

City of Northville, Michigan

Financial Report with Supplemental Information June 30, 2015

City of Northville, Michigan

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Independent Auditor's Report

To the Mayor and Members of 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, 2015 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, 2015 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 Mayor and Members of the City Council
City of Northville, Michigan

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, in 2015, the City adopted the new accounting guidance of GASB No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion & Analysis and the required supplemental information, 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 23, 2015

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, 2015. Please read it in conjunction with the City's financial statements.

Financial Highlights

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 included with the General Fund for financial reporting purposes. 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 net decrease in fund balance to the General Fund of \$171,311 is comprised of the following:

- The General Fund increase of \$27,478 was budgeted.
- The Street, Drainage, and Sidewalk Improvement Fund decrease of \$198,789 was due to use of fund balance for current year street improvement projects.

Property tax revenue increased 2.8 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. The City's millage generated approximately \$4.27 million to support General Fund operations and approximately \$554,000 for street maintenance and improvements.

Rental income is another significant source of governmental revenue. This includes cell tower rent recorded in the General Fund and tenant rents at Allen Terrace, a senior housing facility. The Housing Commission approved a 1.5 percent increase in rent at the beginning of the fiscal year.

State-shared revenue, the City's second largest source of revenue in the General Fund, increased 1.1 percent from the prior year. This revenue source includes liquor license fees, constitutional revenue sharing, and City, Village, Township Revenue Sharing (CVTRS) payments.

The State of Michigan, under Act 51, distributes revenue received from gasoline taxes to municipalities for maintenance of major and local streets. This revenue source was relatively stable this year. In addition, Public Act 252 of 2014 provided for an additional distribution of \$31,686 for the state and local road and bridge program.

A valuation for other postemployment benefits (OPEB) was last received as of June 30, 2014. The actuarially accrued liability was calculated at \$19.3 million. The City advance funded \$337,386 to the plan, bringing the assets up to \$7.5 million as of June 30, 2015.

The total pension liability is \$19.1 million and the plan net position is \$10.9 million. The net pension liability is \$8.2 million. The City contributed an additional \$256,252 beyond the annual required contribution (ARC). There are a total of 85 participants in the plan, of which 12 are active.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Funds have been set aside in the amount of approximately \$531,000 for the accumulated compensated absences liability.

Long-term debt for the primary government is \$2.2 million. There are two general obligation debt issues outstanding. The Allen Terrace Renovation Bonds mature in fiscal year 2023 and the Streetscape Improvement Bonds mature in fiscal year 2025.

The City's business-type activities have 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 trustee or agent for the benefit of those outside of the City.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

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

	Governmental Activities				Percent
	2013	2014	2015	Change	Change
Assets					
Other assets	\$ 13,197,981	\$ 13,832,678	\$ 13,763,229	\$ (69,449)	-0.5%
Capital assets	27,942,052	27,159,753	27,009,949	(149,804)	-0.6%
Total assets	41,140,033	40,992,431	40,773,178	(219,253)	-0.5%
Deferred Outflows					
Deferred outflows related to pensions	-	-	813,615	813,615	100.0%
Liabilities					
Current liabilities	1,266,016	1,129,264	1,116,647	(12,617)	-1.1%
Long-term liabilities	4,487,915	11,510,023	11,445,620	(64,403)	-0.6%
Total liabilities	5,753,931	12,639,287	12,562,267	(77,020)	-0.6%
Net Position					
Net investment in capital assets	25,417,052	24,794,753	24,844,949	50,196	0.2%
Restricted	1,945,602	1,859,449	1,674,048	(185,401)	-10.0%
Unrestricted	8,023,448	1,698,942	2,505,529	806,587	47.5%
Total net position	<u>\$ 35,386,102</u>	<u>\$ 28,353,144</u>	<u>\$ 29,024,526</u>	<u>\$ 671,382</u>	2.4%

Overall, the City's net position of governmental activities increased by 2.4 percent from a year ago. Assets and liabilities remain consistent with the prior year.

