,790)	(520,811)	(5,566,601)	-
-	-	-	(845,757)
4,739,832	-	4,739,832	770,620
493,560	-	493,560	-
38,072	5,348	43,420	2,918
229,087	-	229,087	-
146,759	-	146,759	-
12,013	-	12,013	-
5,659,323	5,348	5,664,671	773,538
613,533	(515,463)	98,070	(72,219)
33,603,528	8,339,524	41,943,052	937,376
\$ 34,217,061	\$ 7,824,061	\$ 42,041,122	\$ 865,157

City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets	Local Streets	Parking	Housing Commission
Assets					
Cash and cash equivalents (Note 3)	\$ 3,673,753	\$ 418,926	\$ 136,944	\$ 417,362	\$ 1,013,153
Receivables:					
Property taxes receivable	29,990	-	-	-	-
Special assessments receivable	-	-	-	266,336	-
Accrued interest receivable	66,588	-	-	-	-
Other receivables	102,575	-	-	-	8,023
Due from other governmental units	90,502	89,616	16,758	-	5,322
Due from component units	180,000	-	-	-	-
Inventory	49,221	-	-	-	-
Prepaid expenses and other assets	146,716	-	3,108	-	80
Land held for resale	-	-	-	-	-
Restricted assets (Note 8)	-	-	-	-	-
Total assets	\$ 4,339,345	\$ 508,542	\$ 156,810	\$ 683,698	\$ 1,026,578
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 107,294	\$ 88,320	\$ 7,012	\$ 94	\$ 11,822
Due to other governmental units	41,291	-	-	-	-
Accrued liabilities and other	478,065	2,544	7,052	-	11,563
Deferred revenue	-	-	-	232,080	19,590
Total liabilities	626,650	90,864	14,064	232,174	42,975
Fund Balances					
Nonspendable:					
Inventory/Assets held for resale	49,221	-	-	-	-
Prepays	146,715	-	3,108	-	80
Long-term receivable	180,000	-	-	-	-
Restricted:					
Roads	-	417,678	139,638	-	-
Police forfeitures	31,824	-	-	-	-
Debt service	-	-	-	-	-
Capital projects (unspent bond proceeds)	-	-	-	-	-
Streets, drains, and sidewalk improvements	1,221,499	-	-	-	-
Committed:					
Cemetery improvements	-	-	-	-	-
Arts commission	-	-	-	-	-
Capital projects and purchases	-	-	-	-	105,027
Parking	-	-	-	451,524	-
Allen Terrace	-	-	-	-	878,496
Debt service	-	-	-	-	-
Assigned:					
Beautification Commission	12,180	-	-	-	-
Other	1,092	-	-	-	-
Unassigned	2,070,164	-	-	-	-
Total fund balances	3,712,695	417,678	142,746	451,524	983,603
Total liabilities and fund balances	\$ 4,339,345	\$ 508,542	\$ 156,810	\$ 683,698	\$ 1,026,578

**Governmental Funds
Balance Sheet
June 30, 2012**

<u>Capital Projects Fund</u>	Other Nonmajor Governmental Funds	Total
Public Improvement		
\$ 1,544,824	\$ 1,870,573	\$ 9,075,535
-	-	29,990
-	-	266,336
-	-	66,588
16,942	6,396	133,936
-	85,775	287,973
-	-	180,000
-	-	49,221
-	-	149,904
225,000	-	225,000
-	491,187	491,187
<u>\$ 1,786,766</u>	<u>\$ 2,453,931</u>	<u>\$ 10,955,670</u>
\$ 1,475	\$ 109,970	\$ 325,987
-	-	41,291
-	2,388	501,612
-	-	251,670
<u>1,475</u>	<u>112,358</u>	<u>1,120,560</u>
225,000	-	274,221
-	-	149,903
-	-	180,000
-	-	557,316
-	-	31,824
-	107	107
-	491,039	491,039
-	-	1,221,499
112,712	846,942	959,654
-	76,744	76,744
1,447,579	924,187	2,476,793
-	-	451,524
-	-	878,496
-	2,554	2,554
-	-	12,180
-	-	1,092
-	-	2,070,164
<u>1,785,291</u>	<u>2,341,573</u>	<u>9,835,110</u>
<u>\$ 1,786,766</u>	<u>\$ 2,453,931</u>	<u>\$ 10,955,670</u>

City of Northville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$ 9,835,110
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	16,375,065
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	10,765,935
Investments in joint ventures are not financial resources and are not reported in the funds	613,030
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	232,080
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	5,322
Bonds payable are not due and payable in the current period and are not reported in the funds	(2,675,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(31,204)
Bond discounts and issuance costs are amortized over the life of the debt and are not reported in the funds	88,075
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(495,833)
Net other postemployment benefits obligation is not due and payable in the current period and is not recorded in the funds	(2,078,362)
Net future health care opt out payments liability that is not due and payable in the current period and is not recorded in the funds	(59,638)
Internal service funds are included as part of governmental activities	<u>1,642,481</u>
Net Assets of Governmental Activities	<u>\$ 34,217,061</u>

