

City of Northville, Michigan

Financial Report with Supplemental Information June 30, 2013

City of Northville, Michigan

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Independent Auditor's Report

To the City Council
City of Northville, Michigan

Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise the City of Northville, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinion

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, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Northville, Michigan

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Northville, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 25, 2013

City of Northville, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the financial performance for the City of Northville, Michigan (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net decrease in fund balance to the General Fund of \$126,312 is comprised of the following:

- General Fund increase of \$3,691
- Street, Drainage, and Sidewalk Improvement Fund decrease of \$130,003

Property tax revenue increased almost 1 percent from the prior year and it continues to be the City's single largest source of revenue at approximately 53 percent of governmental revenue.

Rental income is the City's second largest source of governmental revenue. This includes cell tower rent recorded in the General Fund and tenant rents at Allen Terrace. The Housing Commission approved a 1.7 percent increase in rent at the beginning of the fiscal year which accounts for the overall increase in this category of 1.4 percent.

State-shared revenue, the City's second largest source of revenue in the General Fund, increased 1.6 percent from the prior year. This revenue source includes liquor license fees, constitutional revenue sharing, and Economic Vitality Incentive Program (EVIP) payments. The State of Michigan increased the constitutional revenue sharing by 1.67 percent.

Northville City Fire Department continued providing fire prevention, fire suppression, and emergency medical services to the City of Plymouth. Under the cost-sharing formula, the City of Plymouth's share for this fiscal year was 63 percent. This relationship has resulted in a net savings to the City of approximately \$158,000 in the current fiscal year.

An updated valuation for other postemployment benefits (OPEB) was required as of June 30, 2013 due to plan changes for a portion of the Medicare-eligible retirees. The City was able to move 13 retirees and their spouses to a significantly lower cost plan that provides for better coverage in May 2013. That valuation decreased the actuarial accrued liability from \$32.6 million to \$23.3 million, or 28 percent, in one year. The assets of the plan are \$5.6 million, leaving an unfunded actuarial accrued liability of \$17.7 million. There are a total of 83 participants in the plan, of which only 36 are active. The funded ratio is at 24 percent, up from 14 percent in the prior year.

The unfunded actuarial accrued pension liability has increased from \$7.36 million to \$7.97 million over the previous year. The funded ratio is at 58 percent, down from 61 percent in the prior year.

Long-term debt for the primary government is \$2.5 million. There are two general obligation debt issues outstanding. The 2002 bonds were refunded during the year, which resulted in a net present value cash flow savings of \$86,000.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City's Water and Sewer Fund has no outstanding debt as of the end of the fiscal year. This is consistent with the City's long-term goal to reduce debt. Where appropriate, a well-planned "pay-as-you-go" system has been established and utilized.

Using this Annual Report

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

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

The City as a Whole

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

	Governmental Activities				Percent Change
	2011	2012	2013	Change	
Assets					
Other assets	\$ 12,861,091	\$ 13,046,556	\$ 13,197,981	\$ 151,425	1.2%
Capital assets	26,988,271	27,521,648	27,942,052	420,404	1.5%
Total assets	39,849,362	40,568,204	41,140,033	571,829	1.4%
Liabilities					
Current liabilities	1,126,434	1,391,789	1,266,016	(125,773)	-9.0%
Long-term liabilities	5,119,400	4,959,354	4,487,915	(471,439)	-9.5%
Total liabilities	6,245,834	6,351,143	5,753,931	(597,212)	-9.4%
Net Position					
Invested in capital assets -					
Net of related debt	25,183,095	25,337,835	25,417,052	79,217	0.3%
Restricted	1,601,098	1,960,284	1,945,602	(14,682)	-0.7%
Unrestricted	6,819,335	6,918,942	8,023,448	1,104,506	16.0%
Total net position	<u>\$ 33,603,528</u>	<u>\$ 34,217,061</u>	<u>\$ 35,386,102</u>	<u>\$ 1,169,041</u>	3.4%

Overall, the City's net position of governmental activities increased by 3.4 percent from a year ago. The increase in total assets is primarily due to the addition of capital assets. The decrease in current liabilities is primarily due to decreases in accounts payable.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The decrease in long-term liabilities is expected for three reasons. First, the decrease of \$277,000 in the liability for other postretirement benefits was expected as it reflects the overpayment between the City's annual required contribution and the actual contributions made during the year ended June 30, 2013. Secondly, the decrease in long-term debt of \$150,000 was due to debt service payments made during the year. Lastly, the decrease in the liability for compensated absences of \$11,000 was due to the termination of one long-term employee.

Governmental Activities

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

	Governmental Activities				Percent
	2011	2012	2013	Change	Change
Revenue					
Program revenue:					
Charges for services	\$ 1,325,515	\$ 1,762,588	\$ 2,125,056	\$ 362,468	21%
Operating grants	620,591	682,719	685,527	2,808	0%
Capital grants	1,169,013	1,522,839	997,445	(525,394)	-35%
General revenue:					
Property taxes	4,638,561	4,739,832	4,766,329	26,497	1%
State-shared revenue	502,418	493,560	507,098	13,538	3%
Investment earnings	78,148	38,072	19,677	(18,395)	-48%
Franchise fees	128,292	146,759	159,722	12,963	9%
Racetrack breakage	220,392	229,087	210,350	(18,737)	-8%
Gain on disposal of assets	-	12,013	5,341	(6,672)	-56%
Total revenue	8,682,930	9,627,469	9,476,545	(150,924)	-2%
Program Expenses					
General government	1,825,181	1,634,536	1,747,534	112,998	7%
Public safety	3,333,206	3,252,406	3,271,047	18,641	1%
Public works	3,017,791	2,608,381	2,058,435	(549,946)	-21%
Senior housing	788,029	889,684	799,917	(89,767)	-10%
Recreation and culture	502,293	493,886	303,941	(189,945)	-38%
Interest on long-term debt	147,703	135,043	126,630	(8,413)	-6%
Total expenses	9,614,203	9,013,936	8,307,504	(706,432)	-8%
Change in Net Position	\$ (931,273)	\$ 613,533	\$ 1,169,041	\$ 555,508	91%

Overall, governmental revenue decreased 2 percent from the prior year. That is due to several factors described below.

The reduction in capital grants was due to timing of multi-year construction projects in the downtown area completed during this fiscal year.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The 48 percent decrease in investment earnings reflects the trend over the past few years due to the economy. The City has an actively managed portfolio. However, the rate of return continues to decline.

Racetrack breakage decreased 8 percent over the prior year. This source of revenue has been steadily declining over the past 12 years.

However, the above decreases are offset by revenue increases in property taxes and state-shared revenue, both of which were expected. In addition, franchise fees increased 9 percent over the prior year which is primarily driven by rate increases to its customers from the three cable providers in the City.

Lastly, the increase in charges for services was primarily due to the first full year of fire service provided to the City of Plymouth this fiscal year which brought in an additional \$236,000 in revenue over the prior year. In addition, the Downtown Development Authority began paying an additional \$25,000 annually for downtown street lighting and electrical costs for the parking decks. The increase in the monthly rent at Allen Terrace brought in an additional \$14,000. Lastly, revenues from the 35th District Court were \$16,000 higher than the prior year.

Overall, total expenditures decreased by 8 percent. The decrease in public works is attributable to the timing of street improvements. The decrease in senior housing was directly related to fewer building improvements at Allen Terrace. The decrease in recreation and culture expenditures is primarily related to the difference in funding of the OPEB recommended contribution this year compared to the prior year.