The increase in deferred outflows and unrestricted net position was directly related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount was a result of two transactions: 1) contributions to the defined benefit pension plan subsequent to the plan's year end to the end of the fiscal year and 2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

The decrease in restricted net position was primarily related to the use of fund balance for street improvements.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

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

	Governmental Activities				
	2013	2014	2015	Change	Percent Change
Revenue					
Program revenue:					
Charges for services	\$ 2,125,056	\$ 2,148,363	\$ 2,290,081	\$ 141,718	6.6%
Operating grants	685,527	582,264	669,593	87,329	15.0%
Capital grants	997,445	286,155	567,272	281,117	98.2%
General revenue:					
Property taxes	4,766,329	4,890,657	5,025,712	135,055	2.8%
State-shared revenue	507,098	525,422	531,338	5,916	1.1%
Investment earnings	19,677	19,678	15,865	(3,813)	-19.4%
Franchise fees	159,722	167,083	178,528	11,445	6.8%
Racetrack breakage	210,350	178,431	182,566	4,135	2.3%
Gain on disposal of assets	5,341	3,045	25,863	22,818	749.4%
Other revenue	-	7,696	-	(7,696)	0.0%
Total revenue	9,476,545	8,808,794	9,486,818	678,024	7.7%
Program Expenses					
General government	1,747,534	4,130,363	1,864,220	(2,266,143)	-54.9%
Public safety	3,271,047	6,934,656	3,250,219	(3,684,437)	-53.1%
Public works	2,058,435	3,046,461	2,513,420	(533,041)	-17.5%
Senior housing	799,917	1,082,963	768,108	(314,855)	-29.1%
Recreation and culture	303,941	549,931	355,856	(194,075)	-35.3%
Interest on long-term debt	126,630	97,378	63,613	(33,765)	-34.7%
Total expenses	8,307,504	15,841,752	8,815,436	(7,026,316)	-44.4%
Change in Net Position	\$ 1,169,041	\$ (7,032,958)	\$ 671,382	\$ 7,704,340	-109.5%

Overall, governmental revenue increased 7.7 percent from the prior year. That was due to several factors described below.

The increase in charges for services is related to several factors. Building permit activity increased 28 percent over the prior year due to the rebounding economy. Cemetery sales increased 33 percent, but varies year to year. The classes at the Art House experienced higher participation and there was an increase in tenant rents at Allen Terrace.

The increase in operating grants was related to several one-time grants or reimbursements received during the year for elections, street maintenance, security cameras, and fire equipment.

The increase in capital grants was due to federal funding received for the S. Center Street improvements from Cady Street to Seven Mile Road.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City no longer has a loan outstanding with the Downtown Development Authority resulting in a reduction of investment earnings. The gain on disposal of assets included the sale of four police vehicles, a fire truck, and miscellaneous fire equipment.

Franchise fees increased 6.8 percent over the prior year which was primarily driven by rate increases to its customers from the three cable providers in the City.

Overall, total expenses decreased by 44.4 percent which was primarily attributable to restating the prior fiscal year financial statements as required by the new pension standards. The year ended June 30, 2013 is shown for comparative purposes and is not restated for the new pension statements.

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.

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

	Business-type Activities				Percent
	2013	2014	2015	Change	Change
Assets					
Other assets	\$ 2,498,905	\$ 1,901,512	\$ 1,383,240	\$ (518,272)	-27.3%
Capital assets	<u>5,542,128</u>	<u>5,683,115</u>	<u>5,598,591</u>	<u>(84,524)</u>	-1.5%
Total assets	8,041,033	7,584,627	6,981,831	(602,796)	-7.9%
Deferred Outflows					
Deferred outflows related to pensions	-	-	62,182	62,182	100.0%
Liabilities					
Current liabilities	339,032	314,297	282,424	(31,873)	-10.1%
Long-term liabilities	<u>253,256</u>	<u>858,982</u>	<u>851,875</u>	<u>(7,107)</u>	-0.8%
Total liabilities	<u>592,288</u>	<u>1,173,279</u>	<u>1,134,299</u>	<u>(38,980)</u>	-3.3%
Net Position					
Net investment in capital assets	5,542,128	5,683,115	5,598,591	(84,524)	-1.5%
Unrestricted	<u>1,906,617</u>	<u>728,233</u>	<u>311,123</u>	<u>(417,110)</u>	-57.3%
Total net position	<u>\$ 7,448,745</u>	<u>\$ 6,411,348</u>	<u>\$ 5,909,714</u>	<u>\$ (501,634)</u>	-7.8%

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

A decrease in total net position of 7.8 percent was expected for the following reasons:

The increase in deferred outflows was directly related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount was a result of two transactions: 1) contributions to the defined benefit pension plan subsequent to the plan's year end to the end of the fiscal year and 2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

Cash reserves were planned to be used to smooth out rates to the water and sewer users of the system and for capital improvements. However, the actual consumption by the users was 18 percent lower than expected. While the water rates charged by the City of Detroit are based upon usage, the sewer rates charged by Wayne County are predominately fixed. This resulted in less cash received in the Water and Sewer Fund.