City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets	Local Streets	Parking	Housing Commission
Revenue					
Property taxes	\$ 4,739,832	\$ -	\$ -	\$ -	\$ -
Licenses and permits	308,581	-	-	-	-
Federal grants	-	50,207	-	-	56,381
State-shared revenue and grants	500,519	243,824	114,246	-	-
Charges for overhead services	212,290	-	-	-	-
Sales and services	386,057	-	-	-	5,828
Fines and forfeitures	44,800	-	-	-	-
Investment income	23,660	739	53	888	1,999
Rental income	175,091	-	-	-	742,563
Special assessments	-	-	-	126,224	-
Local contributions	72,519	86,398	-	-	50
Racetrack breakage	27,286	-	-	-	-
Michigan Housing Authority subsidies	-	-	-	-	37,573
Other	26,005	12	-	2,156	13,524
Total revenue	6,516,640	381,180	114,299	129,268	857,918
Expenditures - Current					
General government	1,674,478	-	-	-	-
Public safety:					
Police department	2,437,728	-	-	-	-
Fire	616,708	-	-	-	-
Public works	476,171	471,211	285,806	272,042	-
Senior housing	-	-	-	-	700,405
Recreation and culture	220,554	-	-	-	-
Contribution to MERS Trust	150,000	-	-	-	-
Debt service	46,263	-	-	-	-
Total expenditures	5,621,902	471,211	285,806	272,042	700,405
Excess of Revenue Over (Under) Expenditures	894,738	(90,031)	(171,507)	(142,774)	157,513
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in (Note 6)	-	224,688	267,170	-	14,850
Transfers out (Note 6)	(609,840)	(100,000)	-	-	(100,703)
Total other financing (uses) sources	(609,840)	124,688	267,170	-	(85,853)
Net Change in Fund Balances	284,898	34,657	95,663	(142,774)	71,660
Fund Balances - Beginning of year	3,427,797	383,021	47,083	594,298	911,943
Fund Balances - End of year	\$ 3,712,695	\$ 417,678	\$ 142,746	\$ 451,524	\$ 983,603

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

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2012

Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Public Improvement		
\$ -	\$ -	\$ 4,739,832
-	-	308,581
-	30,645	137,233
-	-	858,589
-	-	212,290
-	32,360	424,245
-	-	44,800
2,862	5,634	35,835
-	-	917,654
352	-	126,576
-	237,354	396,321
201,801	-	229,087
-	-	37,573
12,350	172,442	226,489
217,365	478,435	8,695,105
12,166	-	1,686,644
-	50,015	2,487,743
-	-	616,708
142,157	691,617	2,339,004
-	-	700,405
-	77,467	298,021
-	-	150,000
-	303,712	349,975
154,323	1,122,811	8,628,500
63,042	(644,376)	66,605
-	12,013	12,013
171,939	222,512	901,159
(90,616)	-	(901,159)
81,323	234,525	12,013
144,365	(409,851)	78,618
1,640,926	2,751,424	9,756,492
\$ 1,785,291	\$ 2,341,573	\$ 9,835,110

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 78,618
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - Capital outlay	(651,988)
Special assessment revenue is recognized in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(101,006)
Grant revenue is recognized in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(22,531)
Contribution of capital assets recognized in the statement of activities, but not in the governmental funds	1,255,319
Net loss from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	(61,832)
Net future health care opt out payments liability expense is recognized in the statement of activities, but not in the governmental funds	(59,638)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	219,999
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	1,642
Bond discounts and issuance costs are amortized over the life of the debt in the statement of activities, but not in the governmental funds	(7,549)
Decrease in accumulated employee sick and vacation pay as well as estimated general liability claims are reported in the statement of activities, do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	44,399
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(39,003)
Internal service funds are included as part of governmental activities	(42,897)
Change in Net Assets of Governmental Activities	<u>\$ 613,533</u>

City of Northville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,055,090	\$ 192,981	\$ 2,248,071	\$ 978,979
Receivables - Net:				
Receivables from sales to customers on account	623,801	100,050	723,851	-
Other receivables	600	-	600	-
Due from other funds	-	-	-	61,945
Inventory	41,388	-	41,388	15,756
Prepaid expenses and other assets	-	200	200	-
Total current assets	2,720,879	293,231	3,014,110	1,056,680
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	207,684
Capital assets being depreciated - Net (Note 5)	5,442,117	35,495	5,477,612	380,648
Capital assets not subject to depreciation	172,609	-	172,609	-
Total noncurrent assets	5,614,726	35,495	5,650,221	588,332
Total assets	8,335,605	328,726	8,664,331	1,645,012
Liabilities				
Current liabilities:				
Accounts payable	323,182	29,335	352,517	2,109
Due to other funds	61,945	-	61,945	-
Refundable deposits, bonds, etc.	72	-	72	-
Accrued liabilities and other	20,262	1,816	22,078	125,839
Current portion of compensated absences	15,030	2,456	17,486	8,096
Total current liabilities	420,491	33,607	454,098	136,044
Noncurrent liabilities:				
Compensated absences - Net of current portion	13,706	2,240	15,946	7,383
Net pension obligation (Note 12)	234,100	-	234,100	-
Net healthcare opt out liability	10,709	-	10,709	-
Total noncurrent liabilities	258,515	2,240	260,755	7,383
Total liabilities	679,006	35,847	714,853	143,427
Net Assets				
Invested in capital assets - Net of related debt	5,614,726	35,495	5,650,221	380,648
Restricted	-	-	-	146,537
Unrestricted	2,041,873	257,384	2,299,257	974,400
Total net assets	<u>\$ 7,656,599</u>	<u>\$ 292,879</u>	7,949,478	<u>\$ 1,501,585</u>
Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund is included as business-type activities			(125,417)	
Net Assets of Business-type Activities			<u>\$ 7,824,061</u>	

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Operating Revenue				
Other sales to customers	\$ 2,220,362	\$ 461,348	\$ 2,681,710	\$ -
Rental income	5,000	-	5,000	207,603
Charges to other funds	-	-	-	4,759
Recoveries	-	-	-	2,322
Other revenue	-	510	510	170,636
Total operating revenue	2,225,362	461,858	2,687,220	385,320
Operating Expenses				
General operating and maintenance	2,146,076	470,337	2,616,413	353,108
Claims	-	-	-	84,055
Compensation payouts	-	-	-	1,377
Other expenses	233,665	35,118	268,783	-
Depreciation	236,493	3,086	239,579	83,629
Total operating expenses	2,616,234	508,541	3,124,775	522,169
Operating Loss	(390,872)	(46,683)	(437,555)	(136,849)
Nonoperating Revenue - Investment income	4,881	467	5,348	10,544
Change in Net Assets	(385,991)	(46,216)	(432,207)	(126,305)
Net Assets - Beginning of year	8,042,590	339,095	8,381,685	1,627,890
Net Assets - End of year	<u>\$ 7,656,599</u>	<u>\$ 292,879</u>	<u>\$ 7,949,478</u>	<u>\$ 1,501,585</u>
Net Change in Net Assets - Total enterprise funds			\$ (432,207)	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities			(83,256)	
Change in Net Assets of Business-type Activities			<u>\$ (515,463)</u>	