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 table shows, in a condensed format, the current year net position and changes in net position, compared to the prior year:

	Business-type Activities				Percent Change
	2011	2012	2013	Change	
Assets					
Other assets	\$ 3,084,879	\$ 2,826,748	\$ 2,498,905	\$ (327,843)	-11.6%
Capital assets	<u>5,717,191</u>	<u>5,650,221</u>	<u>5,542,128</u>	<u>(108,093)</u>	-1.9%
Total assets	8,802,070	8,476,969	8,041,033	(435,936)	-5.1%
Liabilities					
Current liabilities	230,217	392,153	339,032	(53,121)	-13.5%
Long-term liabilities	<u>232,329</u>	<u>260,755</u>	<u>253,256</u>	<u>(7,499)</u>	-2.9%
Total liabilities	<u>462,546</u>	<u>652,908</u>	<u>592,288</u>	<u>(60,620)</u>	-9.3%
Net Position					
Invested in capital assets -					
Net of related debt	5,717,191	5,650,221	5,542,128	(108,093)	-1.9%
Unrestricted	<u>2,622,333</u>	<u>2,173,840</u>	<u>1,906,617</u>	<u>(267,223)</u>	-12.3%
Total net position	<u>\$ 8,339,524</u>	<u>\$ 7,824,061</u>	<u>\$ 7,448,745</u>	<u>\$ (375,316)</u>	-4.8%

A decrease in total net assets of 4.8 percent was expected for the following reasons:

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

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

The postemployment liability decreased \$9,700 this year for the business-type activities. The change in accounts payable fluctuates annually due to timing of payments at year end for capital improvement projects.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities				Percent Change
	2011	2012	2013	Change	
Operating revenue:					
Water and sewer	\$ 2,138,956	\$ 2,225,362	\$ 2,332,011	\$ 106,649	5%
Refuse and recycling	443,264	461,858	469,432	7,574	2%
Operating expenses:					
Water and sewer	2,293,584	2,616,234	2,648,549	32,315	1%
Refuse and recycling	491,116	508,541	482,853	(25,688)	-5%
Operating loss	(202,480)	(437,555)	(329,959)	107,596	
Interest income	11,922	5,348	1,530	(3,818)	-71%
Allocated Internal Service					
Fund net income	(34,310)	(83,256)	(46,887)	36,369	-44%
Change in Net Position	\$ (224,868)	\$ (515,463)	\$ (375,316)	\$ 140,147	-27%

The rate structure of the business-type activities is set based upon a multi-year budgeting approach to smooth out any significant fluctuations in user fees. Overall, revenue from the water and sewer operations increased 5 percent. This was primarily attributable to an 8.3 percent increase in water rates and a 5.4 percent increase in sewer rates.

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

Water and sewer operating expenses remained relatively consistent with the prior year.

The decrease in the operating expenses for the Refuse and Recycling Fund was due to a contract extension with the residential refuse hauler which provided for a 10 percent decrease in the residential refuse program. All other contractual costs remained unchanged in year one of the contract extension.

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 2013, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

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

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

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

Due to financial reporting changes required by GASB Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund and the Payroll Fund are now included with the General Fund. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs.

The General Fund pays for most of the City's governmental services. The most significant category is the police department which represents 42 percent of total General Fund expenditures, which is consistent with the prior year.

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

Operating transfers out are primarily from the Street, Drainage, and Sidewalk Fund to the Major and Local Streets Funds for street improvements. Transfers from the General Fund included \$450,000 committed for future capital needs.

This year was the first full year that the Northville City Fire Department provided fire prevention, fire suppression, and emergency medical services to the City of Plymouth. Under the cost-sharing formula, the City of Plymouth's share was 63 percent, up from 55 percent from the prior year. This continued partnership provided \$158,000 in savings to the General Fund this year.

Property values appear to have stabilized in the City. Property taxes represent 70 percent of General Fund revenue. The General Fund contributed \$130,000 to the postretirement healthcare trust fund to assist with advance funding that liability.

Other Major Funds Highlights

The Major Streets Fund and Local Streets Fund account for proceeds from the state-wide gas and weight tax. Those funds are dedicated for maintenance and preservation of streets. Although winter maintenance costs show a significant increase this year, it was a typical year. The prior year experienced a lower than normal snowfall which resulted in significantly lower winter maintenance costs.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The Major Streets Fund accounted for the expenditures of street improvements on Main, South Rogers, Center, Fairbrook, S. Wing, and Dunlap Streets. The Local Streets Fund accounted for the expenditures of street improvements on North Ely and Hillridge Streets. Improvements for both funds combined were approximately \$604,000 and were funded primarily by a dedicated millage for street, drainage, and sidewalk improvements. Approximately \$17,000 was received in federal funding for street improvements.

The Parking Fund records special assessment revenue related to parking credits when new or expanded development occurs in the central business district. There were no parking improvement projects in the current year. Fund balance will be utilized to fund future parking expansion projects.

The Housing Commission is a special revenue fund that accounts for the operation, maintenance, repair, and capital improvements of Allen Terrace, an apartment community for independent senior citizens. Improvements to the building during the current year included replacing the exit signs with LED lights which was funded with Community Development Block Grant revenue. A capital needs assessment was performed at the end of the year which will guide future improvements.

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

Capital Asset and Debt Administration

At the end of fiscal year 2013, the City had approximately \$30.9 million 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.

The total debt outstanding at the end of the year related to governmental activities was just over \$2.5 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The taxable value of the City increased 2.66 percent, net of DDA. The total City millage rate will remain at 15.3534 mills for fiscal year 2014. This will provide for an additional \$130,000 in general operating tax revenue.

Constitutional revenue sharing is projected to increase 4 percent, or approximately \$18,000. The City expects to qualify for the Economic Vitality Incentive Program (EVIP) revenue in fiscal year 2014.

All departments will continue to evaluate how to maintain a high level of service to the citizens while containing costs. Containing rising healthcare and pension costs will continue to be a high priority of administration.

Labor negotiations for three of the four unions had contracts that expired on June 30, 2013. They are expected to be settled in the first half of fiscal year 2014.

Public Act 152 created the Publicly Funded Health Insurance Contribution Act. This act imposes certain limits on the portion of employees' medical benefit plan coverages paid by public employers. City Council intends to phase in the 80/20 cost-sharing formula for medical premiums over three years for all eligible employees.

The City has no debt in the Water and Sewer Fund and has controlled its water loss. However, rate adjustments were required for water and sewer fees effective July 1, 2013. This was due to a water cost increase from the City of Detroit of 22.7 percent and a sewage disposal cost increase from Wayne County of 6 percent effective July 1, 2013.

Contacting the City's Management

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

City of Northville, Michigan

Statement of Net Position June 30, 2013

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 10,770,765	\$ 1,969,353	\$ 12,740,118	\$ 1,063,585
Receivables:				
Property taxes receivable	12,464	-	12,464	-
Receivables from sales to customers on account	-	658,115	658,115	-
Accrued interest receivable	47,177	-	47,177	-
Other receivables	142,143	-	142,143	-
Due from other governmental units	291,474	4,011	295,485	3,616
Special assessments receivable	322,125	-	322,125	-
Due from component units (Note 7)	150,000	-	150,000	-
Internal balances	172,304	(172,304)	-	-
Inventory	59,522	39,730	99,252	-
Prepaid expenses and other assets	151,731	-	151,731	13,631
Restricted assets (Note 8)	292,064	-	292,064	-
Investment in joint ventures	561,212	-	561,212	-
Land held for resale	225,000	-	225,000	-
Capital assets (Note 5):				
Assets not subject to depreciation	5,032,133	14,885	5,047,018	-
Assets subject to depreciation	22,909,919	5,527,243	28,437,162	-
Total assets	41,140,033	8,041,033	49,181,066	1,080,832
Liabilities				
Accounts payable	250,964	295,717	546,681	63,773
Due to other governmental units	23,660	-	23,660	-
Accrued liabilities and other	539,193	17,537	556,730	33,439
Deferred revenue (Note 4)	70,031	-	70,031	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	187,168	25,778	212,946	-
Current portion of long-term debt	195,000	-	195,000	30,000
Due in more than one year:				
Compensated absences - Net of current portion	298,161	6,810	304,971	-
Net retiree healthcare obligation (Note 11)	1,859,754	246,446	2,106,200	-
Long-term debt	2,330,000	-	2,330,000	120,000
Total liabilities	5,753,931	592,288	6,346,219	247,212
Net Position				
Invested in capital assets - Net of related debt	25,417,052	5,542,128	30,959,180	-
Restricted for:				
Streets, drainage, and sidewalk improvements	1,667,014	-	1,667,014	-
Insurance retention	245,131	-	245,131	-
Police forfeitures	33,457	-	33,457	-
Unrestricted	8,023,448	1,906,617	9,930,065	833,620
Total net position	\$ 35,386,102	\$ 7,448,745	\$ 42,834,847	\$ 833,620