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

The change in accounts payable fluctuates annually due to timing of payments at year end for capital improvement projects.

	Business-type Activities				Percent
	2013	2014	2015	Change	Change
Operating revenue:					
Water and sewer	\$ 2,332,011	\$ 2,283,449	\$ 2,281,296	\$ (2,153)	-0.1%
Refuse and recycling	469,432	499,443	463,374	(36,069)	-7.2%
Operating expenses:					
Water and sewer	2,648,549	3,322,516	2,697,841	(624,675)	-18.8%
Refuse and recycling	482,853	483,348	539,747	56,399	11.7%
Operating loss	(329,959)	(1,022,972)	(492,918)	530,054	
Interest income	1,530	1,001	758	(243)	-24.3%
Insurance proceeds	-	-	-	-	100.0%
Allocated Internal Service Fund net loss	(46,887)	(15,426)	(9,474)	5,952	-38.6%
Change in Net Position	\$ (375,316)	\$ (1,037,397)	\$ (501,634)	\$ 535,763	-51.6%

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. Revenue from the water and sewer operations remained consistent with the prior year. The decreased consumption was offset by the increase in rates. The refuse and recycling operating revenue decrease was expected and was due to a one-time change in the year-end adjustment.

The water and sewer operating expense decrease was due to the prior year financial statements being restated in order to adopt GASB Statement No. 68.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The increase in the refuse and recycling operating expense was due to a 2.5 percent in the contractor's rates, implementation of the new brush chipping program, and additional services required by downtown refuse contractor for dumpster area cleanup.

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 governmental funds for 2015, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

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

General Fund Budgetary Highlights

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

Due to financial reporting changes required by GASB Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund and the Payroll Fund are included with the General Fund for financial reporting purposes. 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 3.5 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 are primarily committed for future capital needs.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Property values continue to be stable in the City. Property taxes represent 68 percent of General Fund revenue. The General Fund contributed \$300,000 to advance fund the retiree healthcare and pension trust funds.

Other Major Funds Highlights

The Major Streets Fund and Local Streets Fund account for proceeds from the statewide gas and weight tax. Those funds are restricted for maintenance and preservation of streets. Public Act 252 of 2014 provided for an additional distribution of \$31,686 for the state and local road and bridge program.

The Major and Local Streets Fund accounted for the expenditures of street improvements on Center, Seven Mile, Hutton, Wing, Summerside, and Silchester Roads. The intersection of Eight Mile and Center was reconstructed in conjunction with Wayne County. Improvements for both funds combined totaled approximately \$615,000, which is funded primarily by a dedicated millage for street, drainage, and sidewalk improvements.

The Parking Fund records special assessment revenue related to parking credits when new or expanded development occurs in the central business district. No improvements were undertaken 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, and repair of Allen Terrace, an apartment community for independent senior citizens. An operating transfer of approximately \$130,000 was directed to the Housing Capital Outlay Fund, which will pay for the improvements dictated by the Capital Needs Assessment received a few years ago. The fire alarm system was upgraded this year which was substantially funded with Community Development Block Grant revenue.

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

Capital Asset and Debt Administration

At the end of fiscal year 2015, the City had approximately \$33 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.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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 is just under \$2.2 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

Economic Factors and Next Year's Budgets and Rates

The taxable value of the City increased 4.5 percent. The City operating millage was 13.5864 in FY2015 and is proposed to stay the same for FY2016. This will provide for an additional \$204,000 in general operating tax revenue. The City's millage for Streets, Drainage, and Sidewalk Improvements has decreased from 1.7620 to 1.7542 mills due to a Headlee rollback.

The goal of residential refuse program is to have the current rates cover the entire cost of the residential program. Therefore, the current rate increases from \$32.30 to \$36.00 bi-monthly effective July 1, 2015 was primarily due to a new brush chipping program approved by City Council in March 2015.

The water and sewer rate structure is set up to cover the City of Detroit water costs, Wayne County sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the water rate from \$5.83 to \$6.32 per unit, or 8.4 percent, and an 8.6 percent increase to the sewer rate from \$5.37 to \$5.83 per unit, effective July 1, 2015. The service charge decreased from \$7.78 to \$5.83 bi-monthly due to cost savings achieved in the billing process.

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 1.48 percent from \$675 to \$685 for one-bedroom apartments. The two-bedroom apartments increased 0.93 percent from \$1,078 to \$1,088 per month.