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,020,258	\$ 441,828	\$ 2,462,086	\$ 212,378
Payments to suppliers	(1,545,192)	(445,858)	(1,991,050)	(288,952)
Payments to employees	(531,297)	(63,084)	(594,381)	(129,507)
Other receipts	5,000	-	5,000	123,976
Other payments	(61,945)	-	(61,945)	(62,372)
Net cash used in operating activities	(113,176)	(67,114)	(180,290)	(144,477)
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(172,609)	-	(172,609)	(13,675)
Cash Flows from Investing Activities - Interest received on investments	4,881	467	5,348	10,544
Net Decrease in Cash and Cash Equivalents	(280,904)	(66,647)	(347,551)	(147,608)
Cash and Cash Equivalents - Beginning of year	2,335,994	259,628	2,595,622	1,334,271
Cash and Cash Equivalents - End of year	<u>\$ 2,055,090</u>	<u>\$ 192,981</u>	<u>\$ 2,248,071</u>	<u>\$ 1,186,663</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,055,090	\$ 192,981	\$ 2,248,071	\$ 978,979
Restricted cash	-	-	-	207,684
Total cash and cash equivalents	<u>\$ 2,055,090</u>	<u>\$ 192,981</u>	<u>\$ 2,248,071</u>	<u>\$ 1,186,663</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (390,872)	\$ (46,683)	\$ (437,555)	\$ (136,849)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	236,493	3,086	239,579	83,629
Changes in assets and liabilities:				
Receivables	(200,104)	(20,030)	(220,134)	(61,928)
Inventories	(16,191)	-	(16,191)	7,373
Prepaid and other assets	1,504	200	1,704	70
Accounts payable	146,554	(3,608)	142,946	(33,605)
Net retiree healthcare obligation	46,843	-	46,843	-
Accrued and other liabilities	62,597	(79)	62,518	(3,167)
Net cash used in operating activities	<u>\$ (113,176)</u>	<u>\$ (67,114)</u>	<u>\$ (180,290)</u>	<u>\$ (144,477)</u>

City of Northville, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets - Cash and cash equivalents	\$ 155,726	\$ 10,924
Liabilities		
Accounts payable	35	\$ -
Due to other governmental units	-	10,924
Total liabilities	35	<u>\$ 10,924</u>
Net Assets Held in Trust	<u>\$ 155,691</u>	

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2012

	Private Purpose Trust - Allen Terrace Trust Fund
Additions - Interest and dividends	\$ 315
Deductions - Rent subsidies	<u>2,417</u>
Net Decrease in Net Assets Held in Trust	(2,102)
Net Assets Held in Trust - Beginning of year	<u>157,793</u>
Net Assets Held in Trust - End of year	<u><u>\$ 155,691</u></u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note I - Nature of Business and 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 units, 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 Units - 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 Organization - Jointly governed organizations are discussed in Note 12.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds first from the most restrictive category (nonspendable) in order, to the least restrictive (unassigned).

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 revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, property taxes and some other miscellaneous revenue will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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.

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.

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.

Local Streets Fund - The Local 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 local road systems.

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.

Housing Commission Fund - The Housing Commission Fund is a Special Revenue Fund that is used to account for the operation, maintenance, repair, and capital improvements of Allen Terrace, an apartment community for independent senior citizens. The fund's major source of revenue is rent from the tenants.

Public Improvement Fund - The Public Improvement Fund is a Capital Projects 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.

The City reports the following major proprietary fund:

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 internal service and fiduciary activities:

Internal Service Funds - The internal service funds account for shared assets and services 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 - Nature of Business and Significant Accounting Policies (Continued)

The Agency Fund accounts for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do 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 revenue 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 our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

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 2011 taxable valuation of the City totaled \$294 million (net of captured taxable value of \$30 million), on which ad valorem taxes levied consisted of 13.4289 mills for the City's operating purposes, 1.7670 mills for street improvements, and 0.1575 mills for public safety debt service. The ad valorem taxes levied raised approximately \$3.9 million for operations, \$518,000 for street, drainage, and sidewalk improvements, and \$46,000 for public safety debt service. These amounts are recognized in the General Fund 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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 - In general, 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 and property tax receivables are shown as net of allowance for uncollectible amounts.

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 funds held with the Michigan Municipal Risk Management Authority for insurance claims and unspent bond proceeds. 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, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$5,000 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 I - Nature of Business and Significant Accounting Policies (Continued)

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

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

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. 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 year underpaid amount, if any.

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Council, or city manager and finance director, who are authorized by policy approved by the City Council to make assignments. All current year assignments have been made by the city manager and finance director.
- **Unassigned -** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The fund balance policy proscribes the minimum unassigned fund balance in the General Fund as no less than two months of regular operating revenue or regular operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Upcoming Reporting Change - In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 will be implemented for the City as of fiscal year 2013-2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2014-2015 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

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. 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 current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2011		\$	(699,264)
Current year permit revenue			115,156
Related expenses:			
Direct costs	\$	46,973	
Estimated indirect costs		90,736	137,709
		<u> </u>	<u> </u>
Current year shortfall			(22,553)
Cumulative shortfall at June 30, 2012		\$	<u>(721,817)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) 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 law also allows investments outside the state of Michigan when fully insured. 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 City has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all instruments authorized by state statute.

