

# **City of Northville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2010**

# 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, 2010, 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, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

To the City Council  
City of Northville, Michigan

As discussed in Note 1, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during the year. As a result, the government-wide statements and Enterprise Funds now report identifiable intangible assets as capital assets.

*Plante & Moran, PLLC*

October 1, 2010

# City of Northville, Michigan

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## 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, 2010. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The following represents financial highlights for the year ended June 30, 2010:

- Although property taxes declined 6 percent from the prior year, they continue to be the City's single largest source of revenue at 63 percent of governmental revenue.
- State-shared revenue, the City's second largest source of revenue in the General Fund, decreased by 9.7 percent from the prior year. The long-term stability of state-shared revenue from sales tax is a concern for municipalities. The appropriation received from the State is far less than the amounts prescribed by state law.
- The City closely monitors revenue fluctuations and expenditure requirements which are reflected in quarterly budget amendments. As a result of those efforts, the City's largest fund, the General Fund, was within budget by 2.5 percent.
- The City Council's stated goal of maintaining financial stability is evidenced by the fact that there was a small increase to the fund balance in the General Fund for the year ended June 30, 2010.
- Long-term debt for the primary government increased by \$1.9 million. A total of \$2 million in Build America Bonds were issued in February 2010. This is a 15-year commitment by the component unit to improve the downtown streetscape. In addition, the City's Water and Sewer Fund has no outstanding debt as of the end of the fiscal year. This is consistent with the City's long-term goal to reduce debt. Instead, where appropriate, a well-planned "pay-as-you-go" system has been established and utilized.

### Using this Annual Report

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

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

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

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

TABLE I

	Governmental Activities			Changes from Prior Year	
	2008	2009	2010	in Dollars	Percent
<b>Assets</b>					
Current assets	\$ 10,331,863	\$ 9,959,540	\$ 10,566,844	\$ 607,304	6
Noncurrent assets	27,186,647	28,109,198	29,547,662	1,438,464	5
Total assets	37,518,510	38,068,738	40,114,506	2,045,768	5
<b>Liabilities</b>					
Current liabilities	1,300,390	747,816	1,045,373	297,557	40
Long-term liabilities	1,649,745	2,088,084	4,534,332	2,446,248	117
Total liabilities	2,950,135	2,835,900	5,579,705	2,743,805	97
<b>Net Assets</b>					
Invested in capital assets -					
Net of related debt	24,125,709	25,575,662	25,115,178	(460,484)	(2)
Restricted	4,124,585	3,951,221	5,652,438	1,701,217	43
Unrestricted	6,318,081	5,705,955	3,767,185	(1,938,770)	(34)
Total net assets	<u>\$ 34,568,375</u>	<u>\$ 35,232,838</u>	<u>\$ 34,534,801</u>	<u>\$ (698,037)</u>	(2)

Overall, the City's net assets of the governmental activities decreased by 2 percent from a year ago. This is primarily due to a 17 percent overall decline in revenue even though the City implemented a cost reduction plan that decreased overall expenditures by 3 percent.

The nature of the decrease in noncurrent assets is consistent with the decrease in net assets - invested in capital assets. Both of these categories reflect capital asset additions, net of depreciation, declining by \$302,000.

The increase in current and long-term liabilities is expected for two reasons. First, Build America Bonds were issued this year for \$2 million. Second, the City is required to record an increase of \$677,780 in the liability for other postretirement healthcare benefits. This liability reflects the difference between the City's annual required contribution and the actual contributions made during the year ended June 30, 2010.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

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

TABLE 2

	Governmental Activities			Changes from Prior Year	
	2008	2009	2010	in Dollars	Percent
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 1,376,553	\$ 1,602,160	\$ 1,304,335	\$ (297,825)	(19)
Operating grants and contributions	805,368	565,333	440,354	(124,979)	(22)
Capital grants and contributions	2,111,523	891,472	263,945	(627,527)	(70)
General revenue:					
Property taxes	5,430,977	5,443,841	5,123,838	(320,003)	(6)
State-shared revenue	587,870	559,457	506,392	(53,065)	(9)
Unrestricted investment earnings	491,306	298,179	147,678	(150,501)	(50)
Franchise fees	95,005	101,318	105,333	4,015	4
Racetrack breakage	327,923	259,504	213,055	(46,449)	(18)
Gain on disposal of assets	23,604	4,020	9,417	5,397	134
Total revenue	11,250,129	9,725,284	8,114,347	(1,610,937)	(17)
<b>Program Expenses</b>					
General government	2,120,378	2,515,518	2,216,347	(299,171)	(12)
Public safety	3,024,633	3,194,106	3,218,493	24,387	1
Public works	1,923,081	2,071,729	2,130,188	58,459	3
Recreation and culture	359,024	512,487	406,401	(106,086)	(21)
Senior housing	727,792	705,395	757,591	52,196	7
Interest on long-term debt	88,429	61,586	83,364	21,778	35
Total program expenses	8,243,337	9,060,821	8,812,384	(248,437)	(3)
<b>Change in Net Assets</b>	<b>\$ 3,006,792</b>	<b>\$ 664,463</b>	<b>\$ (698,037)</b>	<b>\$ (1,362,500)</b>	<b>(205)</b>

Like most municipalities, the City has been affected by a significant loss in revenue. As local property values fall and as the State of Michigan continues its economic struggles, the two major sources of the City's revenue continue to decline. Cost-saving measures that included reducing personnel costs were not enough to offset these revenue losses. Consequently, the City went from a \$664,463 increase in net assets in fiscal year 2009 to a \$698,037 decrease in net assets this fiscal year.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

The decrease in charges for services reflects \$387,964 of parking credit revenue recognized in the prior year in exchange for land acquired to expand parking. The total revenue for special assessments for the year ended June 30, 2010 was a more typical \$94,670.

The fluctuation in operating grants and contributions reflects a decrease of approximately \$98,000 from the component unit because the 1993 parking bonds, which they helped fund, were paid off in the prior year. Additionally, FEMA grants were approximately \$13,000 less and rent subsidies were approximately \$10,000 less in the current year.

The decrease in the capital grants and contributions is due to the timing of two major capital improvements in the prior year. In fiscal year 2009, the City received \$628,000 from a state grant to fund the Beal Street Bridge project and a federal grant of approximately \$75,000 to fund Taft Road improvements.

The decrease in unrestricted 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.

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

The decrease in recreation and culture expense reflects an increase in the City's financial interest in its joint ventures. In the prior year, there was a loss of \$33,206. In the current year, there was a gain of \$8,391. Additionally, the increase in the liability for postretirement health care allocated to recreation and culture employees significantly decreased.

Lastly, the increase in the postemployment liability of \$677,780 resulted in an increase in expenditures equal to that same amount allocated among the various expense categories.