Constitutional revenue sharing is budgeted to increase 3.1 percent.

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. Additional contributions have been included in next year's budget in an attempt to reduce the unfunded liabilities.

The City has no debt in the Water and Sewer Fund and has controlled its water loss.

Staffing levels are expected to remain the same for next fiscal year.

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, 2015

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 11,481,813	\$ 830,283	\$ 12,312,096	\$ 540,721
Receivables:				
Property taxes receivable	5,879	-	5,879	-
Receivables from sales to customers on account	-	694,355	694,355	-
Accrued interest receivable	42,884	-	42,884	-
Other receivables	102,309	-	102,309	-
Due from other governmental units	316,796	2,818	319,614	2,173
Special assessments receivable	236,242	-	236,242	-
Internal balances	197,204	(197,204)	-	-
Inventory	69,068	48,696	117,764	-
Prepaid expenses and other assets	123,421	4,292	127,713	2,534
Restricted assets (Note 8)	368,772	-	368,772	-
Investment in joint ventures (Note 12)	593,841	-	593,841	-
Land held for resale	225,000	-	225,000	-
Capital assets (Note 5):				
Assets not subject to depreciation	3,759,896	405,191	4,165,087	-
Assets subject to depreciation	23,250,053	5,193,400	28,443,453	-
Total assets	40,773,178	6,981,831	47,755,009	545,428
Deferred Outflows of Resources -				
Deferred outflows related to pensions	813,615	62,182	875,797	-
Liabilities				
Accounts payable	161,412	238,472	399,884	6,504
Due to other governmental units	41,122	-	41,122	5,575
Refundable deposits, bonds, etc.	-	515	515	-
Accrued liabilities and other	560,769	17,592	578,361	19,748
Unearned revenue	18,245	-	18,245	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	125,099	25,845	150,944	-
Current portion of long-term debt (Note 7)	210,000	-	210,000	-
Due in more than one year:				
Compensated absences (Note 7)	391,454	8,714	400,168	-
Net retiree healthcare obligation (Note 11)	1,444,106	258,113	1,702,219	-
Net pension liability (Note 9)	7,655,060	585,048	8,240,108	-
Long-term debt (Note 7)	1,955,000	-	1,955,000	-
Total liabilities	12,562,267	1,134,299	13,696,566	31,827

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

City of Northville, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			City of Northville, Michigan
	Governmental Activities	Business-type Activities	Total	
Net Position				
Invested in capital assets - Net of related debt	\$ 24,844,949	\$ 5,598,591	\$ 30,443,540	\$ -
Restricted for:				
Streets, drainage, and sidewalk improvements	1,359,397	-	1,359,397	-
Insurance retention	275,887	-	275,887	-
Police forfeitures	38,764	-	38,764	-
Unrestricted	2,505,529	311,123	2,816,652	513,601
Total net position	\$ 29,024,526	\$ 5,909,714	\$ 34,934,240	\$ 513,601

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	\$ 1,864,220	\$ 730,162	\$ 10,047	\$ -
Public safety	3,250,219	607,275	56,727	124,727
Public works	2,513,420	20,397	576,307	307,027
Senior housing	768,108	813,806	26,512	135,518
Recreation and culture	355,856	118,441	-	-
Interest on long-term debt	63,613	-	-	-
Total governmental activities	8,815,436	2,290,081	669,593	567,272
Business-type activities:				
Water and sewer	2,707,315	2,281,296	-	-
Refuse and recycling	539,747	463,374	-	-
Total business-type activities	3,247,062	2,744,670	-	-
Total primary government	<u>\$ 12,062,498</u>	<u>\$ 5,034,751</u>	<u>\$ 669,593</u>	<u>\$ 567,272</u>
Component unit - Downtown Development Authority	<u>\$ 822,677</u>	<u>\$ 5,576</u>	<u>\$ 12,882</u>	<u>\$ -</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 - As restated

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,124,011)	\$ -	\$ (1,124,011)	\$ -
(2,461,490)	-	(2,461,490)	-
(1,609,689)	-	(1,609,689)	-
207,728	-	207,728	-
(237,415)	-	(237,415)	-
(63,613)	-	(63,613)	-
(5,288,490)	-	(5,288,490)	-
-	(426,019)	(426,019)	-
-	(76,373)	(76,373)	-
-	(502,392)	(502,392)	-
(5,288,490)	(502,392)	(5,790,882)	-
-	-	-	(804,219)
5,025,712	-	5,025,712	723,464
531,338	-	531,338	-
15,865	758	16,623	816
182,566	-	182,566	-
178,528	-	178,528	-
25,863	-	25,863	-
5,959,872	758	5,960,630	724,280
671,382	(501,634)	169,748	(79,939)
28,353,144	6,411,348	34,764,492	593,540
\$ 29,024,526	\$ 5,909,714	\$ 34,934,240	\$ 513,601