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 \$246,229 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. 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.

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.

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity
Primary Government		
Federal Home Loan Mortgage Company	\$ 429,302	579 days
Federal National Mortgage Association	1,705,779	524 days
Federal Home Loan Bank	1,067,270	508 days
Federal Farm Credit Bank	536,795	529 days
Municipal bonds	<u>5,513,600</u>	174 days
Total	<u>\$ 9,252,746</u>	

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Bank investment pools	\$ 1,710,096	Not rated	-
Federal Home Loan Mortgage Company	429,302	AA+	S&P
Federal National Mortgage Association	1,705,779	AA+	S&P
Federal Home Loan Bank	1,067,270	AA+	S&P
Federal Farm Credit Bank	536,795	AA+	S&P
Commercial paper	2,296,551	A-1	S&P
Municipal bonds	100,412	A	S&P
Municipal bonds	70,510	A+	S&P
Municipal bonds	879,558	AA	S&P
Municipal bonds	706,140	AA-	S&P
Municipal bonds	906,448	AA+	S&P
Municipal bonds	809,787	Aa2	S&P
Municipal bonds	556,388	AAA	S&P
Municipal bonds	1,016,967	NR	S&P
Municipal bonds	293,541	SP-1	S&P
Municipal bonds	<u>173,849</u>	AA	Moody
Total	<u>\$ 13,259,393</u>		

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - It is the City's policy to diversify its investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at 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. At June 30, 2012, 13 percent of the City's investments were invested in Federal National Mortgage Association securities and 8 percent were invested in Federal Home Loan Bank securities.

Component Unit and Parks and Recreation Commission - The cash and investments of the Downtown Development Authority and the Northville Parks and Recreation Commission are pooled with the City's cash and investments and included in the amounts above. At June 30, 2012, the carrying amount of the cash and investments for the DDA and the Parks and Recreation Commission was \$1,334,869 and \$1,645,325, respectively.

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:

	Governmental Funds	
	Unavailable	Unearned
Special assessments	\$ 232,080	\$ -
Other miscellaneous deferred revenue	5,322	14,268
Total	<u>\$ 237,402</u>	<u>\$ 14,268</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	1,792,647	1,921,832	2,921,267	793,212
Other nondepreciable assets	93,785	-	-	93,785
Subtotal	5,497,668	1,921,832	2,921,267	4,498,233
Capital assets being depreciated:				
Roads, sidewalks, and bridges	26,320,575	408,373	-	26,728,948
Parking system	5,241,527	270,572	-	5,512,099
Buildings and improvements	10,446,243	265,609	38,220	10,673,632
Machinery and equipment	2,061,389	63,690	40,647	2,084,432
Vehicles	2,217,646	-	121,512	2,096,134
Streetscape	2,258,155	2,007,073	-	4,265,228
Subtotal	48,545,535	3,015,317	200,379	51,360,473
Accumulated depreciation:				
Infrastructure	15,853,307	545,503	-	16,398,810
Parking system	1,757,121	122,430	-	1,879,551
Buildings and improvements	5,478,681	423,956	85,209	5,817,428
Machinery and equipment	1,686,537	124,984	40,647	1,770,874
Vehicles	1,760,597	98,312	74,523	1,784,386
Streetscape	518,689	167,320	-	686,009
Subtotal	27,054,932	1,482,505	200,379	28,337,058
Net capital assets being depreciated	21,490,603	1,532,812	-	23,023,415
Net capital assets	\$ 26,988,271	\$ 3,454,644	\$ 2,921,267	\$ 27,521,648

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 172,609	\$ -	\$ 172,609
Capital assets being depreciated:				
Water and sewer lines	10,777,828	-	-	10,777,828
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling systems	51,384	-	-	51,384
Subtotal	10,850,747	-	-	10,850,747
Accumulated depreciation:				
Water and sewer lines	5,099,218	236,493	-	5,335,711
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	12,803	3,086	-	15,889
Subtotal	5,133,556	239,579	-	5,373,135
Net capital assets being depreciated	5,717,191	(239,579)	-	5,477,612
Net capital assets	<u>\$ 5,717,191</u>	<u>\$ (66,970)</u>	<u>\$ -</u>	<u>\$ 5,650,221</u>

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

Governmental activities:

General government	\$ 228,920
Public safety	127,568
Public works	836,460
Senior housing	182,270
Recreation and culture	23,658
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>83,629</u>
Total governmental activities	<u>\$ 1,482,505</u>

Business-type activities:

Water and sewer	\$ 236,493
Refuse and recycling	<u>3,086</u>
Total business-type activities	<u>\$ 239,579</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Downtown sidewalk and landscape replacement	\$ 1,680,757	\$ 17,559
Downtown pedestrian walkway	342,278	481,183
S. Rogers and Main Street improvements	210,971	171,907
Marquis Parking Lot Improvements Phase II	13,321	58,229
Marquis Parking Lot Improvements Walkthru	1,814	3,641
S. Rogers and Main Water reconstruction	172,609	41,403
2012 Capital Improvements Project	4,025	8,312
Total	<u>\$ 2,425,775</u>	<u>\$ 782,234</u>

Note 6 - Interfund Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
Internal service funds	Water and Sewer Fund	<u>\$ 61,945</u>

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfer From (Out)</u>	<u>Transfer To (In)</u>	<u>Amount</u>
General Fund	Public Improvement Fund	(1) \$ 171,939
	Local Streets Fund	(2) 30,000
	Local Streets Fund	(1) 137,170
	Major Streets Fund	(1) 194,072
	Housing Commission Fund	(2) 14,850
	Other nonmajor governmental funds	(1) <u>61,809</u>
	Total General Fund	609,840
Major Streets Fund	Local Streets Fund	(2) 100,000
Public Improvement Fund	Major Streets Fund	(1) 30,616
	Other nonmajor governmental funds	(1) <u>60,000</u>
	Total Public Improvement Fund	90,616
Housing Commission Fund	Other nonmajor governmental funds	(1) <u>100,703</u>
	Total	<u>\$ 901,159</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 6 - Interfund Transfers (Continued)