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

City of Northville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,747,534	\$ 582,482	\$ 2,276	\$ 155,419
Public safety	3,271,047	573,253	65,331	125,418
Public works	2,058,435	109,008	576,192	713,990
Senior housing	799,917	774,005	41,728	2,618
Recreation and culture	303,941	86,308	-	-
Interest on long-term debt	126,630	-	-	-
Total governmental activities	8,307,504	2,125,056	685,527	997,445
Business-type activities:				
Water and sewer	2,695,436	2,332,011	-	-
Refuse and recycling	482,853	469,432	-	-
Total business-type activities	3,178,289	2,801,443	-	-
Total primary government	<u>\$ 11,485,793</u>	<u>\$ 4,926,499</u>	<u>\$ 685,527</u>	<u>\$ 997,445</u>
Component unit - Downtown Development Authority	<u>\$ 1,434,931</u>	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ 491,526</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Franchise fee revenue				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,007,357)	\$ -	\$ (1,007,357)	\$ -
(2,507,045)	-	(2,507,045)	-
(659,245)	-	(659,245)	-
18,434	-	18,434	-
(217,633)	-	(217,633)	-
(126,630)	-	(126,630)	-
(4,499,476)	-	(4,499,476)	-
-	(363,425)	(363,425)	-
-	(13,421)	(13,421)	-
-	(376,846)	(376,846)	-
(4,499,476)	(376,846)	(4,876,322)	-
-	-	-	(943,080)
4,766,329	-	4,766,329	910,436
507,098	-	507,098	-
19,677	1,530	21,207	1,107
210,350	-	210,350	-
159,722	-	159,722	-
5,341	-	5,341	-
5,668,517	1,530	5,670,047	911,543
1,169,041	(375,316)	793,725	(31,537)
34,217,061	7,824,061	42,041,122	865,157
\$ 35,386,102	\$ 7,448,745	\$ 42,834,847	\$ 833,620

City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets	Local Streets	Parking	Housing Commission
Assets					
Cash and cash equivalents	\$ 3,582,631	\$ 393,511	\$ 203,088	\$ 465,933	\$ 1,154,933
Receivables:					
Property taxes receivable	12,464	-	-	-	-
Special assessments receivable	-	-	-	322,125	-
Accrued interest receivable	47,177	-	-	-	-
Other receivables	83,425	-	-	-	433
Due from other governmental units	181,495	86,410	16,961	-	6,608
Due from component units	150,000	-	-	-	-
Inventory	43,065	-	-	-	-
Prepaid expenses and other assets	100,833	-	-	-	200
Land held for resale	-	-	-	-	-
Total assets	<u>\$ 4,201,090</u>	<u>\$ 479,921</u>	<u>\$ 220,049</u>	<u>\$ 788,058</u>	<u>\$ 1,162,174</u>
Liabilities					
Accounts payable	\$ 96,059	\$ 65,079	\$ 4,238	\$ 126	\$ 15,524
Due to other governmental units	23,660	-	-	-	-
Accrued liabilities and other	437,755	1,738	6,866	-	12,127
Deferred revenue	57,233	46,530	-	278,863	16,788
Total liabilities	614,707	113,347	11,104	278,989	44,439
Fund Balances					
Nonspendable:					
Inventory/Assets held for resale	43,065	-	-	-	-
Prepays	100,833	-	-	-	200
Long-term receivable	120,000	-	-	-	-
Restricted:					
Roads	-	366,574	208,945	-	-
Police forfeitures	33,457	-	-	-	-
Streets, drains, and sidewalk improvements	1,091,495	-	-	-	-
Committed:					
Cemetery improvements	-	-	-	-	-
Arts commission	-	-	-	-	-
Capital projects and purchases	-	-	-	-	155,027
Parking	-	-	-	509,069	-
Allen Terrace	-	-	-	-	962,508
Debt service	-	-	-	-	-
Assigned:					
Beautification Commission	10,203	-	-	-	-
Other	1,486	-	-	-	-
Unassigned	2,185,844	-	-	-	-
Total fund balances	<u>3,586,383</u>	<u>366,574</u>	<u>208,945</u>	<u>509,069</u>	<u>1,117,735</u>
Total liabilities and fund balances	<u>\$ 4,201,090</u>	<u>\$ 479,921</u>	<u>\$ 220,049</u>	<u>\$ 788,058</u>	<u>\$ 1,162,174</u>

**Governmental Funds
Balance Sheet
June 30, 2013**

Capital Project Fund	Other Nonmajor Governmental Funds	Total
Public Improvement		
\$ 1,942,288	\$ 2,096,903	\$ 9,839,287
-	-	12,464
-	-	322,125
-	-	47,177
54,061	4,224	142,143
-	-	291,474
-	-	150,000
-	-	43,065
-	-	101,033
225,000	-	225,000
\$ 2,221,349	\$ 2,101,127	\$ 11,173,768
\$ 2,084	\$ 65,065	\$ 248,175
-	-	23,660
-	3,631	462,117
-	-	399,414
2,084	68,696	1,133,366
225,000	-	268,065
-	-	101,033
-	-	120,000
-	-	575,519
-	-	33,457
-	-	1,091,495
129,392	875,132	1,004,524
-	71,944	71,944
1,864,873	1,080,021	3,099,921
-	-	509,069
-	-	962,508
-	5,334	5,334
-	-	10,203
-	-	1,486
-	-	2,185,844
2,219,265	2,032,431	10,040,402
\$ 2,221,349	\$ 2,101,127	\$ 11,173,768

City of Northville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 10,040,402
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	16,322,372
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	11,272,721
Investments in joint ventures are not financial resources and are not reported in the funds	561,212
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	278,863
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	50,520
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,525,000)
Interest payable is not accrued in the funds	(25,242)
Bond discounts and issuance costs are amortized over the life of the debt and not reported in the funds	50,698
Compensated absences are not included as a liability of the funds	(485,329)
Other postemployment benefits paid in excess of the annual required contribution are recorded as an asset in the government-wide statements	(1,859,754)
Internal service funds are included as part of governmental activities	<u>1,704,639</u>
Net Position of Governmental Activities	<u>\$ 35,386,102</u>

City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets	Local Streets	Parking	Housing Commission
Revenue					
Property taxes	\$ 4,766,329	\$ -	\$ -	\$ -	\$ -
Licenses and permits	320,028	-	-	-	-
Federal grants	-	16,992	-	-	7,940
State-shared revenue and grants	512,163	244,336	115,641	-	-
Charges for overhead services	225,360	-	-	-	-
Sales and services	612,068	-	-	-	6,568
Fines and forfeitures	65,479	-	-	-	-
Investment income	14,717	241	59	327	634
Rental income	174,331	-	-	-	756,537
Special assessments	-	-	-	59,241	-
Local contribution	99,430	-	-	-	-
Racetrack breakage	21,639	-	-	-	-
Michigan Housing Authority subsidies	-	-	-	-	36,406
Other	21,842	-	-	2,983	10,904
Total revenue	6,833,386	261,569	115,700	62,551	818,989
Expenditures - Current					
General government	1,798,138	-	-	-	-
Public safety:					
Police department	2,443,767	-	-	-	-
Fire department	723,641	-	-	-	-
Public works	503,525	545,510	505,139	5,006	-
Senior housing	-	-	-	-	601,652
Recreation and culture	217,177	-	-	-	-
Contribution to MERS Trust	130,000	-	-	-	-
Debt service	-	-	-	-	19,784
Total expenditures	5,816,248	545,510	505,139	5,006	621,436
Excess of Revenue Over (Under) Expenditures	1,017,138	(283,941)	(389,439)	57,545	197,553
Other Financing Sources (Uses)					
Face value of debt issue	-	-	-	-	855,000
Transfers in (Note 6)	10,182	332,837	455,638	-	14,850
Transfers out (Note 6)	(1,153,632)	(100,000)	-	-	(98,055)
Payment to bond refunding escrow agent	-	-	-	-	(835,216)
Total other financing (uses) sources	(1,143,450)	232,837	455,638	-	(63,421)
Net Change in Fund Balances	(126,312)	(51,104)	66,199	57,545	134,132
Fund Balances - Beginning of year	3,712,695	417,678	142,746	451,524	983,603
Fund Balances - End of year	\$ 3,586,383	\$ 366,574	\$ 208,945	\$ 509,069	\$ 1,117,735