### **Business-type Activities**

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

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

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

TABLE 3

	Business-type Activities			Changes from Prior Year	
	2008	2009	2010	in Dollars	Percent
<b>Assets</b>					
Current assets	\$ 2,923,557	\$ 2,912,700	\$ 2,973,040	\$ 60,340	2
Noncurrent assets	6,021,689	5,942,087	5,937,970	(4,117)	-
Total assets	8,945,246	8,854,787	8,911,010	56,223	1
<b>Liabilities</b>					
Current liabilities	361,352	188,074	190,864	2,790	1
Long-term liabilities	25,887	84,768	155,754	70,986	84
Total liabilities	387,239	272,842	346,618	73,776	27
<b>Net Assets</b>					
Invested in capital assets -					
Net of related debt	5,918,354	5,936,337	5,937,970	1,633	-
Restricted	5,703	5,750	-	(5,750)	(100)
Unrestricted	2,633,950	2,639,858	2,626,422	(13,436)	(1)
Total net assets	<b>\$ 8,558,007</b>	<b>\$ 8,581,945</b>	<b>\$ 8,564,392</b>	<b>\$ (17,553)</b>	-

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

- There were no significant capital improvements during the year.
- The increase in the postemployment liability of \$64,698

TABLE 4

	Business-type Activities			Changes from Prior Year	
	2008	2009	2010	in Dollars	Percent
<b>Operating revenue:</b>					
Water and sewer	\$ 2,222,133	\$ 2,185,467	\$ 2,004,806	\$ (180,661)	(8)
Refuse and recycling	422,704	423,815	423,236	(579)	-
<b>Operating expenses:</b>					
Water and sewer	2,152,157	2,223,559	2,048,468	(175,091)	(8)
Refuse and recycling	396,929	415,770	420,360	4,590	1
Operating income (loss)	95,751	(30,047)	(40,786)	(10,739)	36
Investment income	93,040	56,995	23,233	(33,762)	(59)
Interest expense	(10,060)	(3,010)	-	3,010	(100)
<b>Change in Net Assets</b>	<b>\$ 178,731</b>	<b>\$ 23,938</b>	<b>\$ (17,553)</b>	<b>\$ (41,491)</b>	(173)

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

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

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

### **The City's Funds**

The presentation of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as dedicated property tax millages. The City's major funds for 2010, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Street, Drainage, and Sidewalk Improvement Fund
- Parking Fund
- Public Improvement Fund
- Major Streets Fund
- Insurance Retention Fund
- Downtown Development Construction Fund

### **General Fund Budgetary Highlights**

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

The General Fund pays for most of the City's governmental services. The most significant category is the police department which represents 41 percent of total expenditures in 2010.

### **Other Major Funds Highlights**

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

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

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

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

The Major Streets Fund accounts for proceeds from the statewide gas and weight tax. Those funds are reserved for maintenance and improvements of "major streets" as defined by state statute. During fiscal year 2010, this fund accounted for the expenditures of street improvements on Novi Street, Dunlap and Hutton Streets, and intersection improvements at Wing and Cady.

The Insurance Retention Fund accounts for the purchase of commercial insurance and related claim activity.

The Downtown Development Construction Fund is a new special revenue fund used to account for the proceeds of the 2010 Build America Bonds. A total of \$217,486 of the bond proceeds was used during the fiscal year ended June 30, 2010 for bond issuance costs and initial construction costs for the downtown streetscape enhancement project.

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

At the end of fiscal year 2010, the City had approximately \$32.3 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. With careful planning and proper maintenance of existing equipment, it is anticipated that taxpayers will not be burdened with additional debt millages to replace existing equipment.

Total debt outstanding at the end of the year related to governmental activities is \$3.1 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is under the legal debt margin, as defined by state statute, of 10 percent of SEV.

# **City of Northville, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The City of Northville, Michigan's fiscal year 2011 budget reflects challenges that many municipalities in Michigan are facing. A slowed economy is resulting in a downward trend on property values while many personnel and other costs are increasing. In the foreseeable future, expenditures will continue to outpace revenue. This City is beginning the new fiscal year with a General Fund shortfall of approximately \$368,000.

All four of the City's bargaining units have agreed to wage freezes through fiscal year ending 2013.

A 24-member budget committee has been appointed by the City Council to evaluate the General Fund budget. The anticipated budget shortfall for fiscal year 2012 is expected to be approximately \$1,000,000. The committee's recommendations for expenditure reductions and/or revenue enhancements will be brought to the City Council in November 2010. In addition, all departments are continuing to evaluate how to maintain a high level of service to the citizens while containing costs.

Due to the City of Northville, Michigan's decreasing debt load, programmed system improvements, controlled water loss, and long-term approach in determining the user fee structure, no increases were required for water and sewer fees as of July 1, 2010. A small adjustment to the residential refuse pickup was required as of July 1, 2010 due to the costs of the fall leaf pickup program shifting to the Refuse and Recycling Fund.

### **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](http://www.ci.northville.mi.us).

# City of Northville, Michigan

## Statement of Net Assets June 30, 2010

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 9,187,139	\$ 2,436,563	\$ 11,623,702	\$ 1,166,307
Receivables - Net:				
Tax receivables	23,127	-	23,127	-
Customer receivables	-	494,393	494,393	-
Special assessments	448,248	-	448,248	-
Other governmental units	490,912	2,518	493,430	10,087
Other	197,634	11,484	209,118	-
Internal balances	7,851	(7,851)	-	-
Inventories	48,621	34,421	83,042	-
Other assets	133,312	1,512	134,824	2,582
Long-term note - Component unit:				
Due within one year	30,000	-	30,000	-
Due in more than one year	210,000	-	210,000	-
Investments in land	225,000	-	225,000	-
Restricted cash (Note 8)	2,052,166	-	2,052,166	-
Investment in joint ventures (Note 11)	665,116	-	665,116	-
Capital assets not being depreciated (Note 5)	3,946,442	-	3,946,442	-
Capital assets being depreciated - Net (Note 5)	22,448,938	5,937,970	28,386,908	-
Total assets	40,114,506	8,911,010	49,025,516	1,178,976
<b>Liabilities</b>				
Accounts payable	219,106	168,050	387,156	55,961
Accrued and other liabilities	513,571	20,797	534,368	112,019
Due to other governmental units	11,159	-	11,159	-
Deferred revenue (Note 4)	15,487	-	15,487	-
Net retiree healthcare obligation (Note 10)	1,219,826	117,444	1,337,270	-
Compensated absences:				
Due within one year	81,050	2,017	83,067	-
Due in more than one year	419,506	38,310	457,816	-
Long-term debt (Note 7):				
Due within one year	205,000	-	205,000	30,000
Due in more than one year	2,895,000	-	2,895,000	210,000
Total liabilities	5,579,705	346,618	5,926,323	407,980
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	25,115,178	5,937,970	31,053,148	-
Restricted:				
Streets, drainage, and sidewalk improvements	1,811,774	-	1,811,774	-
Cemetery	882,991	-	882,991	-
Insurance retention	142,371	-	142,371	-
Parking	907,882	-	907,882	-
Downtown development debt	66,127	-	66,127	-
Construction	1,819,798	-	1,819,798	-
Other	21,495	-	21,495	-
Unrestricted	3,767,185	2,626,422	6,393,607	770,996
Total net assets	<u>\$ 34,534,801</u>	<u>\$ 8,564,392</u>	<u>\$ 43,099,193</u>	<u>\$ 770,996</u>

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

# City of Northville, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,216,347	\$ 395,614	\$ 3,259	\$ -
Public safety	3,218,493	74,755	25,390	256
Public works	2,130,188	31,756	358,907	229,210
Recreation and culture	406,401	74,655	-	-
Senior housing	757,591	727,555	52,798	34,479
Interest on long-term debt	83,364	-	-	-
Total governmental activities	<u>8,812,384</u>	<u>1,304,335</u>	<u>440,354</u>	<u>263,945</u>
Business-type activities:				
Water and sewer	2,048,468	2,004,806	-	-
Refuse and recycling	420,360	423,236	-	-
Total business-type activities	<u>2,468,828</u>	<u>2,428,042</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,281,212</u>	<u>\$ 3,732,377</u>	<u>\$ 440,354</u>	<u>\$ 263,945</u>
Component unit - Downtown Development Authority	<u>\$ 759,385</u>	<u>\$ -</u>	<u>\$ 22,796</u>	<u>\$ 151,359</u>

General revenue:

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

Total general revenue and gain on sale of capital asset

**Change in Net Assets**

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,817,474)	\$ -	\$ (1,817,474)	\$ -
(3,118,092)	-	(3,118,092)	-
(1,510,315)	-	(1,510,315)	-
(331,746)	-	(331,746)	-
57,241	-	57,241	-
(83,364)	-	(83,364)	-
(6,803,750)	-	(6,803,750)	-
-	(43,662)	(43,662)	-
-	2,876	2,876	-
-	(40,786)	(40,786)	-
(6,803,750)	(40,786)	(6,844,536)	-
-	-	-	(585,230)
5,123,838	-	5,123,838	785,164
506,392	-	506,392	-
147,678	23,233	170,911	12,469
213,055	-	213,055	-
105,333	-	105,333	-
9,417	-	9,417	-
6,105,713	23,233	6,128,946	797,633
(698,037)	(17,553)	(715,590)	212,403
35,232,838	8,581,945	43,814,783	558,593
<b>\$ 34,534,801</b>	<b>\$ 8,564,392</b>	<b>\$ 43,099,193</b>	<b>\$ 770,996</b>