- (1) 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.
- (2) The transfers from the various funds are to support the operations of those 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 debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities - General obligations:						
Allen Terrace renovation bonds - Maturing through 2022	3.75% - 4.875%	\$ 950,000	\$ -	\$ 60,000	\$ 890,000	\$ 65,000
Public safety bonds - Maturing through 2012	5.00%	45,000	-	45,000	-	-
Streetscape improvement bonds - Maturing through 2025	2.45% - 5.85%	1,900,000	-	115,000	1,785,000	115,000
Total bonds payable		<u>\$ 2,895,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 2,675,000</u>	<u>\$ 180,000</u>

Total interest expense for the year was approximately \$129,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Interest - Net		Total
	Principal	of Subsidy	
2013	\$ 180,000	\$ 93,594	\$ 273,594
2014	185,000	89,163	274,163
2015	190,000	83,949	273,949
2016	200,000	78,167	278,167
2017	200,000	71,686	271,686
2018-2022	1,140,000	240,773	1,380,773
2023-2025	580,000	38,913	618,913
Total	<u>\$ 2,675,000</u>	<u>\$ 696,245</u>	<u>\$ 3,371,245</u>

During fiscal year 2010, the City issued Direct Payment Build America Bonds. In accordance with this program, the City will be reimbursed a portion of interest expense incurred.

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Component Units - Long-term debt of the component units 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 \$180,000. Additionally, the board of the DDA has adopted a resolution pledging future tax increment revenue for the payment of the City's streetscape improvement bonds shown above.

Note 8 - Restricted Cash

The balances of restricted cash accounts are as follows:

	<u>Governmental Activities</u>
Funds held for insurance claims	\$ 207,684
Unspent bond proceeds and related interest	<u>491,187</u>
Total restricted assets	<u>\$ 698,871</u>

Note 9 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (the "System"), 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 System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System 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.

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2012, the City's annual pension cost of \$663,972 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, using the entry age actuarial cost 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, and (c) no postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level dollar amount over 14 to 22 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

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 663,972	\$ 639,696	\$ 558,240
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2011	2010	2009
Actuarial value of assets	\$ 11,364,748	\$ 11,399,920	\$ 11,329,702
Actuarial accrued liability (AAL)			
(entry age)	\$ 18,726,754	\$ 18,127,761	\$ 17,490,508
Unfunded AAL (UAAL)	\$ 7,362,006	\$ 6,727,841	\$ 6,160,806
Funded ratio	60.7 %	62.9 %	64.8 %
Covered payroll	\$ 1,321,194	\$ 1,430,837	\$ 1,801,142
UAAL as a percentage of covered payroll	557.2 %	470.2 %	342.0 %

Note 10 - Defined Contribution Pension Plan

The City provides pension benefits to its regular employees hired after various dates beginning in 1997 through a defined contribution plan. 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 \$4,101,481. The current year contribution was calculated based on covered payroll of \$1,364,394, resulting in an employer contribution of \$135,822.

Note 11 - 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. Currently, the plan has 53 members. This plan covers both active and retired members. Benefit provisions are established through negotiated labor contracts and the nonunion 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.

For eligible union employees, the City has established an additional healthcare savings plan administered by MERS. The City contributes 1 percent of qualified wages for AFSCME, the public works union, employees hired prior to February 3, 1997. The City's two police unions' members contribute a minimum of \$5 per pay period to the plan.

Note 11 - Other Postemployment Benefits (Continued)

For eligible employees hired after July 1, 2009, the City contributes 2 percent to 6 percent of gross earnings, based upon years of service, into the healthcare savings plan. The City's contribution vests after five years of service. In addition, employees must contribute 1 percent of earnings into the plan. There are two employees participating in this plan. In accordance with these requirements, the City contributed \$1,432 and employees contributed \$22,237 during the current year.

The City funded 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2012, the City made premium payments of \$673,766 and contributed an additional \$282,559 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 2012, total member contributions were \$12,023.

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 982,988
ARC adjustment	(74,579)
Interest on the prior year's net OPEB obligation	<u>123,053</u>
Annual OPEB cost	1,031,462
Amounts contributed:	
Payments of current premiums	(673,766)
Advance funding	<u>(282,559)</u>
Increase in net OPEB obligation	75,138
OPEB obligation - Beginning of year	<u>2,237,325</u>
OPEB obligation - End of year	<u><u>\$ 2,312,463</u></u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2012

Note 11 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/10	6/30/09	\$ 1,766,271	58.0	\$ 1,337,270
6/30/11	6/30/09	1,807,107	50.2	2,237,325
6/30/12	6/30/12	1,031,462	92.7	2,312,462

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/09	\$ 2,530,131	\$ 19,178,383	\$16,648,252	13.2	\$ 3,399,337	489.7
6/30/12	4,637,961	27,822,674	23,184,713	16.7	2,715,073	853.9

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

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

Note 11 - Other Postemployment Benefits (Continued)

In the June 30, 2012 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return, and an annual healthcare cost trend rate of 8 percent initially, reduced to an ultimate rate of 5 percent after 15 years for current retirees. For post-age 65 future retirees, the healthcare cost trend rate is 3 percent. The expected long-term inflation assumption used was 2.5 percent. A discount rate of 4 percent was used. The unfunded actuarial accrued liability is being amortized on a closed basis. The remaining amortization period at June 30, 2012 was 30 years.