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, 2013

Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Public Improvement		
\$ -	\$ -	\$ 4,766,329
-	-	320,028
-	29,920	54,852
-	-	872,140
-	-	225,360
-	27,540	646,176
-	-	65,479
1,128	1,849	18,955
-	-	930,868
-	-	59,241
-	341,005	440,435
188,711	-	210,350
-	-	36,406
16,680	237,754	290,163
206,519	638,068	8,936,782
12,686	-	1,810,824
-	78,171	2,521,938
-	110,968	834,609
5,233	646,944	2,211,357
-	-	601,652
-	107,614	324,791
-	-	130,000
-	296,319	316,103
17,919	1,240,016	8,751,274
188,600	(601,948)	185,508
-	-	855,000
441,056	294,862	1,549,425
(195,682)	(2,056)	(1,549,425)
-	-	(835,216)
245,374	292,806	19,784
433,974	(309,142)	205,292
1,785,291	2,341,573	9,835,110
\$ 2,219,265	\$ 2,032,431	\$ 10,040,402

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	205,292
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - Capital outlay		(212,984)
Net loss from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities		(51,818)
Gain on disposal of assets reported in the statement of activities, not reported on the fund level as long-term assets are not reported		5,341
Change in long-term debt as a result of bond refunding that is recognized in the statement of activities when received; it is not reported in the funds statements		(27,287)
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		46,784
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		(1,332)
Contribution of capital assets recognized in the statement of activities, but not in the governmental funds		713,610
Interest expense reported in the statement of activities that does not use current financial resources and is not reported as an expense in the governmental funds		5,962
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		177,287
Bond discounts and issuance costs are amortized over the life of the debt in the statement of activities, but not in the governmental funds		(37,378)
Decrease in accumulated employee sick and vacation pay as well as estimated general liability claims are reported in the statement of activities, do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment		41,625
Other postemployment benefits paid in excess of the annual required contribution are expensed in the funds but are reported as a reduction of the accumulated liability in the government-wide statements		278,246
Internal service funds are included as part of governmental activities		25,693
Change in Net Position of Governmental Activities	\$	<u>1,169,041</u>

City of Northville, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,766,634	\$ 202,719	\$ 1,969,353	\$ 931,478
Receivables - Net:				
Receivables from sales to customers on account	548,065	110,050	658,115	-
Due from other governmental units	3,854	157	4,011	-
Inventory	39,730	-	39,730	16,457
Total current assets	<u>2,358,283</u>	<u>312,926</u>	<u>2,671,209</u>	<u>947,935</u>
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	292,064
Capital assets being depreciated - Net (Note 5)	5,509,720	32,408	5,542,128	346,959
Total noncurrent assets	<u>5,509,720</u>	<u>32,408</u>	<u>5,542,128</u>	<u>639,023</u>
Total assets	<u>7,868,003</u>	<u>345,334</u>	<u>8,213,337</u>	<u>1,586,958</u>
Liabilities				
Current liabilities:				
Accounts payable	236,464	59,253	295,717	2,789
Accrued liabilities and other	15,778	1,759	17,537	51,834
Current portion of compensated absences	22,045	3,733	25,778	9,194
Total current liabilities	<u>274,287</u>	<u>64,745</u>	<u>339,032</u>	<u>63,817</u>
Noncurrent liabilities:				
Compensated absences - Net of current portion	5,824	986	6,810	2,429
Net retiree healthcare obligation (Note 11)	246,446	-	246,446	-
Total noncurrent liabilities	<u>252,270</u>	<u>986</u>	<u>253,256</u>	<u>2,429</u>
Total liabilities	<u>526,557</u>	<u>65,731</u>	<u>592,288</u>	<u>66,246</u>
Net Position				
Net investment in capital assets	5,509,720	32,408	5,542,128	346,959
Restricted - Insurance retention	-	-	-	245,131
Unrestricted	1,831,726	247,195	2,078,921	928,622
Total net position	<u>\$ 7,341,446</u>	<u>\$ 279,603</u>	7,621,049	<u>\$ 1,520,712</u>
Amounts reported for business-type activities in the statement of net position are different because a portion of the Internal Service Fund is included as business-type activities			<u>(172,304)</u>	
Net Position of Business-type Activities			<u>\$ 7,448,745</u>	

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Operating Revenue				
Other sales to customers	\$ 2,310,788	\$ 467,567	\$ 2,778,355	\$ -
Rental income	5,000	-	5,000	230,536
Charges to other funds	-	-	-	39,747
Recoveries	-	-	-	46,708
Other revenue	16,223	1,865	18,088	52,986
Total operating revenue	2,332,011	469,432	2,801,443	369,977
Operating Expenses				
General operating and maintenance	2,159,373	439,527	2,598,900	284,886
Claims	-	-	-	8,433
Other expenses	250,404	40,239	290,643	-
Depreciation	238,772	3,087	241,859	73,383
Total operating expenses	2,648,549	482,853	3,131,402	366,702
Operating (Loss) Income	(316,538)	(13,421)	(329,959)	3,275
Nonoperating Revenue				
Investment income	1,385	145	1,530	10,511
Gain on sale of assets	-	-	-	5,341
Total nonoperating revenue	1,385	145	1,530	15,852
Change in Net Position	(315,153)	(13,276)	(328,429)	19,127
Net Position - Beginning of year	7,656,599	292,879	7,949,478	1,501,585
Net Position - End of year	<u>\$ 7,341,446</u>	<u>\$ 279,603</u>	<u>\$ 7,621,049</u>	<u>\$ 1,520,712</u>
Net Change in Net Position - Total enterprise funds			\$ (328,429)	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities			<u>(83,256)</u>	
Change in Net Position of Business-type Activities			<u>\$ (411,685)</u>	

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,399,493	\$ 458,388	\$ 2,857,881	\$ 270,283
Receipts from interfund services and reimbursements	-	887	887	-
Payments to suppliers/insurance claims	(2,015,929)	(380,806)	(2,396,735)	(305,835)
Payments to employees	(544,639)	(68,876)	(613,515)	(140,545)
Other receipts	5,000	-	5,000	236,798
Net cash (used in) provided by operating activities	(156,075)	9,593	(146,482)	60,701
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	-	-	-	5,341
Purchase of capital assets	(133,766)	-	(133,766)	(39,694)
Net cash used in capital and related financing activities	(133,766)	-	(133,766)	(34,353)
Cash Flows from Investing Activities - Interest received on investments	1,385	145	1,530	10,531
Net (Decrease) Increase in Cash and Cash Equivalents	(288,456)	9,738	(278,718)	36,879
Cash and Cash Equivalents - Beginning of year	2,055,090	192,981	2,248,071	1,186,663
Cash and Cash Equivalents - End of year	<u>\$ 1,766,634</u>	<u>\$ 202,719</u>	<u>\$ 1,969,353</u>	<u>\$ 1,223,542</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,766,634	\$ 202,719	\$ 1,969,353	\$ 931,478
Restricted cash	-	-	-	292,064
Total cash and cash equivalents	<u>\$ 1,766,634</u>	<u>\$ 202,719</u>	<u>\$ 1,969,353</u>	<u>\$ 1,223,542</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (316,538)	\$ (13,421)	\$ (329,959)	\$ 3,275
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	238,772	3,087	241,859	73,383
Changes in assets and liabilities:				
Receivables	72,482	(10,157)	62,325	61,945
Inventories	1,658	-	1,658	(701)
Prepaid and other assets	-	200	200	-
Accounts payable	(148,663)	29,918	(118,745)	(74,479)
Accrued and other liabilities	(3,786)	(34)	(3,820)	(2,702)
Net cash (used in) provided by operating activities	<u>\$ (156,075)</u>	<u>\$ 9,593</u>	<u>\$ (146,482)</u>	<u>\$ 60,721</u>

City of Northville, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets - Cash and cash equivalents	\$ 152,883	<u>\$ 920</u>
Liabilities		
Accounts payable	41	\$ -
Due to other governmental units	-	<u>920</u>
Total liabilities	<u>41</u>	<u>\$ 920</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 152,842</u>	

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2013

	Private Purpose Trust - Allen Terrace Trust Fund
Additions - Interest and dividends	\$ 115
Deductions - Rent subsidies	<u>2,964</u>
Net Decrease in Net Assets Held in Trust	(2,849)
Net Assets Held in Trust - Beginning of year	<u>155,691</u>
Net Assets Held in Trust - End of year	<u><u>\$ 152,842</u></u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Nature of Business and Significant Accounting Policies

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

Reporting Entity

The City of Northville, Michigan is governed by a City Council of five members consisting of the elected council members and the mayor, who is deemed a member of the council for all purposes. The accompanying financial statements present the City and its component 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 Organization - Jointly governed organizations are discussed in Note 12.