# City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Street, Drainage, and Sidewalk Improvement	Parking	Public Improvement	Major Steets
<b>Assets</b>					
Cash and investments (Note 3)	\$ 1,992,933	\$ 1,219,743	\$ 471,892	\$ 1,596,704	\$ 457,974
Restricted cash (Note 8)	1,228	-	-	-	-
Receivables - Net:					
Delinquent taxes	23,127	-	-	-	-
Other governmental units	359,508	30,687	-	-	38,365
Component unit	240,000	-	-	-	-
Assessments	-	-	436,092	12,156	-
Other	168,529	-	-	21,836	-
Other assets	62,194	-	-	-	-
Investment in land	-	-	-	225,000	-
<b>Total assets</b>	<b>\$ 2,847,519</b>	<b>\$ 1,250,430</b>	<b>\$ 907,984</b>	<b>\$ 1,855,696</b>	<b>\$ 496,339</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 143,225	\$ 1,458	\$ 102	\$ 10,092	\$ 16,942
Accrued and other liabilities	303,770	-	-	1,550	3,010
Due to other governmental units	11,159	-	-	-	-
Deferred revenue	-	-	386,368	6,077	-
<b>Total liabilities</b>	<b>458,154</b>	<b>1,458</b>	<b>386,470</b>	<b>17,719</b>	<b>19,952</b>
<b>Fund Balances</b>					
Reserved:					
Investment in land	-	-	-	225,000	-
Parking	-	-	521,514	-	-
Cemetery	-	-	-	91,322	-
Construction	-	-	-	-	-
Long-term receivable from component unit	240,000	-	-	-	-
Other	5,058	-	-	-	-
Unreserved:					
Designated, reported in:					
General Fund (Note 12)	384,763	-	-	-	-
Special Revenue Funds (Note 12)	-	640,083	-	1,270,476	5,812
Undesignated, reported in:					
General Fund	1,759,544	-	-	-	-
Special Revenue Funds	-	608,889	-	251,179	470,575
Debt Service Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
<b>Total fund balances</b>	<b>2,389,365</b>	<b>1,248,972</b>	<b>521,514</b>	<b>1,837,977</b>	<b>476,387</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,847,519</b>	<b>\$ 1,250,430</b>	<b>\$ 907,984</b>	<b>\$ 1,855,696</b>	<b>\$ 496,339</b>

**Governmental Funds  
Balance Sheet  
June 30, 2010**

Major Special Revenue Fund	Major Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Insurance Retention Fund	Downtown Development Construction		
\$ 62,114	\$ -	\$ 2,730,098	\$ 8,531,458
230,610	1,820,225	103	2,052,166
-	-	-	23,127
-	-	62,352	490,912
-	-	-	240,000
-	-	-	448,248
-	-	5,000	195,365
-	-	103,172	165,366
-	-	-	225,000
<b><u>\$ 292,724</u></b>	<b><u>\$ 1,820,225</u></b>	<b><u>\$ 2,900,725</u></b>	<b><u>\$ 12,371,642</u></b>
\$ 13	\$ 427	\$ 25,455	\$ 197,714
150,340	-	11,973	470,643
-	-	-	11,159
-	-	20,588	413,033
150,353	427	58,016	1,092,549
-	-	-	225,000
-	-	-	521,514
-	-	791,669	882,991
-	1,819,798	-	1,819,798
-	-	-	240,000
-	-	-	5,058
-	-	-	384,763
-	-	140,683	2,057,054
-	-	-	1,759,544
142,371	-	1,122,926	2,595,940
-	-	105,479	105,479
-	-	681,952	681,952
142,371	1,819,798	2,842,709	11,279,093
<b><u>\$ 292,724</u></b>	<b><u>\$ 1,820,225</u></b>	<b><u>\$ 2,900,725</u></b>	<b><u>\$ 12,371,642</u></b>

# City of Northville, Michigan

## Governmental Funds Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2010

<b>Fund Balances - Total Governmental Funds</b>	\$ 11,279,093
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,234,058
Infrastructure assets used in government activities are not financial resources and are not reported in the funds	10,631,394
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	392,446
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	5,100
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,100,000)
Interest payable is not accrued in the funds	(40,665)
Compensated absences are not included as a liability of the funds	(500,556)
Net other postemployment benefits obligation is not due and payable in the current period and is not recorded in the funds	(1,219,826)
Investments in joint ventures are included as part of governmental activities	665,116
Internal Service Funds are also included as governmental activities	<u>1,188,641</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 34,534,801</u></b>

# City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Street, Drainage, and Sidewalk Improvement	Parking	Public Improvement	Major Streets
<b>Revenue</b>					
Property taxes	\$ 4,548,939	\$ 574,899	\$ -	\$ -	\$ -
Licenses and permits	240,634	-	-	-	-
Special assessments	-	-	87,318	7,352	-
Federal sources	284	-	-	-	-
State-shared and grant revenue	511,809	-	-	-	238,545
Local contributions	68,452	-	-	-	-
Sales and services	130,626	-	-	-	-
Charges for overhead services	203,650	-	-	-	-
Fines and forfeitures	48,087	-	-	-	-
Michigan Housing Authority subsidies	-	-	-	-	-
Rental income	-	-	-	-	-
Racetrack revenue	87,898	-	-	125,157	-
Other	76,192	21,975	6,695	102,959	8,026
<b>Total revenue</b>	<b>5,916,571</b>	<b>596,874</b>	<b>94,013</b>	<b>235,468</b>	<b>246,571</b>
<b>Expenditures - Current</b>					
Administration	1,052,065	-	-	-	-
Police department	2,342,546	-	-	-	-
Fire and inspection	379,272	-	-	-	-
Housing operations	-	-	-	-	-
Public works	551,133	-	-	-	-
Planning, zoning, and inspection	182,261	-	-	-	-
Building and grounds	491,531	-	-	-	-
Legislative	13,127	-	-	-	-
Debt retirement	46,290	-	-	-	-
Shared services	288,112	-	-	-	-
Other expenditures	300,896	-	118,412	120,834	23,901
Street maintenance and repairs	-	-	-	-	777,842
<b>Total expenditures</b>	<b>5,647,233</b>	<b>-</b>	<b>118,412</b>	<b>120,834</b>	<b>801,743</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>269,338</b>	<b>596,874</b>	<b>(24,399)</b>	<b>114,634</b>	<b>(555,172)</b>
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	-	-	-	-	-
Transfers in (Note 6)	114,046	-	-	166,502	586,165
Transfers out (Note 6)	(371,155)	(639,538)	-	(67,297)	(60,000)
<b>Total other financing sources (uses)</b>	<b>(257,109)</b>	<b>(639,538)</b>	<b>-</b>	<b>99,205</b>	<b>526,165</b>
<b>Net Change in Fund Balances</b>	<b>12,229</b>	<b>(42,664)</b>	<b>(24,399)</b>	<b>213,839</b>	<b>(29,007)</b>
<b>Fund Balances - Beginning of year</b>	<b>2,377,136</b>	<b>1,291,636</b>	<b>545,913</b>	<b>1,624,138</b>	<b>505,394</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,389,365</b>	<b>\$ 1,248,972</b>	<b>\$ 521,514</b>	<b>\$ 1,837,977</b>	<b>\$ 476,387</b>