Note 12 - Other Retirement Benefits - Net Healthcare Opt Out Liability

Plan Description - The City allows retiree and active members participating in the healthcare benefits program to opt out of coverage and receive a payment in lieu of healthcare benefits. This option is open to all active employees and retirees currently receiving healthcare benefit under the plan described in Note 11. Currently, 30 members of the healthcare plan have chosen to opt out.

Funding Policy - The City has no obligation to make contributions in advance of when the payments are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). For the year ended June 30, 2012, the City made payments in lieu of healthcare to retired members premium payments in the amount of \$139,369.

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing payments in lieu of healthcare benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 209,716
ARC adjustment	-
Interest on prior year's net healthcare opt out obligation	-
	<hr/>
Annual healthcare opt out cost	209,716
Amounts contributed:	
Payments in lieu of healthcare	(139,369)
Advance funding	-
	<hr/>
Increase (decrease) in net healthcare opt out obligation	70,347
Net healthcare opt out obligation - Beginning of year	<hr/> -
Net healthcare opt out obligation - End of year	<hr/> \$ 70,347 <hr/>

Note 12 - Other Retirement Benefits - Net Healthcare Opt Out Liability (Continued)

Employer contributions and annual net healthcare opt out obligation cost data is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Healthcare Opt Out Costs	Employer Contributions		Net Healthcare Opt Out Obligation
			Percentage Contributed		
6/30/12	6/30/12	\$ 209,716	66.5	%	\$ 70,347

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL as a Percentage of Covered Payroll
6/30/12	-	4,789,829	4,789,829	-	2,715,073	176.4

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

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

In the June 30, 2012 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. The expected long-term inflation assumption used was 2.5 percent. A discount rate of 4 percent was used. The unfunded actuarial accrued liability is being amortized on a closed basis. The remaining amortization period at June 30, 2012 was 30 years.

Note 13 - 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, 2012, the investment in the Recreation Commission was \$533,960. During the current year, the City contributed \$192,469 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 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, Michigan. 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 \$340,593 for fringe benefit expenditures during the year ended June 30, 2012.

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, 2012, the investment in the Commission was \$29,291. During the current year, the City contributed \$17,817 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 6 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, 2012, the investment in the court system was \$49,779. Complete financial statements for the court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, Michigan 48170.

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 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.

The Michigan Municipal Risk Management Authority (the "Authority") 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 premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

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, 2012, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,716,920	\$ 4,689,130	\$ 4,739,832	\$ 50,702
Licenses and permits	243,700	298,282	308,581	10,299
State-shared revenue and grants	464,762	500,709	500,519	(190)
Charges for overhead services	208,740	212,290	212,290	-
Sales and services	349,436	364,151	386,057	21,906
Fines and forfeitures	32,100	43,277	44,800	1,523
Investment income	49,530	26,551	23,660	(2,891)
Rental income	180,668	180,848	175,091	(5,757)
Local contributions	72,379	72,519	72,519	-
Racetrack breakage	38,165	29,492	27,286	(2,206)
Other	28,681	28,150	26,005	(2,145)
Total revenue	<u>6,385,081</u>	<u>6,445,399</u>	<u>6,516,640</u>	<u>71,241</u>
Expenditures - Current				
General government:				
City Council	13,640	13,478	12,561	917
City manager	291,875	295,375	291,658	3,717
Finance and administrative services	260,880	258,055	258,059	(4)
Technology costs	154,165	147,365	142,889	4,476
Tax and assessing	216,600	221,660	216,687	4,973
City clerk	174,050	135,115	130,937	4,178
Clerk - Elections	40,779	44,276	40,026	4,250
Buildings and grounds	357,575	343,205	300,919	42,286
City attorney	82,000	82,000	59,401	22,599
Planning, zoning, and inspection	203,235	201,719	176,274	25,445
Insurance	45,300	26,494	26,493	1
Central supply	23,230	20,843	18,574	2,269
Public safety:				
Police department	2,346,453	2,485,934	2,437,728	48,206
Fire department	633,223	638,674	616,708	21,966
Public works:				
Civic decoration	29,725	30,995	26,551	4,444
Parking system	154,835	125,620	97,777	27,843
Administration	166,065	168,335	161,702	6,633
Street lighting and miscellaneous public works	184,955	188,305	186,340	1,965
Beautification	-	4,994	3,801	1,193
Parks and recreation	220,895	220,556	220,554	2
OPEB trust contribution	-	-	150,000	(150,000)
Debt service	46,400	46,263	46,263	-
Total expenditures	<u>5,645,880</u>	<u>5,699,261</u>	<u>5,621,902</u>	<u>77,359</u>
Excess of Revenue Over Expenditures	739,201	746,138	894,738	148,600
Other Financing Uses - Transfers out	<u>(459,892)</u>	<u>(469,652)</u>	<u>(609,840)</u>	<u>(140,188)</u>
Net Change in Fund Balance	279,309	276,486	284,898	8,412
Fund Balance - Beginning of year	<u>3,427,797</u>	<u>3,427,797</u>	<u>3,427,797</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,707,106</u>	<u>\$ 3,704,283</u>	<u>\$ 3,712,695</u>	<u>\$ 8,412</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 590,000	\$ 442,500	\$ 50,207	\$ (392,293)
State-shared revenue and grants	226,919	240,135	243,824	3,689
Investment income	3,930	900	739	(161)
Local contributions	70,000	86,400	86,398	(2)
Other	-	-	12	12
Total revenue	890,849	769,935	381,180	(388,755)
Expenditures - Current - Public works				
Street maintenance and repairs	1,036,967	889,007	448,621	440,386
Other	22,590	22,590	22,590	-
Total expenditures	1,059,557	911,597	471,211	440,386
Excess of Expenditures Over Revenue	(168,708)	(141,662)	(90,031)	51,631
Other Financing Sources (Uses)				
Transfers in	234,058	233,328	224,688	(8,640)
Transfers out	(91,000)	(100,000)	(100,000)	-
Total other financing sources	143,058	133,328	124,688	(8,640)
Net Change in Fund Balance	(25,650)	(8,334)	34,657	42,991
Fund Balance - Beginning of year	383,021	383,021	383,021	-
Fund Balance - End of year	<u>\$ 357,371</u>	<u>\$ 374,687</u>	<u>\$ 417,678</u>	<u>\$ 42,991</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 108,930	\$ 112,430	\$ 114,246	\$ 1,816
Investment income	820	100	53	(47)
Total revenue	109,750	112,530	114,299	1,769
Expenditures - Current - Public works				
Administration	9,640	13,190	13,190	-
Street maintenance and repairs	301,969	292,945	272,616	20,329
Total expenditures	311,609	306,135	285,806	20,329
Excess of Expenditures Over Revenue	(201,859)	(193,605)	(171,507)	22,098
Other Financing Sources - Transfers in	202,834	271,771	267,170	(4,601)
Net Change in Fund Balance	975	78,166	95,663	17,497
Fund Balance - Beginning of year	47,083	47,083	47,083	-
Fund Balance - End of year	<u>\$ 48,058</u>	<u>\$ 125,249</u>	<u>\$ 142,746</u>	<u>\$ 17,497</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parking Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 5,720	\$ 1,000	\$ 888	\$ (112)
Other revenue:				
Special assessments	73,368	117,978	126,224	8,246
Other	2,000	2,130	2,156	26
Total revenue	81,088	121,108	129,268	8,160
Expenditures - Current - Public works	460,119	272,041	272,042	(1)
Net Change in Fund Balance	(379,031)	(150,933)	(142,774)	8,159
Fund Balance - Beginning of year	594,298	594,298	594,298	-
Fund Balance - End of year	<u>\$ 215,267</u>	<u>\$ 443,365</u>	<u>\$ 451,524</u>	<u>\$ 8,159</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Housing Commission Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 57,498	\$ 61,987	\$ 56,381	\$ (5,606)
Charges for services	5,295	5,880	5,828	(52)
Investment income	8,600	2,200	1,999	(201)
Rental income	722,944	742,120	742,563	443
Other revenue:				
Local contributions	-	50	50	-
Michigan Housing Authority subsidies	54,776	38,000	37,573	(427)
Other	5,800	12,236	13,524	1,288
Total revenue	854,913	862,473	857,918	(4,555)
Expenditures - Current -				
Senior housing	744,870	719,587	700,405	19,182
Excess of Revenue Over Expenditures	110,043	142,886	157,513	14,627
Other Financing Sources (Uses)				
Transfers in	14,850	14,850	14,850	-
Transfers out	(100,703)	(100,703)	(100,703)	-
Total other financing uses	(85,853)	(85,853)	(85,853)	-
Net Change in Fund Balance	24,190	57,033	71,660	14,627
Fund Balance - Beginning of year	911,943	911,943	911,943	-
Fund Balance - End of year	\$ 936,133	\$ 968,976	\$ 983,603	\$ 14,627