Government-wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, property taxes and some other miscellaneous revenue will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It also includes the Street, Drainage, and Sidewalk Improvement Fund and Payroll Fund.

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

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following internal service and fiduciary activities:

Internal Service Funds - The internal service funds account for shared assets and services provided to other departments of the City on a cost reimbursement basis.

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

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

The Agency Fund accounts for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

Property Tax Revenue

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

The 2012 taxable valuation of the City totaled \$298 million (net of captured taxable value of \$27 million), on which ad valorem taxes levied consisted of 13.5864 mills for the City's operating purposes and 1.7670 mills for street improvements. The ad valorem taxes levied raised approximately \$4.0 million for operations and \$526,000 for street, drainage, and sidewalk improvements. These amounts are recognized in the General Fund financial statements as taxes receivable - current or as tax revenue.

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

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

Assets, Liabilities, and Net Position or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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

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

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

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

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

New Accounting Standard - In the current year, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concept Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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

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

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2012		\$	(721,817)
Current year permit revenue			110,112
Related expenses:			
Direct costs	\$	49,794	
Estimated indirect costs		89,380	139,174
			<u> </u>
Current year shortfall			<u>(29,062)</u>
Cumulative shortfall at June 30, 2013		\$	<u>(750,879)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools organized under the surplus funds investment pool acts of the State of Michigan.

The City has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all instruments authorized by state statute.

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by the Council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had \$1,797,804 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity
Primary Government		
Federal Home Loan Mortgage Company	\$ 912,197	28 days
Federal National Mortgage Association	2,204,192	238 days
Federal Home Loan Bank	1,556,470	43 days
Federal Farm Credit Bank	1,811,806	113 days
Commercial paper	1,798,549	83 days
Municipal bonds	4,615,968	169 days
Total	<u>\$ 12,899,182</u>	

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Bank investment pools	\$ 150,799	Not rated	-
Federal Home Loan Mortgage Corporation	912,197	AA+	S&P
Federal National Mortgage Association	2,204,192	AA+	S&P
Federal Home Loan Bank	1,566,470	AA+	S&P
Federal Farm Credit Bank	1,811,806	AA+	S&P
Commercial paper	599,872	A-1	S&P
Commercial paper	1,198,677	A-1+	S&P
Municipal bonds	388,341	A	S&P
Municipal bonds	454,890	A+	S&P
Municipal bonds	1,082,395	AA	S&P
Municipal bonds	915,923	AA-	S&P
Municipal bonds	544,381	AA+	S&P
Municipal bonds	359,936	AAA	S&P
Municipal bonds	150,136	NR	S&P
Municipal bonds	719,968	SP-1	S&P
Total	\$ 13,059,983		

Concentration of Credit Risk - It is the City's policy to diversify its investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at the time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. At June 30, 2013, 15 percent of the City's investments were invested in Federal National Mortgage Association securities, 13 percent were invested in Federal Farm Credit Bank, 11 percent were invested in Federal Home Loan Bank securities, and 6 percent were invested in Federal Home Loan Mortgage Company.

Component Unit and Parks and Recreation Commission - The cash and investments of the Downtown Development Authority and the Northville Parks and Recreation Commission are pooled with the City's cash and investments and included in the amounts above. At June 30, 2013, the carrying amount of the cash and investments for the DDA and the Parks and Recreation Commission was \$1,063,585 and \$1,731,262, respectively.

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Deferred Revenue

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

	Governmental Funds	
	Unavailable	Unearned
Special assessments	\$ 278,863	\$ -
Other miscellaneous deferred revenue	50,520	70,031
Total	<u>\$ 329,383</u>	<u>\$ 70,031</u>

Note 5 - Capital Assets

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

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	793,212	1,816,499	1,282,599	1,327,112
Other nondepreciable assets	93,785	-	-	93,785
Subtotal	4,498,233	1,816,499	1,282,599	5,032,133
Capital assets being depreciated:				
Roads, sidewalks, and bridges	26,728,948	1,162,282	-	27,891,230
Parking system	5,512,099	-	-	5,512,099
Buildings and improvements	10,673,632	18,500	-	10,692,132
Machinery and equipment	2,084,432	6,000	41,380	2,049,052
Vehicles	2,096,134	111,844	19,396	2,188,582
Streetscape	4,265,228	144,153	-	4,409,381
Subtotal	51,360,473	1,442,779	60,776	52,742,476
Accumulated depreciation:				
Infrastructure	16,398,810	585,982	-	16,984,792
Parking system	1,879,551	129,194	-	2,008,745
Buildings and improvements	5,817,428	429,152	-	6,246,580
Machinery and equipment	1,770,874	99,239	41,380	1,828,733
Vehicles	1,784,386	93,861	19,396	1,858,851
Streetscape	686,009	218,847	-	904,856
Subtotal	28,337,058	1,556,275	60,776	29,832,557
Net capital assets being depreciated	23,023,415	(113,496)	-	22,909,919
Net capital assets	<u>\$ 27,521,648</u>	<u>\$ 1,703,003</u>	<u>\$ 1,282,599</u>	<u>\$ 27,942,052</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ 172,609	\$ 117,991	\$ 275,715	\$ 14,885
Capital assets being depreciated:				
Water and sewer lines	10,777,828	291,490	-	11,069,318
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling systems	51,384	-	-	51,384
Subtotal	10,850,747	291,490	-	11,142,237
Accumulated depreciation:				
Water and sewer lines	5,335,711	238,772	-	5,574,483
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	15,889	3,087	-	18,976
Subtotal	5,373,135	241,859	-	5,614,994
Net capital assets being depreciated	5,477,612	49,631	-	5,527,243
Net capital assets	<u>\$ 5,650,221</u>	<u>\$ 167,622</u>	<u>\$ 275,715</u>	<u>\$ 5,542,128</u>

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

Governmental activities:

General government	\$ 238,000
Public safety	111,351
Public works	935,232
Senior housing	175,288
Recreation and culture	23,021
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>73,383</u>
Total governmental activities	<u>\$ 1,556,275</u>

Business-type activities:

Water and sewer	\$ 238,772
Refuse and recycling	<u>3,087</u>
Total business-type activities	<u>\$ 241,859</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Downtown pedestrian walkway	\$ 869,453	\$ 6,225
Marquis Parking Lot Improvements Phase II	13,321	58,229
Marquis Parking Lot Improvements Walkthrough	5,084	10,371
2012 Capital Improvements Project	326,831	8,560
S. Center Street Improvements	26,355	37,802
Allen Drive Sewer Relief	9,869	13,656
East Street Watermain	4,884	365,610
S. Ely Street and Court Improvements	-	9,200
Eight Mile/Center Intersection	-	39,428
Total	<u>\$ 1,255,797</u>	<u>\$ 549,081</u>