City of Northville, Michigan

	General Fund	Major Streets	Local Streets
Assets			
Cash and cash equivalents	\$ 3,342,058	\$ 443,071	\$ 180,448
Receivables:			
Property taxes receivable	5,879	-	-
Special assessments receivable	-	-	-
Accrued interest receivable	42,884	-	-
Other receivables	85,510	-	-
Due from other governmental units	189,617	44,152	35,770
Inventory	54,234	-	-
Prepaid expenses and other assets	115,169	509	788
Land held for resale	-	-	-
	<u>3,835,351</u>	<u>487,732</u>	<u>217,006</u>
Total assets	\$ 3,835,351	\$ 487,732	\$ 217,006
Liabilities			
Accounts payable	\$ 80,290	\$ 4,341	\$ 1,777
Due to other governmental units	41,122	-	-
Accrued liabilities and other	421,690	6,687	6,284
Unearned revenue	-	-	-
	<u>543,102</u>	<u>11,028</u>	<u>8,061</u>
Total liabilities	543,102	11,028	8,061
Deferred Inflows of Resources (Note 4)	7,704	-	-
Fund Balances			
Nonspendable:			
Inventory/Assets held for resale	54,234	-	-
Prepays	115,169	509	788
Restricted:			
Roads	-	476,195	208,157
Police forfeitures	38,764	-	-
Streets, drains, and sidewalk improvements	673,748	-	-
Committed:			
Cemetery improvements	-	-	-
Arts commission	-	-	-
Capital projects and purchases	-	-	-
Parking	-	-	-
Allen Terrace	-	-	-
Debt service	-	-	-
Assigned:			
Beautification Commission	5,111	-	-
Other	1,492	-	-
Unassigned	2,396,027	-	-
	<u>3,284,545</u>	<u>476,704</u>	<u>208,945</u>
Total fund balances	3,284,545	476,704	208,945
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,835,351	\$ 487,732	\$ 217,006

**Governmental Funds
Balance Sheet
June 30, 2015**

Parking	Housing Commission	Public Improvement	Other Nonmajor Governmental Funds	Total
\$ 510,233	\$ 338,990	\$ 2,256,319	\$ 3,393,458	\$ 10,464,577
-	-	-	-	5,879
236,242	-	-	-	236,242
-	-	-	-	42,884
-	1,063	15,036	700	102,309
10	-	-	47,247	316,796
-	-	-	-	54,234
-	3,910	2,400	-	122,776
-	-	225,000	-	225,000
\$ 746,485	\$ 343,963	\$ 2,498,755	\$ 3,441,405	\$ 11,570,697
\$ 127	\$ 14,354	\$ 32,656	\$ 8,125	\$ 141,670
-	-	-	-	41,122
-	11,539	-	3,631	449,831
-	18,245	-	-	18,245
127	44,138	32,656	11,756	650,868
193,621	-	-	-	201,325
-	-	225,000	-	279,234
-	3,910	2,400	-	122,776
-	-	-	-	684,352
-	-	-	-	38,764
-	-	-	-	673,748
-	-	147,577	915,949	1,063,526
-	-	-	73,880	73,880
-	-	2,091,122	2,434,486	4,525,608
552,737	-	-	-	552,737
-	295,915	-	-	295,915
-	-	-	5,334	5,334
-	-	-	-	5,111
-	-	-	-	1,492
-	-	-	-	2,396,027
552,737	299,825	2,466,099	3,429,649	10,718,504
\$ 746,485	\$ 343,963	\$ 2,498,755	\$ 3,441,405	\$ 11,570,697

City of Northville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 10,718,504
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	15,586,450
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	11,160,336
Investments in joint ventures are not financial resources and are not reported in the funds	593,841
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	193,621
Receivables that are not collected or collectible within 60 days of year end are not available to pay for current year expenditures.	7,704
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,165,000)
Interest payable is not accrued in the funds	(15,099)
Compensated absences are not included as a liability of the funds	(516,553)
Other postemployment benefits are not included as a liability of the funds	(1,444,106)
Net pension liability is due and payable in the current period and is not reported in the funds	(7,655,060)
Certain pension contributions and changes in the pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	813,615
Internal service funds are included as part of governmental activities	1,746,273
Net Position of Governmental Activities	\$ 29,024,526