City of Northville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2012

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. The legal level of budgetary control adopted by the City is the activity level.

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

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

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

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

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 - During the year, OPEB trust contributions and transfers out in the General Fund exceeded amounts budgeted.

Other Supplemental Information

City of Northville, Michigan

	Special Revenue Funds		
	Cemetery	Arts	
		Commission	Brownfield
Assets			
Cash and investments	\$ 847,132	\$ 82,272	\$ (683)
Receivables - Net - Other receivables	-	2,399	-
Due from other governmental units	-	-	85,775
Restricted assets	-	-	-
Total assets	<u>\$ 847,132</u>	<u>\$ 84,671</u>	<u>\$ 85,092</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 190	\$ 5,539	\$ 85,092
Accrued liabilities and other	-	2,388	-
Total liabilities	190	7,927	85,092
Fund Balances			
Restricted - Debt service	-	-	-
Capital projects (unspent bond proceeds)	-	-	-
Committed:			
Cemetery improvements	846,942	-	-
Arts commission	-	76,744	-
Capital projects and purchases	-	-	-
Debt service	-	-	-
Total fund balances	<u>846,942</u>	<u>76,744</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 847,132</u>	<u>\$ 84,671</u>	<u>\$ 85,092</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Debt Service Funds		Capital Projects Funds			Total
DDA Debt Service Fund	2002 Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement	Downtown Development Construction	Nonmajor Governmental Funds
\$ 2,554	\$ 107	\$ 761,818	\$ 177,373	\$ -	\$ 1,870,573
-	-	2	3,995	-	6,396
-	-	-	-	-	85,775
-	-	-	-	491,187	491,187
\$ 2,554	\$ 107	\$ 761,820	\$ 181,368	\$ 491,187	\$ 2,453,931
\$ -	\$ -	\$ 167	\$ 18,834	\$ 148	\$ 109,970
-	-	-	-	-	2,388
-	-	167	18,834	148	112,358
-	107	-	-	-	107
-	-	-	-	491,039	491,039
-	-	-	-	-	846,942
-	-	-	-	-	76,744
-	-	761,653	162,534	-	924,187
2,554	-	-	-	-	2,554
2,554	107	761,653	162,534	491,039	2,341,573
\$ 2,554	\$ 107	\$ 761,820	\$ 181,368	\$ 491,187	\$ 2,453,931