Note 6 - Interfund Transfers

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

<u>Transfer From (Out)</u>	<u>Transfer To (In)</u>	<u>Amount</u>
General Fund	Public Improvement Fund	(1) \$ 439,000
	Local Streets Fund	(2) 30,000
	Local Streets Fund	(1) 325,638
	Major Streets Fund	(1) 332,837
	Housing Commission Fund	(2) 14,850
	Other nonmajor governmental funds	(1) <u>11,307</u>
	Total General Fund	1,153,632
Major Streets Fund	Local Streets Fund	(2) 100,000
Public Improvement Fund	General Fund	(1) 10,182
	Other nonmajor governmental funds	(1) <u>185,500</u>
Total Public Improvement Fund	195,682	
Housing Commission Fund	Other nonmajor governmental funds	(1) <u>98,055</u>
Other nonmajor governmental funds	Public Improvement Fund	(1) <u>2,056</u>
Total	<u>\$ 1,549,425</u>	

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Transfers (Continued)

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

Note 7 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities - General obligations:						
Allen Terrace renovation bonds (2002) - Maturing through 2022	3.75% - 4.875%	\$ 890,000	\$ -	\$ 890,000	\$ -	\$ -
Allen Terrace renovation bonds (refunding) - Maturing through 2022	2.14%	-	855,000	-	855,000	75,000
Streetscape improvement bonds - Maturing through 2025	2.45% - 5.85%	1,785,000	-	115,000	1,670,000	120,000
Total bonds payable		2,675,000	855,000	1,005,000	2,525,000	195,000
Accumulated compensated absences		495,832	18,979	29,482	485,329	187,168
Total governmental activities		\$ 3,170,832	\$ 873,979	\$ 1,034,482	\$ 3,010,329	\$ 382,168
Business-type activities - Accumulated compensated absences		\$ 33,432	\$ 23	\$ 867	\$ 32,588	\$ 25,778

Total interest expense for the year was approximately \$118,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Interest - Net		
	Principal	of Subsidy	Total
2014	\$ 195,000	\$ 71,230	\$ 266,230
2015	200,000	67,075	267,075
2016	205,000	62,555	267,555
2017	205,000	57,512	262,512
2018	215,000	52,091	267,091
2019-2023	1,180,000	164,777	1,344,777
2024-2025	325,000	18,528	343,528
Total	\$ 2,525,000	\$ 493,768	\$ 3,018,768

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

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.

Subsequent to June 30, 2013, City Council approved a refunding of the streetscape improvement bonds. The refunding occurred on October 22, 2013.

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 \$150,000. Additionally, the board of the DDA has adopted a resolution pledging future tax increment revenue for the payment of the City's streetscape improvement bonds shown above.

Note 8 - Restricted Cash

The balances of restricted cash accounts are as follows:

	<u>Governmental Activities</u>
Funds held for insurance claims	<u>\$ 292,064</u>

Note 9 - Defined Benefit Pension Plan

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

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

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$717,456 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) no postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level dollar amount over 12 to 20 years, depending on the length of time that the employee division has been closed. The amortization will continue to decrease by two years per year until a minimum of five-year amortization is attained.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 717,456	\$ 663,972	\$ 639,696
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2012	2011	2010
Actuarial value of assets	\$ 11,190,146	\$ 11,364,748	\$ 11,399,920
Actuarial accrued liability (AAL)			
(entry age)	\$ 19,158,887	\$ 18,726,754	\$ 18,127,761
Unfunded AAL (UAAL)	\$ 7,968,741	\$ 7,362,006	\$ 6,727,841
Funded ratio	58.4 %	60.7 %	62.9 %
Covered payroll	\$ 1,189,266	\$ 1,321,194	\$ 1,430,837
UAAL as a percentage of covered payroll	670.1 %	557.2 %	470.2 %

Note 10 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$4,067,187. The current year contribution was calculated based on covered payroll of \$1,520,048, resulting in an employer contribution of \$152,178.

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees, their spouses, and eligible dependent children. 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. The City also allows retired and active members participating in the healthcare benefits program to opt out of coverage and receive a payment in lieu of healthcare benefits. Currently, the plan has 83 members. This plan covers both active and retired members. Benefit provisions are established through negotiated labor contracts and the nonunion benefits policy established by the City Council. Of the 83 members, 16 retirees and 14 active employees have opted out of health care coverage and receive payment in lieu of insurance. The active employees and retirees have the option to opt back in each year, if desired. The Retiree Health Plan does not issue a publicly available financial report.

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

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

Note 11 - Other Postemployment Benefits (Continued)

For eligible employees hired after July 1, 2008, the City contributes 2 percent to 6 percent of gross earnings, based upon years of service, into the healthcare savings plan. The City's contribution vests after five years of service. In addition, employees must contribute 1 percent of earnings into the plan. There are six employees participating in this plan. In accordance with these requirements, the City contributed \$3,104 and employees contributed \$3,112 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 2013, the City made premium payments of \$928,163 and contributed an additional \$376,245 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 2013, total member contributions were \$8,275.

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 1,012,634
ARC adjustment	(79,435)
Interest on the prior year's net OPEB obligation	<u>95,319</u>
Annual OPEB cost	1,028,518
Amounts contributed:	
Payments of current premiums	(928,163)
Advance funding	<u>(376,965)</u>
Decrease in net OPEB obligation	(276,610)
OPEB obligation - Beginning of year	<u>2,382,810</u>
OPEB obligation - End of year	<u>\$ 2,106,200</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/10	6/30/09	\$ 1,766,271	58.0 %	\$ 1,337,270
6/30/11	6/30/09	1,807,107	50.2	2,237,325
6/30/12	6/30/12	1,241,178	92.7	2,382,810
6/30/13	6/30/13	1,012,634	126.9	2,106,200

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/09	\$ 2,530,131	\$ 19,178,383	\$ 16,648,252	13.2 %	\$ 3,399,337	489.7 %
6/30/12	4,637,961	32,612,503	27,974,542	14.2	2,715,073	1,030.3
6/30/13	5,643,093	23,343,428	17,700,335	24.2	2,722,596	650.1

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

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

Note 11 - Other Postemployment Benefits (Continued)

In the June 30, 2013 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return, and an annual healthcare cost trend rate of 7.72 percent initially, reduced to an ultimate rate of 5 percent after 14 years for current retirees. The annual cost trend rate for dental benefits is 4 percent. The expected long-term inflation assumption used was 2.5 percent. A discount rate of 4 percent was used. There is no inflation assumed on payment in lieu of healthcare benefits. For those active employees and retirees currently receiving a monthly payment in lieu of healthcare benefits, it was assumed that they will continue to elect to receive a monthly payment in lieu of healthcare benefits during retirement. However, those participants do have an opportunity to elect to receive health coverage in the future. The unfunded actuarial accrued liability is being amortized on a closed basis. The remaining amortization period at June 30, 2013 was 30 years.

Note 12 - 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, 2013, the investment in the Recreation Commission was \$535,092. During the current year, the City contributed \$190,087 for the operations of the Recreation Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Recreation Commission can be obtained from the City offices at 215 W. Main Street, Northville, Michigan 48167.

The City sponsors the pension plan and postretirement benefit plan on behalf of the Recreation Commission. The employer of record for the Commission is the City of Northville, Michigan. Accordingly, employees and retirees of the Commission participate in the City's employee benefit programs and policies and are pooled with all other City employees for benefits administration. The City charges the Commission for its pro-rata share of employee fringe benefit costs in the same manner as City departments are charged for fringe benefits. The Commission contributes a pro-rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan.

The Recreation Commission reimbursed the City \$424,802 for fringe benefit expenditures during the year ended June 30, 2013.

Note 12 - Jointly Governed Organizations (Continued)

The City participates in the Northville Youth Assistance Commission (the "Commission") as a joint venture with the Charter Township of Northville and Northville Public Schools. The City appoints three members to the governing board of the Commission. Approval of the annual budget is required by the City and the Charter Township of Northville. At June 30, 2013, the investment in the Commission was \$26,120. During the current year, the City contributed \$15,969 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. Complete financial statements for the court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, Michigan 48170.

The City is also served by the North Huron Valley/Rouge Valley (NHV/RV) Sewage Disposal System, which provides services to 17 municipal entities including cities, townships, and counties. The City's share of capital assets, operating assets, and related debt is recorded in the Water and Sewer Fund. During fiscal year 2013, the City paid \$837,362 for sewage disposal, operation and maintenance, and debt in this system. Payment of these charges is funded through the collection of sewer fees to City residents.