City of Northville, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets	Local Streets	Parking	Housing Commission
Revenue					
Property taxes	\$ 5,025,712	\$ -	\$ -	\$ -	\$ -
Community Development Block Grant	-	-	-	-	-
Licenses and permits	476,942	-	-	-	-
Federal grants	-	-	-	-	-
State-shared revenue and grants	538,827	257,028	150,144	-	-
Charges for overhead services	235,628	-	-	-	-
Sales and services	640,143	-	898	-	8,209
Fines and forfeitures	70,946	-	-	-	-
Investment income	5,910	559	266	767	417
Rental income	153,534	-	-	-	788,890
Special assessments	-	-	-	59,353	-
Local contribution	128,720	-	-	-	-
Racetrack breakage	17,972	-	-	-	-
Michigan Housing Authority subsidies	-	-	-	-	26,512
Other	21,315	-	-	2,767	16,707
Total revenue	7,315,649	257,587	151,308	62,887	840,735
Expenditures - Current					
General government	1,811,086	-	-	-	-
Public safety:					
Police department	2,625,439	-	-	-	-
Fire department	790,130	-	-	-	-
Public works	495,620	727,348	384,720	5,171	-
Senior housing	-	-	-	-	607,729
Recreation and culture	216,667	-	-	-	-
Contribution to MERS Trusts	300,000	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	6,238,942	727,348	384,720	5,171	607,729
Excess of Revenue Over (Under)					
Expenditures	1,076,707	(469,761)	(233,412)	57,716	233,006
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in (Note 6)	52,320	560,869	233,412	-	14,850
Transfers out (Note 6)	(1,300,338)	(39,113)	-	-	(225,836)
Total other financing (uses) sources	(1,248,018)	521,756	233,412	-	(210,986)
Net Change in Fund Balances	(171,311)	51,995	-	57,716	22,020
Fund Balances - Beginning of year	3,455,856	424,709	208,945	495,021	277,805
Fund Balances - End of year	\$ 3,284,545	\$ 476,704	\$ 208,945	\$ 552,737	\$ 299,825

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Public Improvement		
\$ -	\$ -	\$ 5,025,712
-	126,900	126,900
-	-	476,942
-	17,557	17,557
14,705	-	960,704
-	-	235,628
-	24,678	673,928
-	-	70,946
1,368	4,593	13,880
-	-	942,424
-	-	59,353
5,211	303,167	437,098
164,594	-	182,566
-	-	26,512
13,795	117,754	172,338
<u>199,673</u>	<u>594,649</u>	<u>9,422,488</u>
13,427	-	1,824,513
-	127,876	2,753,315
-	375,002	1,165,132
220,862	-	1,833,721
-	173,795	781,524
-	113,067	329,734
-	-	300,000
-	264,971	264,971
<u>234,289</u>	<u>1,054,711</u>	<u>9,252,910</u>
(34,616)	(460,062)	169,578
-	25,863	25,863
262,229	555,983	1,679,663
(112,320)	(2,056)	(1,679,663)
<u>149,909</u>	<u>579,790</u>	<u>25,863</u>
115,293	119,728	195,441
<u>2,350,806</u>	<u>3,309,921</u>	<u>10,523,063</u>
<u>\$ 2,466,099</u>	<u>\$ 3,429,649</u>	<u>\$ 10,718,504</u>

City of Northville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 195,441
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	(445,600)
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	12,895
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	(42,621)
Contribution of capital assets recognized in the statement of activities, but not in the governmental funds	307,027
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	1,358
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	200,000
Increase in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment	15,544
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	121,065
Changes in the net retiree pension liability and deferred outflows related to pensions reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it becomes due for payment.	344,296
Election reimbursement 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	7,704
Internal service funds are included as part of governmental activities	(45,727)
Change in Net Position of Governmental Activities	<u>\$ 671,382</u>