City of Northville, Michigan

	Special Revenue Funds		
	Cemetery	Arts Commission	Brownfield
Revenue			
Federal grants	\$ -	\$ -	\$ -
Sales and services	32,360	-	-
Investment income	1,777	142	-
Other revenue:			
Local contributions	-	552	-
Other	-	81,157	91,285
Total revenue	34,137	81,851	91,285
Expenditures			
Current:			
Public safety	-	-	-
Public works	-	-	91,285
Recreation and culture	-	77,467	-
Debt service	-	-	-
Total expenditures	-	77,467	91,285
Excess of Revenue Over (Under) Expenditures	34,137	4,384	-
Other Financing Sources			
Proceeds from sale of capital assets	-	-	-
Transfers in	-	-	-
Total other financing sources	-	-	-
Net Change in Fund Balances	34,137	4,384	-
Fund Balances - Beginning of year	812,805	72,360	-
Fund Balances - End of year	\$ 846,942	\$ 76,744	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

Debt Service Funds		Capital Projects Fund			Total
DDA Debt Service Fund	2002 Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement	Downtown Development Construction	Nonmajor Governmental Funds
\$ 30,645	\$ -	\$ -	\$ -	\$ -	\$ 30,645
-	-	-	-	-	32,360
-	4	1,414	281	2,016	5,634
172,363	-	64,439	-	-	237,354
-	-	-	-	-	172,442
203,008	4	65,853	281	2,016	478,435
-	-	-	50,015	-	50,015
-	-	-	-	600,332	691,617
-	-	-	-	-	77,467
203,008	100,704	-	-	-	303,712
203,008	100,704	-	50,015	600,332	1,122,811
-	(100,700)	65,853	(49,734)	(598,316)	(644,376)
-	-	-	12,013	-	12,013
-	100,703	52,809	69,000	-	222,512
-	100,703	52,809	81,013	-	234,525
-	3	118,662	31,279	(598,316)	(409,851)
2,554	104	642,991	131,255	1,089,355	2,751,424
\$ 2,554	\$ 107	\$ 761,653	\$ 162,534	\$ 491,039	\$ 2,341,573

City of Northville, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 545,236	\$ 5	\$ 433,738	\$ 978,979
Due from other funds	-	61,945	-	61,945
Inventory	15,756	-	-	15,756
Total current assets	560,992	61,950	433,738	1,056,680
Noncurrent assets:				
Restricted assets	-	207,684	-	207,684
Capital assets - Assets subject to depreciation	380,648	-	-	380,648
Total noncurrent assets	380,648	207,684	-	588,332
Total assets	941,640	269,634	433,738	1,645,012
Liabilities				
Current liabilities:				
Accounts payable	2,012	-	97	2,109
Accrued liabilities and other	2,742	123,097	-	125,839
Current portion of compensated absences	8,096	-	-	8,096
Total current liabilities	12,850	123,097	97	136,044
Noncurrent liabilities - Compensated absences - Net of current portion	7,383	-	-	7,383
Total liabilities	20,233	123,097	97	143,427
Net Assets				
Invested in capital assets	380,648	-	-	380,648
Restricted - Streets, drainage, and sidewalk improvements	-	146,537	-	146,537
Unrestricted	540,759	-	433,641	974,400
Total net assets	<u>\$ 921,407</u>	<u>\$ 146,537</u>	<u>\$ 433,641</u>	<u>\$ 1,501,585</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Operating Revenue				
Rental income	\$ 207,603	\$ -	\$ -	\$ 207,603
Charges to other funds	-	5,000	(241)	4,759
Recoveries	-	2,322	-	2,322
Other revenue	1,796	168,840	-	170,636
Total operating revenue	209,399	176,162	(241)	385,320
Operating Expenses				
Other operation and maintenance	290,736	62,372	-	353,108
Claims	-	84,055	-	84,055
Compensation payouts	-	-	1,377	1,377
Depreciation	83,629	-	-	83,629
Total operating expenses	374,365	146,427	1,377	522,169
Operating (Loss) Income	(164,966)	29,735	(1,618)	(136,849)
Nonoperating Revenue - Investment income	1,254	8,361	929	10,544
Change in Net Assets	(163,712)	38,096	(689)	(126,305)
Net Assets - Beginning of year	1,085,119	108,441	434,330	1,627,890
Net Assets - End of year	<u>\$ 921,407</u>	<u>\$ 146,537</u>	<u>\$ 433,641</u>	<u>\$ 1,501,585</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 207,613	\$ 5,000	\$ (235)	\$ 212,378
Payments to suppliers	(177,562)	(109,996)	(1,394)	(288,952)
Payments to employees	(129,507)	-	-	(129,507)
Other receipts	1,796	122,180	-	123,976
Other payments	-	(62,372)	-	(62,372)
Net cash used in operating activities	(97,660)	(45,188)	(1,629)	(144,477)
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets				
	(13,675)	-	-	(13,675)
Cash Flows from Investing Activities - Interest received on investments				
	1,254	8,361	929	10,544
Net Decrease in Cash and Cash Equivalents	(110,081)	(36,827)	(700)	(147,608)
Cash and Cash Equivalents - Beginning of year	655,317	244,516	434,438	1,334,271
Cash and Cash Equivalents - End of year	<u>\$ 545,236</u>	<u>\$ 207,689</u>	<u>\$ 433,738</u>	<u>\$ 1,186,663</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 545,236	\$ 5	\$ 433,738	\$ 978,979
Restricted cash	-	207,684	-	207,684
Total cash and cash equivalents	<u>\$ 545,236</u>	<u>\$ 207,689</u>	<u>\$ 433,738</u>	<u>\$ 1,186,663</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (164,966)	\$ 29,735	\$ (1,618)	\$ (136,849)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	83,629	-	-	83,629
Changes in assets and liabilities:				
Receivables	10	(61,944)	6	(61,928)
Inventories	7,373	-	-	7,373
Prepaid and other assets	70	-	-	70
Accounts payable	(20,609)	(12,979)	(17)	(33,605)
Accrued and other liabilities	(3,167)	-	-	(3,167)
Net cash used in operating activities	<u>\$ (97,660)</u>	<u>\$ (45,188)</u>	<u>\$ (1,629)</u>	<u>\$ (144,477)</u>