Note 13 - Risk Management

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

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

Note 13 - Risk Management (Continued)

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

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as claims that may have been incurred but not reported. During the year ended June 30, 2013, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,787,602	\$ 4,747,035	\$ 4,766,329	\$ 19,294
Licenses and permits	283,600	302,336	320,028	17,692
State-shared revenue and grants	501,820	511,364	512,163	799
Charges for overhead services	225,360	225,360	225,360	-
Sales and services	590,614	667,912	612,068	(55,844)
Fines and forfeitures	32,100	64,879	65,479	600
Investment income	27,900	21,402	14,717	(6,685)
Rental income	180,568	166,539	174,331	7,792
Local contribution	99,430	99,430	99,430	-
Racetrack breakage	35,173	26,565	21,639	(4,926)
Other	21,000	20,690	21,842	1,152
Total revenue	6,785,167	6,853,512	6,833,386	(20,126)
Expenditures - Current				
General government:				
City Council	14,740	14,570	12,025	2,545
City manager	313,650	322,130	313,069	9,061
Finance and administrative services	277,260	280,935	276,489	4,446
Technology costs	184,385	233,825	205,460	28,365
Tax and assessing	231,060	225,884	220,293	5,591
City clerk	124,963	125,918	120,542	5,376
Clerk - Elections	42,878	49,398	47,086	2,312
Buildings and grounds	353,660	364,133	314,522	49,611
City attorney	92,000	92,000	62,089	29,911
Planning, zoning, and inspection	209,840	193,465	179,320	14,145
Insurance	27,070	24,652	24,652	-
Central supply	21,305	24,342	22,591	1,751
Public safety:				
Police/Sheriff (county)	2,473,480	2,448,712	2,443,767	4,945
Fire and EMS	811,000	811,000	723,641	87,359
Public works:				
Civic events	32,015	31,515	28,041	3,474
Parking system	128,875	125,982	105,646	20,336
Administration	170,720	174,907	173,934	973
Street lighting and miscellaneous public works	194,225	194,145	191,427	2,718
Beautification	5,145	4,827	4,477	350
Parks and recreation	216,512	217,181	217,177	4
OPEB trust contribution	-	130,000	130,000	-
Total expenditures	5,924,783	6,089,521	5,816,248	273,273
Excess of Revenue Over Expenditures	860,384	763,991	1,017,138	253,147
Other Financing Sources (Uses)				
Transfers in	15,000	10,604	10,182	(422)
Transfers out	(901,919)	(894,252)	(1,153,632)	(259,380)
Total other financing uses	(886,919)	(883,648)	(1,143,450)	(259,802)
Net Change in Fund Balance	(26,535)	(119,657)	(126,312)	(6,655)
Fund Balance - Beginning of year	3,712,695	3,712,695	3,712,695	-
Fund Balance - End of year	<u>\$ 3,686,160</u>	<u>\$ 3,593,038</u>	<u>\$ 3,586,383</u>	<u>\$ (6,655)</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 68,000	\$ 80,200	\$ 16,992	\$ (63,208)
State-shared revenue and grants	241,239	241,679	244,336	2,657
Investment income	700	700	241	(459)
Total revenue	309,939	322,579	261,569	(61,010)
Expenditures - Current - Public works				
Street maintenance and repairs	648,561	612,843	521,899	90,944
Administration	23,610	23,611	23,611	-
Total expenditures	672,171	636,454	545,510	90,944
Excess of Expenditures Over Revenue	(362,232)	(313,875)	(283,941)	29,934
Other Financing Sources (Uses)				
Transfers in	430,970	376,665	332,837	(43,828)
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources	330,970	276,665	232,837	(43,828)
Net Change in Fund Balance	(31,262)	(37,210)	(51,104)	(13,894)
Fund Balance - Beginning of year	417,678	417,678	417,678	-
Fund Balance - End of year	<u>\$ 386,416</u>	<u>\$ 380,468</u>	<u>\$ 366,574</u>	<u>\$ (13,894)</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 112,888	\$ 113,543	\$ 115,641	\$ 2,098
Investment income	50	250	59	(191)
Total revenue	112,938	113,793	115,700	1,907
Expenditures - Current - Public works				
Administration	13,190	13,191	13,191	-
Street maintenance and repairs	531,657	557,389	491,948	65,441
Total expenditures	544,847	570,580	505,139	65,441
Excess of Expenditures Over Revenue	(431,909)	(456,787)	(389,439)	67,348
Other Financing Sources - Transfers in	440,353	502,430	455,638	(46,792)
Net Change in Fund Balance	8,444	45,643	66,199	20,556
Fund Balance - Beginning of year	142,746	142,746	142,746	-
Fund Balance - End of year	<u>\$ 151,190</u>	<u>\$ 188,389</u>	<u>\$ 208,945</u>	<u>\$ 20,556</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parking Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Investment income	\$ 1,930	\$ 830	\$ 327	\$ (503)
Other revenue:				
Special assessments	63,172	59,242	59,241	(1)
Other	2,000	3,000	2,983	(17)
Total revenue	67,102	63,072	62,551	(521)
Expenditures - Current - Public works	5,008	5,009	5,006	3
Net Change in Fund Balance	62,094	58,063	57,545	(518)
Fund Balance - Beginning of year	451,524	451,524	451,524	-
Fund Balance - End of year	<u>\$ 513,618</u>	<u>\$ 509,587</u>	<u>\$ 509,069</u>	<u>\$ (518)</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Housing Commission Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 9,949	\$ 45,447	\$ 7,940	\$ (37,507)
Charges for services	5,305	6,305	6,568	263
Investment income	2,000	2,000	634	(1,366)
Rental income	737,754	753,754	756,537	2,783
Other revenue:				
Michigan Housing Authority subsidies	55,710	39,710	36,406	(3,304)
Other	7,000	7,609	10,904	3,295
Total revenue	<u>817,718</u>	<u>854,825</u>	<u>818,989</u>	<u>(35,836)</u>
Expenditures - Current				
Senior housing	661,759	641,757	601,652	40,105
Debt service	-	19,784	19,784	-
Total expenditures	<u>661,759</u>	<u>661,541</u>	<u>621,436</u>	<u>40,105</u>
Excess of Revenue Over Expenditures	155,959	193,284	197,553	4,269
Other Financing Sources (Uses)				
Face value of debt issue	-	862,958	855,000	(7,958)
Transfers in	14,850	14,850	14,850	-
Transfers out	(103,278)	(98,096)	(98,055)	41
Payment to bond refunding escrow agent	-	(843,174)	(835,216)	7,958
Total other financing uses	<u>(88,428)</u>	<u>(63,462)</u>	<u>(63,421)</u>	<u>41</u>
Net Change in Fund Balance	67,531	129,822	134,132	4,310
Fund Balance - Beginning of year	<u>983,603</u>	<u>983,603</u>	<u>983,603</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,051,134</u>	<u>\$ 1,113,425</u>	<u>\$ 1,117,735</u>	<u>\$ 4,310</u>

City of Northville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

Note - Budgetary Information

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

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

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, transfers out in the General Fund exceeded amounts budgeted. City Council authorized a final year-end operating transfer from the General Fund to the Public Improvement Fund to set aside funds for future City Hall building improvements.