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, 2010**

Major Special Revenue Fund	Major Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Insurance Retention Fund	Downtown Development Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 5,123,838
-	-	-	240,634
-	-	-	94,670
-	-	35,160	35,444
-	-	117,608	867,962
-	33,000	25,197	126,649
-	-	32,437	163,063
-	-	-	203,650
-	-	-	48,087
-	-	51,798	51,798
-	-	713,612	713,612
-	-	-	213,055
<u>31,639</u>	<u>4,284</u>	<u>43,748</u>	<u>295,518</u>
31,639	37,284	1,019,560	8,177,980
-	-	248,364	1,300,429
-	-	29,288	2,371,834
-	-	10,000	389,272
-	-	280,365	280,365
-	151,359	-	702,492
-	-	-	182,261
-	-	-	491,531
-	-	-	13,127
-	-	105,629	151,919
-	-	-	288,112
99,398	-	21,642	685,083
<u>-</u>	<u>-</u>	<u>326,154</u>	<u>1,103,996</u>
99,398	151,359	1,021,442	7,960,421
(67,759)	(114,075)	(1,882)	217,559
-	2,000,000	-	2,000,000
-	-	530,287	1,397,000
<u>-</u>	<u>(66,127)</u>	<u>(192,883)</u>	<u>(1,397,000)</u>
-	1,933,873	337,404	2,000,000
(67,759)	1,819,798	335,522	2,217,559
<u>210,130</u>	<u>-</u>	<u>2,507,187</u>	<u>9,061,534</u>
<u>\$ 142,371</u>	<u>\$ 1,819,798</u>	<u>\$ 2,842,709</u>	<u>\$ 11,279,093</u>

# 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, 2010

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,217,559</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(472,184)
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	8,391
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(61,770)
Grant revenue is recognized in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	194,237
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	(27,698)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	95,000
Debt proceeds are not reported as financing sources on the statement of activities	(2,000,000)
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	61,503
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(677,778)
Internal Service Funds are also included as governmental activities	<u>(35,297)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (698,037)</u></b>

# City of Northville, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2010

	Enterprise Funds			Internal Service Fund
	Nonmajor		Total	Municipal Equipment
	Major Fund - Water and Sewer	Fund - Refuse and Recycling		
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,135,585	\$ 300,978	\$ 2,436,563	\$ 655,681
Receivables - Net:				
Customers	417,531	76,862	494,393	-
Other governmental units	1,954	564	2,518	-
Other	11,484	-	11,484	2,269
Inventories	34,421	-	34,421	-
Other assets	1,512	-	1,512	16,567
Total current assets	2,602,487	378,404	2,980,891	674,517
Noncurrent assets - Capital assets being depreciated - Net	5,896,302	41,668	5,937,970	529,928
Total noncurrent assets	5,896,302	41,668	5,937,970	529,928
Total assets	8,498,789	420,072	8,918,861	1,204,445
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	135,801	32,249	168,050	21,348
Accrued and other liabilities	20,191	606	20,797	2,263
Current portion of compensated absences	1,935	82	2,017	673
Total current liabilities	157,927	32,937	190,864	24,284
Noncurrent liabilities:				
Compensated absences - Net of current portion	36,758	1,552	38,310	12,785
Net retiree healthcare obligation (Note 10)	117,444	-	117,444	-
Total noncurrent liabilities	154,202	1,552	155,754	12,785
Total liabilities	312,129	34,489	346,618	37,069
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	5,896,302	41,668	5,937,970	529,928
Unrestricted	2,290,358	343,915	2,634,273	637,448
Total net assets	<u>\$ 8,186,660</u>	<u>\$ 385,583</u>	8,572,243	<u>\$ 1,167,376</u>

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

Net assets of business-type activities

(7,851)

\$ 8,564,392

# City of Northville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Enterprise Funds			Internal Service Fund
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	Municipal Equipment
<b>Operating Revenue</b>				
Customer charges	\$ 1,835,298	\$ 422,473	\$ 2,257,771	\$ -
Rental income	157,212	-	157,212	356,027
Other revenue	12,296	763	13,059	14,898
Total operating revenue	2,004,806	423,236	2,428,042	370,925
<b>Operating Expenses</b>				
General operations and maintenance	1,604,600	384,906	1,989,506	304,881
Depreciation	241,172	3,087	244,259	125,206
Other expenses	184,959	32,367	217,326	-
Total operating expenses	2,030,731	420,360	2,451,091	430,087
<b>Operating (Loss) Income</b>	(25,925)	2,876	(23,049)	(59,162)
<b>Nonoperating Revenue</b>				
Gain on sale of assets	-	-	-	1,701
Investment income	20,462	2,771	23,233	6,128
Total nonoperating revenue	20,462	2,771	23,233	7,829
<b>Net (Loss) Income</b>	(5,463)	5,647	184	(51,333)
<b>Net Assets - Beginning of year</b>	8,192,123	379,936		1,218,709
<b>Net Assets - End of year</b>	<u>\$ 8,186,660</u>	<u>\$ 385,583</u>		<u>\$ 1,167,376</u>

Amounts reported for business-type activities in the statement of activities are different because a portion of the Internal Service Fund net income is allocable to the Enterprise Funds

	(17,737)
Change in net assets of business-type activities	<b>\$ (17,553)</b>

# City of Northville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Enterprise Funds			Internal Service Fund
	Nonmajor		Total	Municipal Equipment
	Major Fund - Water and Sewer	Fund - Refuse and Recycling		
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,861,402	\$ 422,630	\$ 2,284,032	\$ 354,213
Payments to suppliers	(1,201,081)	(402,168)	(1,603,249)	(135,391)
Payments to employees	(497,224)	(27,443)	(524,667)	(151,983)
Other receipts	157,212	-	157,212	14,898
Net cash provided by (used in) operating activities	320,309	(6,981)	313,328	81,737
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of assets	-	-	-	1,701
Purchase of capital assets	(245,890)	-	(245,890)	(34,952)
Net cash used in capital and related financing activities	(245,890)	-	(245,890)	(33,251)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	20,462	2,771	23,233	6,128
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	94,881	(4,210)	90,671	54,614
<b>Cash and Cash Equivalents</b> - Beginning of year	2,040,704	305,188	2,345,892	601,067
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 2,135,585</u>	<u>\$ 300,978</u>	<u>\$ 2,436,563</u>	<u>\$ 655,681</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (25,925)	\$ 2,876	\$ (23,049)	\$ (59,162)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	241,172	3,087	244,259	125,206
Changes in assets and liabilities:				
Receivables	13,808	(604)	13,204	(1,814)
Inventories	4,962	-	4,962	(294)
Other assets	176	-	176	(69)
Accounts payable	14,520	(11,695)	2,825	20,070
Net retiree healthcare obligation	64,698	-	64,698	-
Accrued and other liabilities	6,898	(645)	6,253	(2,200)
Net cash provided by (used in) operating activities	<u>\$ 320,309</u>	<u>\$ (6,981)</u>	<u>\$ 313,328</u>	<u>\$ 81,737</u>

**Noncash Financing Activity** - During the year ended June 30, 2010, the Water and Sewer Fund capitalized net sewer and land easements totaling \$66,558.

# City of Northville, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2010

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 153,833	\$ 119,718
Accounts receivable	-	9,671
Other assets	-	152,999
Total assets	153,833	<u>\$ 282,388</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 81,482
Accrued and other liabilities	-	179,939
Due to other governmental units	-	20,967
Total liabilities	-	<u>\$ 282,388</u>
<b>Net Assets - Held in trust</b>	<u>\$ 153,833</u>	

# City of Northville, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

	Private Purpose Trust - Allen Terrace Trust Fund
<b>Revenue</b>	
Interest revenue	\$ 1,487
Contributions from local units	5,514
Donations	<u>129</u>
Total revenue	7,130
<b>Expenses - Rent subsidies</b>	<u>1,978</u>
<b>Change in Net Assets</b>	5,152
<b>Net Assets - July 1, 2009</b>	<u>148,681</u>
<b>Net Assets - June 30, 2010</b>	<u><u>\$ 153,833</u></u>

## **Note I - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

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

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

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

### **Government-wide and Fund Financial Statements**

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

The City reports the following major governmental funds:

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

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

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

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

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

**Insurance Retention Fund** - The Insurance Retention Fund is a Special Revenue Fund that accounts for the purchase of commercial insurance. The revenue in this fund is primarily from other funds.