City of Northville, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 674,024	\$ 156,259	\$ 830,283	\$ 1,017,236
Receivables	608,710	88,463	697,173	-
Inventory	48,696	-	48,696	14,834
Prepaid expenses and other assets	4,018	274	4,292	645
Total current assets	1,335,448	244,996	1,580,444	1,032,715
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	368,772
Capital assets (Note 5):				
Assets not subject to depreciation	405,191	-	405,191	-
Assets subject to depreciation	5,167,165	26,235	5,193,400	263,163
Total noncurrent assets	5,572,356	26,235	5,598,591	631,935
Total assets	6,907,804	271,231	7,179,035	1,664,650
Deferred Outflows of Resources -				
Deferred outflows related to pensions	62,182	-	62,182	-
Liabilities				
Current liabilities:				
Accounts payable	193,351	45,121	238,472	19,742
Refundable deposits, bonds, etc.	515	-	515	-
Accrued liabilities and other	16,443	1,149	17,592	95,839
Current portion of compensated absences (Note 7)	21,899	3,946	25,845	4,979
Total current liabilities	232,208	50,216	282,424	120,560
Noncurrent liabilities:				
Compensated absences - Net of current portion (Note 7)	7,384	1,330	8,714	3,089
Net retiree healthcare obligation (Note 11)	258,113	-	258,113	-
Net pension liability (Note 9)	585,048	-	585,048	-
Total noncurrent liabilities	850,545	1,330	851,875	3,089
Total liabilities	1,082,753	51,546	1,134,299	123,649
Net Position				
Net investment in capital assets	5,572,356	26,235	5,598,591	263,163
Restricted - Insurance retention	-	-	-	275,887
Unrestricted	314,877	193,450	508,327	1,001,951
Total net position	<u>\$ 5,887,233</u>	<u>\$ 219,685</u>	6,106,918	<u>\$ 1,541,001</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			(197,204)	
Net Position of Business-type Activities			<u>\$ 5,909,714</u>	

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Operating Revenue				
Other sales to customers	\$ 2,267,386	\$ 461,268	\$ 2,728,654	\$ -
Rental income	5,000	-	5,000	318,713
Charges to other funds	-	-	-	68,398
Recoveries	-	1,375	1,375	5,679
Other revenue	8,910	731	9,641	76,064
Total operating revenue	2,281,296	463,374	2,744,670	468,854
Operating Expenses				
General operating and maintenance	2,197,199	484,745	2,681,944	273,009
Claims	-	-	-	131,834
Other expenses	261,882	51,915	313,797	-
Depreciation	238,760	3,087	241,847	70,750
Total operating expenses	2,697,841	539,747	3,237,588	475,593
Operating Loss	(416,545)	(76,373)	(492,918)	(6,739)
Nonoperating Revenue -				
Investment income	515	243	758	11,388
Change in Net Position	(416,030)	(76,130)	(492,160)	4,649
Net Position - Beginning of year - As restated	6,303,263	295,815	6,599,078	1,536,352
Net Position - End of year	\$ 5,887,233	\$ 219,685	\$ 6,106,918	\$ 1,541,001
Net Change in Net Position - Total enterprise funds			\$ (492,160)	
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			(9,474)	
Change in Net Position of Business-type Activities			\$ (501,634)	

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Major Fund - Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,306,470	\$ 498,465	\$ 2,804,935	\$ 387,111
Receipts from interfund services and reimbursements	-	-	-	1,521
Payments to suppliers/insurance claims	(2,010,012)	(460,687)	(2,470,699)	(258,826)
Payments to employees	(539,178)	(65,278)	(604,456)	(90,074)
Other receipts	5,000	-	5,000	80,223
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	(237,720)	(27,500)	(265,220)	119,955
Cash Flows from Capital and Related Financing Activities -				
Purchase of capital assets	(157,322)	-	(157,322)	(59,518)
Cash Flows from Investing Activities - Interest received on investments	515	243	758	11,388
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (Decrease) Increase in Cash and Cash Equivalents	(394,527)	(27,257)	(421,784)	71,825
Cash and Cash Equivalents - Beginning of year	1,068,551	183,516	1,252,067	1,314,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents - End of year	<u><u>\$ 674,024</u></u>	<u><u>\$ 156,259</u></u>	<u><u>\$ 830,283</u></u>	<u><u>\$ 1,386,008</u></u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 674,024	\$ 156,259	\$ 830,283	\$ 1,017,236
Restricted cash	-	-	-	368,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and cash equivalents	<u><u>\$ 674,024</u></u>	<u><u>\$ 156,259</u></u>	<u><u>\$ 830,283</u></u>	<u><u>\$ 1,386,008</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (416,545)	\$ (76,373)	\$ (492,918)	\$ (6,739)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	238,760	3,087	241,847	70,750
Changes in assets and liabilities:				
Receivables	30,174	35,091	65,265	-
Inventories	1,293	-	1,293	3,974
Prepaid and other assets	(41,679)	(46)	(41,725)	104
Accounts payable	(38,286)	9,926	(28,360)	16,360
Accrued and other liabilities	(11,437)	815	(10,622)	35,506
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	<u><u>\$ (237,720)</u></u>	<u><u>\$ (27,500)</u></u>	<u><u>\$ (265,220)</u></u>	<u><u>\$ 119,955</u></u>