Other Supplemental Information

City of Northville, Michigan

		<u>Special Revenue Funds</u>		
		<u>Cemetery</u>	<u>Arts Commission</u>	<u>Brownfield</u>
Assets				
Cash and investments		\$ 875,368	\$ 76,968	\$ -
Receivables - Net - Other receivables		-	4,224	-
	Total assets	<u>\$ 875,368</u>	<u>\$ 81,192</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable		\$ 236	\$ 5,617	\$ -
Accrued liabilities and other		-	3,631	-
	Total liabilities	236	9,248	-
Fund Balances - Committed				
Cemetery improvements		875,132	-	-
Arts commission		-	71,944	-
Capital projects and purchases		-	-	-
Debt service		-	-	-
	Total fund balances	<u>875,132</u>	<u>71,944</u>	<u>-</u>
	Total liabilities and fund balances	<u>\$ 875,368</u>	<u>\$ 81,192</u>	<u>\$ -</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Debt Service Funds		Capital Projects Funds			Total
DDA Debt Service Fund	Housing Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement	Downtown Development Construction	Nonmajor Governmental Funds
\$ 2,554	\$ 2,780	\$ 957,699	\$ 181,534	\$ -	\$ 2,096,903
-	-	-	-	-	4,224
\$ 2,554	\$ 2,780	\$ 957,699	\$ 181,534	\$ -	\$ 2,101,127
\$ -	\$ -	\$ 59,161	\$ 51	\$ -	\$ 65,065
-	-	-	-	-	3,631
-	-	59,161	51	-	68,696
-	-	-	-	-	875,132
-	-	-	-	-	71,944
-	-	898,538	181,483	-	1,080,021
2,554	2,780	-	-	-	5,334
2,554	2,780	898,538	181,483	-	2,032,431
\$ 2,554	\$ 2,780	\$ 957,699	\$ 181,534	\$ -	\$ 2,101,127

City of Northville, Michigan

	Special Revenue Funds		
	Cemetery	Arts Commission	Brownfield
Revenue			
Federal grants	\$ -	\$ -	\$ -
Sales and services	27,540	-	-
Investment income	650	62	-
Other revenue:			
Local contribution	-	3,973	-
Other	-	82,335	155,419
Total revenue	28,190	86,370	155,419
Expenditures			
Current:			
Public safety	-	-	-
Public works	-	-	155,419
Recreation and culture	-	107,614	-
Debt service	-	-	-
Total expenditures	-	107,614	155,419
Excess of Revenue Over (Under) Expenditures	28,190	(21,244)	-
Other Financing Sources (Uses)			
Transfers in	-	18,500	-
Transfers out	-	(2,056)	-
Total other financing sources	-	16,444	-
Net Change in Fund Balances	28,190	(4,800)	-
Fund Balances - Beginning of year	846,942	76,744	-
Fund Balances - End of year	\$ 875,132	\$ 71,944	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

Debt Service Funds		Capital Projects Fund			Total Nonmajor Governmental Funds
DDA Debt Service Fund	Housing Debt Retirement Fund	Fire Equipment Replacement	Police Equipment Replacement	Downtown Development Construction	
\$ 29,920	\$ -	\$ -	\$ -	\$ -	\$ 29,920
-	-	-	-	-	27,540
-	-	531	120	486	1,849
171,017	-	166,015	-	-	341,005
-	-	-	-	-	237,754
<u>200,937</u>	<u>-</u>	<u>166,546</u>	<u>120</u>	<u>486</u>	<u>638,068</u>
-	-	110,968	78,171	-	189,139
-	-	-	-	491,525	646,944
-	-	-	-	-	107,614
<u>200,937</u>	<u>95,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,319</u>
<u>200,937</u>	<u>95,382</u>	<u>110,968</u>	<u>78,171</u>	<u>491,525</u>	<u>1,240,016</u>
-	(95,382)	55,578	(78,051)	(491,039)	(601,948)
-	98,055	81,307	97,000	-	294,862
-	-	-	-	-	(2,056)
-	<u>98,055</u>	<u>81,307</u>	<u>97,000</u>	<u>-</u>	<u>292,806</u>
-	2,673	136,885	18,949	(491,039)	(309,142)
<u>2,554</u>	<u>107</u>	<u>761,653</u>	<u>162,534</u>	<u>491,039</u>	<u>2,341,573</u>
<u>\$ 2,554</u>	<u>\$ 2,780</u>	<u>\$ 898,538</u>	<u>\$ 181,483</u>	<u>\$ -</u>	<u>\$ 2,032,431</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 456,650	\$ 1,005	\$ 473,823	\$ 931,478
Inventory	16,457	-	-	16,457
Total current assets	473,107	1,005	473,823	947,935
Noncurrent assets:				
Restricted assets	-	292,064	-	292,064
Capital assets - Assets subject to depreciation	346,959	-	-	346,959
Total noncurrent assets	346,959	292,064	-	639,023
Total assets	820,066	293,069	473,823	1,586,958
Liabilities				
Current liabilities:				
Accounts payable	2,672	-	117	2,789
Accrued liabilities and other	3,896	47,938	-	51,834
Current portion of compensated absences	9,194	-	-	9,194
Total current liabilities	15,762	47,938	117	63,817
Noncurrent liabilities - Compensated absences - Net of current portion	2,429	-	-	2,429
Total liabilities	18,191	47,938	117	66,246
Net Position				
Invested in capital assets	346,959	-	-	346,959
Restricted - Insurance claims	-	245,131	-	245,131
Unrestricted	454,916	-	473,706	928,622
Total net position	\$ 801,875	\$ 245,131	\$ 473,706	\$ 1,520,712

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Operating Revenue				
Rental income	\$ 230,536	\$ -	\$ -	\$ 230,536
Charges to other funds	-	-	39,747	39,747
Recoveries	-	46,708	-	46,708
Other revenue	2,456	50,530	-	52,986
Total operating revenue	232,992	97,238	39,747	369,977
Operating Expenses				
Other operation and maintenance	284,886	-	-	284,886
Claims	-	8,433	-	8,433
Depreciation	73,383	-	-	73,383
Total operating expenses	358,269	8,433	-	366,702
Operating (Loss) Income	(125,277)	88,805	39,747	3,275
Nonoperating Revenue (Expenses)				
Investment income	404	9,789	318	10,511
Gain on sale of assets	5,341	-	-	5,341
Change in Net Position	(119,532)	98,594	40,065	19,127
Net Position - Beginning of year	921,407	146,537	433,641	1,501,585
Net Position - End of year	\$ 801,875	\$ 245,131	\$ 473,706	\$ 1,520,712

City of Northville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 230,536	\$ -	\$ 39,747	\$ 270,283
Payments to suppliers/insurance claims	(147,084)	(158,751)	-	(305,835)
Payments to employees	(140,545)	-	-	(140,545)
Other receipts	2,456	234,342	-	236,798
	<u>(54,637)</u>	<u>75,591</u>	<u>39,747</u>	<u>60,701</u>
Net cash (used in) provided by operating activities				
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	5,341	-	-	5,341
Purchase of capital assets	(39,694)	-	-	(39,694)
	<u>(34,353)</u>	<u>-</u>	<u>-</u>	<u>(34,353)</u>
Net cash used in capital and related financing activities				
Cash Flows from Investing Activities - Interest received on investments				
	404	9,789	338	10,531
	<u>404</u>	<u>9,789</u>	<u>338</u>	<u>10,531</u>
Net (Decrease) Increase in Cash and Cash Equivalents				
	(88,586)	85,380	40,085	36,879
Cash and Cash Equivalents - Beginning of year				
	545,236	207,689	433,738	1,186,663
	<u>545,236</u>	<u>207,689</u>	<u>433,738</u>	<u>1,186,663</u>
Cash and Cash Equivalents - End of year				
	<u>\$ 456,650</u>	<u>\$ 293,069</u>	<u>\$ 473,823</u>	<u>\$ 1,223,542</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 456,650	\$ 1,005	\$ 473,823	\$ 931,478
Restricted cash	-	292,064	-	292,064
	<u>456,650</u>	<u>293,069</u>	<u>473,823</u>	<u>931,478</u>
Total cash and cash equivalents				
	<u>\$ 456,650</u>	<u>\$ 293,069</u>	<u>\$ 473,823</u>	<u>\$ 1,223,542</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (125,277)	\$ 88,805	\$ 39,747	\$ 3,275
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	73,383	-	-	73,383
Changes in assets and liabilities:				
Receivables	-	61,945	-	61,945
Inventories	(701)	-	-	(701)
Accounts payable	660	(75,159)	20	(74,479)
Accrued and other liabilities	(2,702)	-	-	(2,702)
	<u>(2,702)</u>	<u>-</u>	<u>-</u>	<u>(2,702)</u>
Net cash (used in) provided by operating activities				
	<u>\$ (54,637)</u>	<u>\$ 75,591</u>	<u>\$ 39,767</u>	<u>\$ 60,721</u>