**Downtown Development Construction Fund** - The Downtown Development Construction Fund is a Special Revenue Fund that is used to account for the proceeds of the 2010 Build America Bonds. The expenditures in this fund are primarily transfers to the DDA to fund construction.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

Additionally, the City reports the following fund types:

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

**Trust and Agency Funds** - Fiduciary funds account for the activities of the Allen Terrace Trust Fund, which provides rental subsidies for eligible Allen Terrace residents.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program 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 the proprietary funds relates to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

## **Note 1 - Summary of 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** - Outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

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

The 2009 taxable valuation of the City totaled \$327 million (net of captured taxable value of \$33 million), on which ad valorem taxes levied consisted of 13.3 mills for the City's operating purposes, 1.7670 mills for street improvements, and 0.1418 mills for public safety debt service. The ad valorem taxes levied raised approximately \$4.3 million for operations, \$575,000 for street, drainage, and sidewalk improvements, and \$46,000 for public safety debt service. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable - current or as tax revenue.

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

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Restricted Cash** - Restricted cash represents funds held with the Michigan Municipal Risk Management Authority for insurance claims. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City has elected to compute the annual required contribution necessary to fund the obligation over the remaining amortization period using the alternative measurement method (permitted for employers in plans with fewer than 100 total plan members). In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**New Accounting Standard** - In the current year, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new pronouncement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. This statement was implemented retrospectively. In implementing the statement, the City capitalized \$134,103 of net intangible assets in the statement of activities and the proprietary funds.

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

## **Note 2 - Stewardship, Compliance, and Accountability**

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

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

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

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** - The City did not have significant expenditure budget variances except for transfers out from the General Fund and insurance expenditures in the Insurance Retention Fund. The transfers out from the General Fund exceeded budget due to transfers authorized by Council subsequent to the final budget amendment process. The Insurance Retention Fund expenditures exceeded budget due to the unpredictable nature of the activity in the fund.

## **Note 3 - Deposits and Investments**

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

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by the Council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had no bank deposits (checking and savings accounts in addition to certificates of deposits) that were uninsured and uncollateralized. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of June 30, 2010, the City utilized 11 banks for the deposit of City funds.

### **Credit Risk**

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

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating Organization	
		Standard & Poor's	Moody's
Bank investment pools	\$ 931,962	N/A	N/A
Federal Home Loan Mortgage Company	807,249	AAA	Aaa
Federal National Mortgage Association	501,562	AAA	Aaa
Federal Home Loan Bank	3,634,680	AAA	Aaa
Municipal bonds	109,236	A	-
Municipal bonds	200,176	A+	-
Municipal bonds	754,272	AA	-
Municipal bonds	2,482,178	AA-	-
Municipal bonds	629,285	AA+	-
Municipal bonds	820,491	AAA	-
Municipal bonds	1,156,006	SP1	-
Municipal bonds	301,371	SP-I	-
Municipal bonds	475,323	SP1+	-
Municipal bonds	1,107,311	NR	-

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Federal Home Loan Mortgage Company	\$ 807,249	44 days
Federal National Mortgage Association	501,562	19 days
Federal Home Loan Bank	3,634,680	232 days
Municipal bonds	8,035,649	280 days

## **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. The City's concentration of credit risk is shown below:

Investment	Percent
Federal Home Bank	23%
Federal Home Loan Mortgage Company	5%

### **Component Unit**

The component unit's investments are subject to several types of risk. At year end, the carrying amount of the component unit's cash and investments was pooled with City cash and investments. At June 30, 2010, the carrying amount of cash and investments for the component unit was \$1,166,307. For the purpose of risk disclosure, it is not practical to allocate risk between the primary government and the City's component unit. Disclosures related to the overall risk for the City's investments are presented above.

## **Note 4 - Deferred Revenue**

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

	Unavailable	Unearned
Special assessments	\$ 392,445	\$ -
Other miscellaneous deferred revenue	5,101	15,487
Total	\$ 397,546	\$ 15,487

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets

Capital asset activity of the primary government was as follows:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,484,211	\$ 127,024	\$ -	\$ 3,611,235
Works of art	93,785	-	-	93,785
Construction in progress	133,023	181,672	73,273	241,422
Subtotal	3,711,019	308,696	73,273	3,946,442
Capital assets being depreciated:				
Roads, sidewalks, and bridges	25,273,448	732,524	90,918	25,915,054
Buildings and improvements	10,451,890	-	-	10,451,890
Parking system	5,241,527	-	-	5,241,527
Streetscape	2,181,595	76,558	-	2,258,153
Vehicles	2,214,970	27,005	74,179	2,167,796
Equipment	2,005,252	47,177	17,655	2,034,774
Subtotal	47,368,682	883,264	182,752	48,069,194
Accumulated depreciation:				
Roads, sidewalks, and bridges	14,908,434	507,166	90,918	15,324,682
Buildings and improvements	4,652,330	420,750	-	5,073,080
Parking system	1,520,111	121,344	-	1,641,455
Streetscape	285,206	115,673	-	400,879
Vehicles	1,557,209	157,728	74,179	1,640,758
Equipment	1,385,749	171,308	17,655	1,539,402
Subtotal	24,309,039	1,493,969	182,752	25,620,256
Net capital assets being depreciated	23,059,643	(610,705)	-	22,448,938
Net capital assets	\$ 26,770,662	\$ (302,009)	\$ 73,273	\$ 26,395,380

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 18,720	\$ -	\$ 18,720	\$ -
Capital assets being depreciated:				
Buildings	21,535	-	-	21,535
Water and sewer distribution system	10,499,057	264,610	-	10,763,667
Refuse and recycling system	51,382	-	-	51,382
Subtotal	10,571,974	264,610	-	10,836,584
Accumulated depreciation:				
Buildings	21,535	-	-	21,535
Water and sewer distribution system	4,626,191	241,172	-	4,867,363
Refuse and recycling system	6,629	3,087	-	9,716
Subtotal	4,654,355	244,259	-	4,898,614
Net capital assets being depreciated	5,917,619	20,351	-	5,937,970
Net capital assets	<u>\$ 5,936,339</u>	<u>\$ 20,351</u>	<u>\$ 18,720</u>	<u>\$ 5,937,970</u>

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

<b>Governmental activities:</b>	
General government	\$ 231,692
Public safety	180,473
Public works	745,390
Recreation and culture	23,658
Senior housing	187,550
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>125,206</u>
Total governmental activities	<u>\$ 1,493,969</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 241,172
Refuse and recycling	<u>3,087</u>
Total business-type activities	<u>\$ 244,259</u>

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The City has active construction projects at year end. The City's commitments with contractors at June 30, 2010 are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Downtown streetscape enhancement project	\$ 180,165	\$ 30,484
Downtown pedestrian walkway	17,488	41,659
Springfield Court improvements	5,438	15,774
Main Street improvements	3,234	25,321
Clement Road construction	5,000	15,774
Griswold and Church Street improvements	2,800	7,748
Total	<u>\$ 214,125</u>	<u>\$ 136,760</u>

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 6 - Interfund Transfers

Interfund operating transfers for the current year are as follows:

Transfers From (Out)	Transfers To (In)	Amount
General Fund	Public Improvement Fund	(1) \$ 5,500
General Fund	Public Improvement Fund	(2) 150,139
General Fund	Other nonmajor governmental funds	(1) 65,516
General Fund	Other nonmajor governmental funds	(2) <u>150,000</u>
	Total	371,155
Street, drainage, and sidewalk improvement	Major Streets Fund	(2) 559,003
Street, drainage, and sidewalk improvement	Other nonmajor governmental funds	(2) <u>80,535</u>
	Total	639,538
Major Streets Fund	Other nonmajor governmental funds	(1) 60,000
Public Improvement Fund	General Fund	(2) 33,841
Public Improvement Fund	Major Streets Fund	(2) 26,172
Public Improvement Fund	Other nonmajor governmental funds	(2) <u>7,284</u>
	Total	67,297
Downtown Development Construction Fund	Other nonmajor governmental funds	(2) 66,127
Other nonmajor governmental funds	General Fund	(2) 80,205
Other nonmajor governmental funds	Public Improvement Fund	(1) 10,863
Other nonmajor governmental funds	Major Streets Fund	(2) 990
Other nonmajor governmental funds	Other nonmajor governmental funds	(2) <u>100,825</u>
	Total	<u>192,883</u>
	Total transfers	<u>\$ 1,397,000</u>

- (1) The transfers from the various funds are to support the operations of those funds.
- (2) Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund projects, capital improvements, or debt service expenditures accounted for in the respective funds.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 7 - Long-term Debt

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

Long-term obligation activity is summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities -							
General obligation bonds:							
Allen Terrace renovation bonds	3.50%-4.875%	2022	\$ 1,065,000	\$ -	\$ 55,000	\$ 1,010,000	\$ 60,000
Public safety bonds	4.90%-5.00%	2012	130,000	-	40,000	90,000	45,000
Streetscape improvement bonds	1.30%-5.85%	2025	-	2,000,000	-	2,000,000	100,000
Total governmental activities			<u>\$ 1,195,000</u>	<u>\$ 2,000,000</u>	<u>\$ 95,000</u>	<u>\$ 3,100,000</u>	<u>\$ 205,000</u>

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

	Governmental Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2011	\$ 205,000	\$ 147,673	\$ (35,592)	\$ 112,081	\$ 317,081
2012	220,000	129,135	(30,645)	98,490	318,490
2013	180,000	123,515	(29,921)	93,594	273,594
2014	185,000	118,098	(28,935)	89,163	274,163
2015	190,000	111,540	(27,591)	83,949	273,949
2016-2020	1,060,000	430,908	(110,650)	320,258	1,380,258
2021-2025	1,060,000	156,791	(47,510)	109,281	1,169,281
Total	<u>\$ 3,100,000</u>	<u>\$ 1,217,660</u>	<u>\$ (310,844)</u>	<u>\$ 906,816</u>	<u>\$ 4,006,816</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 (shown above as the interest subsidy).

### Note 7 - Long-term Debt (Continued)

**Component Unit** - Long-term debt of the component unit consists of one loan owed to the General Fund in the amount of \$300,000 maturing through 2018 and bearing interest at a rate of 5.5 percent. At year end, the remaining principal balance was \$240,000. 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 the restricted cash accounts are as follows:

	<u>Governmental Activities</u>
Funds held for insurance claims	\$ 230,610
Unspent bond proceeds and related interest	<u>1,821,556</u>
Total restricted assets	<u>\$ 2,052,166</u>

### Note 9 - Pension Plans

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

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

### Note 9 - Pension Plans (Continued)

**Annual Pension Costs** - For the year ended June 30, 2010, the City's annual pension cost of \$558,240 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry actual age method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year including step increases, and (c) no postretirement benefit increases. The actuarial value of assets is determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level dollar amount over 16 to 24 years, depending on the length of time that the employee division has been closed. The amortization will continue to decrease by two years per year until a minimum of five-year amortization is attained.

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2008	2009	2010
Annual pension costs (APC)	\$ 541,632	\$ 544,825	\$ 558,240
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2007	2008	2009
Actuarial value of assets	\$ 11,291,010	\$ 11,350,471	\$ 11,329,702
Actuarial accrued liability (AAL)			
(entry age)	\$ 16,912,905	\$ 17,430,748	\$ 17,490,508
Unfunded AAL (UAAL)	\$ 5,621,895	\$ 6,080,277	\$ 6,160,806
Funded ratio	67%	65%	65%
Covered payroll	\$ 1,878,443	\$ 1,818,683	\$ 1,801,142
UAAL as a percentage of covered payroll	299%	334%	342%

## **Note 9 - Pension Plans (Continued)**

### **Defined Contribution Pension Plan**

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

The City's total payroll during the current year was \$4,205,537. The current year contribution was calculated based on covered payroll of \$1,310,259, resulting in an employer contribution of \$132,835.

## **Note 10 - Other Postemployment Benefits**

### **Plan Description**

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

### **Funding Policy**

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

## **Note 10 - Other Postemployment Benefits (Continued)**

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

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, for 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. In accordance with these requirements, the City contributed \$1,576 and employees contributed \$24,034 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 2010, the City made premium payments of \$703,120 and contributed an additional \$320,674 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 2010, total member contributions were \$6,625.

### **Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

### Note 10 - Other Postemployment Benefits (Continued)

Annual required contribution	\$ 1,733,557
Interest on prior year net OPEB obligation	32,714
Annual OPEB cost	<u>1,766,271</u>
Contributions made	<u>1,023,794</u>
Increase in net OPEB obligation	742,477
Net OPEB obligation - Beginning of year	<u>594,793</u>
Net OPEB obligation - End of year	<u><u>\$ 1,337,270</u></u>

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

	Fiscal Year Ended June 30	
	2009	2010
Annual OPEB cost	\$ 1,733,557	\$ 1,766,271
Percentage contributed	66%	58%
Net OPEB obligation	\$ 594,793	\$ 1,337,270

### Funded Status and Funding Progress

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### Note 10 - Other Postemployment Benefits (Continued)

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

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

#### Actuarial Methods and Assumption

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

The following simplifying assumptions were made:

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

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

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

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

## **Note 10 - Other Postemployment Benefits (Continued)**

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

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

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

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

## **Note 11 - Jointly Governed Organizations**

The City participates in the Northville Parks and Recreation Commission (the "Recreation Commission") as a joint venture with the Charter Township of Northville. The City is represented by the mayor or mayor pro tem and one other member of the City Council. Approval of the annual budget is required by the City and the Charter Township of Northville. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. At June 30, 2010, the investment in the Recreation Commission was \$553,659. During the current year, the City contributed \$257,925 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.

## **Note 11 - Jointly Governed Organizations (Continued)**

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 \$370,248 for fringe benefit expenditures during the year ended June 30, 2010.

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, 2010, the investment in the Commission was \$28,666. During the current year, the City contributed \$22,044 for the operations of the Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Commission can be obtained from the Charter Township of Northville at 44405 Six Mile Road, Northville, Michigan 48167.

The City is a member of the 35th District Court System, which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's board, which then approves the annual budget, and one member to the related Building Authority board. At June 30, 2010, the investment in the court system was \$82,791. Complete financial statements for the court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, Michigan 48170.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 12 - Fund Balance Designations

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

Designated fund balance - Designated for:	
Criminal forfeitures	\$ 12,489
State and D.A.R.E. drug forfeitures	3,948
Subsequent year budgeted expenditures in excess of budgeted revenue	<u>368,326</u>
Total designated fund balance - General Fund	<u>\$ 384,763</u>

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

Designated fund balance - Designated for:	
City Hall capital maintenance plan	\$ 69,227
Certified local government project	2,548
Contingency/Grant match	42,825
Downtown walkway	250,000
Emergency warning siren activation	850
Internal loan program	112,139
Mill Pond repairs evaluation	19,871
Mill Pond restoration	80,000
Nonmotorized improvements	40,000
Police and fire equipment reserves transfer	60,000
Post office expansion	5,000
Projects under consideration (fiscal year 2010 breakage to be designated)	125,157
Projects under consideration (fiscal year 2009 breakage to be designated)	14,584
Randolph Drain assessment	151,522
Repairs to City entrance signs	14,000
Special projects	<u>282,753</u>
Subtotal - Public Improvement Fund	1,270,476

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2010

### Note 12 - Fund Balance Designations (Continued)

Designated fund balance - Designated for (Continued):

Major Streets Fund - Subsequent year budgeted expenditures in excess of budgeted revenue	\$ 5,812
Street, Drainage, and Sidewalk Improvement Fund - Subsequent year budgeted expenditures in excess of budgeted revenue	640,083

Other Special Revenue Funds:

Local Streets Fund - Subsequent year budgeted expenditures in excess of budgeted revenue	364
Housing Commission Fund - Capital Projects	<u>140,319</u>

Total designated fund balance - Special Revenue Funds	<u>\$ 2,057,054</u>
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### Note 13 - Construction Code Fees

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

Cumulative shortfall - July 1, 2009	\$ (590,272)
Building permit revenue	\$ 87,371
Related expenditures:	
Direct costs	53,344
Estimated indirect costs	<u>89,222</u>
Total construction code expenditures	142,566
Shortfall - Current year	<u>(55,195)</u>
Cumulative shortfall - June 30, 2010	<u>\$ (645,467)</u>

## **Note 14 - Risk Management**

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

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

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, 2010, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

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

## **Required Supplemental Information**

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# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 2,377,136	\$ 2,377,136	\$ 2,377,136	\$ -
<b>Resources (Inflows)</b>				
Property taxes	4,612,809	4,595,535	4,548,939	(46,596)
Licenses and permits	214,467	232,077	240,634	8,557
Federal sources	-	284	284	-
State-shared and grant revenue	598,764	503,490	511,809	8,319
Sales and services	117,251	138,821	130,626	(8,195)
Charges for services	202,470	203,650	203,650	-
Fines and forfeitures	59,900	47,470	48,087	617
Racetrack breakage	129,745	124,476	87,898	(36,578)
Other	109,815	77,207	76,192	(1,015)
Transfer from other funds and component units	96,504	186,648	182,498	(4,150)
Total resources (inflows)	6,141,725	6,109,658	6,030,617	(79,041)
<b>Charges to Appropriations (Outflows)</b>				
General government:				
City Council	14,680	14,680	13,127	1,553
City manager	271,110	270,600	268,079	2,521
Clerk - Elections	29,003	26,851	22,919	3,932
City clerk	162,025	163,235	163,471	(236)
Finance and administrative services	266,981	302,313	293,144	9,169
Tax and assessing	199,218	257,986	236,051	21,935
City attorney	125,000	88,000	68,401	19,599
Planning, zoning, and inspection	203,510	223,205	182,261	40,944
Public safety:				
Police track services	104,410	97,334	68,011	29,323
Police department	2,281,693	2,355,683	2,274,535	81,148
Fire department	380,200	380,674	367,373	13,301
Fire track services	13,540	15,825	11,899	3,926

# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Charges to Appropriations (Outflows)</b>				
(Continued)				
Public works:				
Civic decorations	\$ 36,820	\$ 36,930	\$ 28,742	\$ 8,188
Fall leaf pickup	36,495	36,845	36,469	376
Street lighting and miscellaneous public works	173,595	183,935	173,038	10,897
Parking system	165,235	157,465	150,706	6,759
Public works administration	158,630	161,555	162,178	(623)
Buildings and grounds:				
Cemetery maintenance	132,860	162,650	166,429	(3,779)
City Hall buildings and grounds	177,023	199,945	189,984	9,961
Mill Race Village maintenance	22,505	19,745	18,588	1,157
City property - Other	97,830	97,830	84,621	13,209
Parks and playgrounds	2,825	660	298	362
Tree maintenance	16,500	26,300	31,611	(5,311)
Debt retirement	45,690	45,690	46,290	(600)
Shared services	298,443	288,113	288,112	1
Other expenditures:				
Technology costs	251,375	243,920	221,000	22,920
Insurance, bonds, and employee reserve	55,918	57,957	57,957	-
Central supply	27,298	26,428	21,939	4,489
Transfers to other funds	280,955	230,455	371,155	(140,700)
Unallocated reserve	130,000	-	-	-
Total charges to appropriations (outflows)	<u>6,161,367</u>	<u>6,172,809</u>	<u>6,018,388</u>	<u>154,421</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 2,357,494</u></b>	<b><u>\$ 2,313,985</u></b>	<b><u>\$ 2,389,365</u></b>	<b><u>\$ 75,380</u></b>

# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b><u>Street, Drainage, and Sidewalk Improvement Fund</u></b>				
<b>Fund Balance - Beginning of year</b>	\$ 1,291,636	\$ 1,291,636	\$ 1,291,636	\$ -
<b>Resources (Inflows)</b>				
Property taxes	580,444	577,517	574,899	(2,618)
Other revenue	<u>24,080</u>	<u>16,000</u>	<u>21,975</u>	<u>5,975</u>
Total resources (inflows)	604,524	593,517	596,874	3,357
<b>Charges to Appropriations (Outflows) -</b>				
Transfers to other funds	<u>1,057,255</u>	<u>688,484</u>	<u>639,538</u>	<u>48,946</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 838,905</u></b>	<b><u>\$ 1,196,669</u></b>	<b><u>\$ 1,248,972</u></b>	<b><u>\$ 52,303</u></b>
<b><u>Parking Fund</u></b>				
<b>Fund Balance - Beginning of year</b>	\$ 545,913	\$ 545,913	\$ 545,913	\$ -
<b>Resources (Inflows)</b>				
Special assessments	130,546	130,546	87,318	(43,228)
Other revenue	<u>9,160</u>	<u>6,960</u>	<u>6,695</u>	<u>(265)</u>
Total resources (inflows)	139,706	137,506	94,013	(43,493)
<b>Charges to Appropriations (Outflows) -</b>				
Other expenditures	<u>5,128</u>	<u>120,670</u>	<u>118,412</u>	<u>2,258</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 680,491</u></b>	<b><u>\$ 562,749</u></b>	<b><u>\$ 521,514</u></b>	<b><u>\$ (41,235)</u></b>

# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Public Improvement Fund</b>				
<b>Fund Balance - Beginning of year</b>	\$ 1,624,138	\$ 1,624,138	\$ 1,624,138	\$ -
<b>Resources (Inflows)</b>				
Special assessment	7,351	7,270	7,352	82
Racetrack breakage	-	90,830	125,157	34,327
Other revenue	123,135	105,201	102,959	(2,242)
Transfers in from other funds and component unit	<u>25,802</u>	<u>25,802</u>	<u>166,502</u>	<u>140,700</u>
Total resources (inflows)	156,288	229,103	401,970	172,867
<b>Charges to Appropriations (Outflows)</b>				
Other expenditures	155,693	135,898	120,834	15,064
Transfers to other funds and component unit	<u>278,052</u>	<u>72,297</u>	<u>67,297</u>	<u>5,000</u>
Total charges to appropriations (outflows)	<u>433,745</u>	<u>208,195</u>	<u>188,131</u>	<u>20,064</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 1,346,681</u></b>	<b><u>\$ 1,645,046</u></b>	<b><u>\$ 1,837,977</u></b>	<b><u>\$ 192,931</u></b>

# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Major Streets Fund</b>				
<b>Fund Balance - Beginning of year</b>	\$ 505,394	\$ 505,394	\$ 505,394	\$ -
<b>Resources (Inflows)</b>				
State-shared and grant revenue	240,740	236,960	238,545	1,585
Other	9,610	8,287	8,026	(261)
Transfer from other funds and component units	972,255	641,496	586,165	(55,331)
Total resources (inflows)	1,222,605	886,743	832,736	(54,007)
<b>Charges to Appropriations (Outflows)</b>				
Street maintenance and repairs	1,143,504	806,195	777,842	28,353
Other	25,561	23,081	23,901	(820)
General government - Transfers to other funds	60,000	60,000	60,000	-
Total charges to appropriations (outflows)	1,229,065	889,276	861,743	27,533
<b>Fund Balance - End of year</b>	<b>\$ 498,934</b>	<b>\$ 502,861</b>	<b>\$ 476,387</b>	<b>\$ (26,474)</b>

# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b><u>Insurance Retention Fund</u></b>				
<b>Fund Balance - Beginning of year</b>	\$ 210,130	\$ 210,130	\$ 210,130	\$ -
<b>Resources (Inflows)</b>				
Contributions from other funds	-	20,000	20,000	-
Other revenue	-	8,830	11,639	2,809
Total resources (inflows)	-	28,830	31,639	2,809
<b>Charges to Appropriations (Outflows) -</b>				
Insurance	-	28,830	99,398	(70,568)
<b>Fund Balance - End of year</b>	<b><u>\$ 210,130</u></b>	<b><u>\$ 210,130</u></b>	<b><u>\$ 142,371</u></b>	<b><u>\$ (67,759)</u></b>
<b><u>Downtown Development Construction Fund</u></b>				
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Other	-	2,200	4,284	2,084
Transfer from component unit	-	33,000	33,000	-
Financing proceeds	-	2,000,000	2,000,000	-
Total resources (inflows)	-	2,035,200	2,037,284	2,084
<b>Charges to Appropriations (Outflows)</b>				
Transfer to other funds	-	66,130	66,127	3
Transfer to component unit	-	141,990	151,359	(9,369)
Total charges to appropriations (outflows)	-	208,120	217,486	(9,366)
<b>Fund Balance - End of year</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,827,080</u></b>	<b><u>\$ 1,819,798</u></b>	<b><u>\$ (7,282)</u></b>

## **Other Supplemental Information**

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# City of Northville, Michigan

	Nonmajor Special Revenue Funds			
	Local Streets	Housing Commission	Cemetery	Employees' Accumulated Compensation
<b>Assets</b>				
Cash and investments	\$ 84,909	\$ 740,453	\$ 791,841	\$ 426,032
Restricted cash	-	-	-	-
Receivables - Net:				
Other government units	16,331	46,021	-	-
Other	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 101,240</b>	<b>\$ 786,474</b>	<b>\$ 791,841</b>	<b>\$ 426,032</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 11,280	\$ 6,191	\$ 172	\$ 105
Accrued and other liabilities	3,545	8,428	-	-
Deferred revenue	-	20,588	-	-
<b>Total liabilities</b>	<b>14,825</b>	<b>35,207</b>	<b>172</b>	<b>105</b>
<b>Fund Balances</b>				
Reserved for cemetery trust	-	-	791,669	-
Designated	364	140,319	-	-
Unreserved	86,051	610,948	-	425,927
<b>Total fund balances</b>	<b>86,415</b>	<b>751,267</b>	<b>791,669</b>	<b>425,927</b>
<b>Total liabilities and fund balances</b>	<b>\$ 101,240</b>	<b>\$ 786,474</b>	<b>\$ 791,841</b>	<b>\$ 426,032</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
DDA Debt Service Fund	2002 Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement		
\$ 2,204	\$ -	\$ 592,466	\$ 92,193	\$ 2,730,098	
-	103	-	-	103	
-	-	-	-	62,352	
-	-	5,000	-	5,000	
<u>63,923</u>	<u>39,249</u>	<u>-</u>	<u>-</u>	<u>103,172</u>	
<b><u>\$ 66,127</u></b>	<b><u>\$ 39,352</u></b>	<b><u>\$ 597,466</u></b>	<b><u>\$ 92,193</u></b>	<b><u>\$ 2,900,725</u></b>	
\$ -	\$ -	\$ 6,107	\$ 1,600	\$ 25,455	
-	-	-	-	11,973	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,588</u>	
-	-	6,107	1,600	58,016	
-	-	-	-	791,669	
-	-	-	-	140,683	
<u>66,127</u>	<u>39,352</u>	<u>591,359</u>	<u>90,593</u>	<u>1,910,357</u>	
<u>66,127</u>	<u>39,352</u>	<u>591,359</u>	<u>90,593</u>	<u>2,842,709</u>	
<b><u>\$ 66,127</u></b>	<b><u>\$ 39,352</u></b>	<b><u>\$ 597,466</u></b>	<b><u>\$ 92,193</u></b>	<b><u>\$ 2,900,725</u></b>	

# City of Northville, Michigan

	Nonmajor Special Revenue Funds			
	Local Streets	Housing Commission	Cemetery	Employees' Accumulated Compensation
<b>Revenue</b>				
Federal sources	\$ -	\$ 35,160	\$ -	\$ -
State-shared and grant revenue	112,608	-	-	-
Local contributions	-	-	-	22,543
Sales and services	-	4,667	27,770	-
Michigan Housing Authority subsidies	-	51,798	-	-
Rental income	-	713,612	-	-
Other	1,085	15,600	7,646	4,814
Total revenue	113,693	820,837	35,416	27,357
<b>Expenditures</b>				
Administration	15,062	233,302	-	-
Current capital outlay	-	-	-	-
Street maintenance and repairs	326,154	-	-	-
Housing operations	-	280,365	-	-
Other expenditures	-	9,537	-	12,105
Debt service	-	-	-	-
Total expenditures	341,216	523,204	-	12,105
<b>Excess of Revenue Over (Under) Expenditures</b>	(227,523)	297,633	35,416	15,252
<b>Other Financing Sources (Uses)</b>				
Transfers in	191,025	16,016	-	-
Transfers out	-	(99,835)	-	(82,185)
Total other financing sources (uses)	191,025	(83,819)	-	(82,185)
<b>Net Change in Fund Balances</b>	(36,498)	213,814	35,416	(66,933)
<b>Fund Balances - Beginning of year</b>	122,913	537,453	756,253	492,860
<b>Fund Balances - End of year</b>	<b>\$ 86,415</b>	<b>\$ 751,267</b>	<b>\$ 791,669</b>	<b>\$ 425,927</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2010**

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds
DDA Debt Service Fund	2002 Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement	
\$ -	\$ -	\$ -	\$ -	\$ 35,160
-	-	5,000	-	117,608
2,654	-	-	-	25,197
-	-	-	-	32,437
-	-	-	-	51,798
-	-	-	-	713,612
-	-	6,833	7,770	43,748
2,654	-	11,833	7,770	1,019,560
-	-	-	-	248,364
-	-	10,000	29,288	39,288
-	-	-	-	326,154
-	-	-	-	280,365
-	-	-	-	21,642
2,654	102,975	-	-	105,629
2,654	102,975	10,000	29,288	1,021,442
-	(102,975)	1,833	(21,518)	(1,882)
66,127	99,835	50,000	107,284	530,287
-	-	-	(10,863)	(192,883)
66,127	99,835	50,000	96,421	337,404
66,127	(3,140)	51,833	74,903	335,522
-	42,492	539,526	15,690	2,507,187
<b>\$ 66,127</b>	<b>\$ 39,352</b>	<b>\$ 591,359</b>	<b>\$ 90,593</b>	<b>\$ 2,842,709</b>

# City of Northville, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities - Agency Funds Fiduciary Funds June 30, 2010

	Agency Funds		
	Payroll	Agency	Total
<b>Assets</b>			
Cash and investments	\$ 107,123	\$ 12,595	\$ 119,718
Accounts receivable	9,671	-	9,671
Other assets	152,999	-	152,999
Total assets	<u>\$ 269,793</u>	<u>\$ 12,595</u>	<u>\$ 282,388</u>
<b>Liabilities</b>			
Accounts payable	\$ 81,481	\$ 1	\$ 81,482
Accrued and other liabilities	169,576	10,313	179,889
Due to other governmental units	18,736	2,281	21,017
Total liabilities	<u>\$ 269,793</u>	<u>\$ 12,595</u>	<u>\$ 282,388</u>