City of Northville, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets - Cash and cash equivalents	\$ 146,479	<u>\$ 2,143</u>
Liabilities		
Accounts payable	38	\$ 954
Due to other governmental units	<u>-</u>	<u>1,189</u>
Total liabilities	<u>38</u>	<u>\$ 2,143</u>
Net Position Held in Trust	<u><u>\$ 146,441</u></u>	

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2015

	Private Purpose Trust - Allen Terrace Trust Fund
Additions - Interest and dividends	\$ 214
Deductions - Rent subsidies	<u>3,374</u>
Net Decrease in Net Position Held in Trust	(3,160)
Net Position Held in Trust - Beginning of year	<u>149,601</u>
Net Position Held in Trust - End of year	<u><u>\$ 146,441</u></u>

Note I - Summary of Significant Accounting Policies

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.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

Note I - Summary of 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- Major Streets Fund - The Major Streets Fund is a special revenue fund that is used to account for the State of Michigan Public Act 51 monies 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 used to construct and maintain local road systems.

Note I - Summary of Significant Accounting Policies (Continued)

- 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.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund provides water to customers, and disposes of sanitary sewage in exchange for quarterly user charges.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- Allen Terrace Trust Fund, which provides rental subsidies for eligible Allen Terrace residents
- 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.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Note I - Summary of Significant Accounting Policies (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, some special assessment revenue will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	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

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt retirement fund is used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to special assessments and grants that are not received within the period of availability.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager and Finance Director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Note I - Summary of Significant Accounting Policies (Continued)

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 2014 taxable valuation of the City totaled \$310 million (net of captured taxable value of \$28 million), on which taxes levied consisted of 13.5864 mills for the City's operating purposes and 1.7620 mills for street improvements. The ad valorem taxes levied raised approximately \$4.27 million for operations and \$554,000 for street, drainage, and sidewalk improvements. These amounts are recognized in the respective 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.

Pension - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City offers 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, 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.

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation 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 as of year end. The Employees' Accumulated Compensation Fund internal service fund (or the Leave Time Reserve Fund) has been established to fully reserve funds to liquidate these liabilities for the City. The Downtown Development Authority will liquidate the compensated absences liabilities in that component unit.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

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, 2014		\$	(740,107)
Current year permit revenue			244,276
Related expenses:			
Direct costs	\$	95,873	
Estimated indirect costs		127,923	223,796
			<u>20,480</u>
Current year excess			<u>20,480</u>
Cumulative shortfall at June 30, 2015		\$	<u>(719,627)</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 two 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, 2015

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 \$1,046,643 of bank deposits (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		
Commercial Paper	\$ 628,756	193 days
U.S. Treasury	5,019,714	857 days
Federal Agency Bond	7,158,178	578 days
Supra National Agency Bond	206,443	624 days
Municipal bonds	298,335	325 days
Total	<u>\$ 13,311,426</u>	

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

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			
Money markets	\$ 88,864	AAAm	S&P
Commercial paper	628,756	A-1	S&P
U.S. Treasury	5,019,714	AA+	S&P
Federal Agency Bond	7,158,178	AA+	S&P
Supra National Agency Bond	206,443	AAA	S&P
Municipal bonds	198,366	SP-1	S&P
Municipal bonds	99,969	NR	
Total	\$ 13,400,290		

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, 2015, more than 5 percent of the City's investments are in the following federal agency securities:

Federal Home Loan Banks	17%
Fannie Mae	12%
Freddie Mac	16%

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, 2015, the carrying amount of the cash and investments for the DDA and the Parks and Recreation Commission was \$540,721 and \$1,682,227, respectively.

Note 4 - Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, there was \$193,621 in unavailable revenue related to special assessments and \$7,704 in unavailable revenue related to grants that had not been received within the period of availability.

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets

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

	Balance July 1, 2014	Additions	Reclassifications	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,611,236	\$ -	\$ -	\$ -	\$ 3,611,236
Construction in progress	416,292	1,049,188	(1,410,601)	-	54,879
Other nondepreciable assets	93,785	-	-	-	93,785
Subtotal	4,121,313	1,049,188	(1,410,601)	-	3,759,900
Capital assets being depreciated:					
Roads, sidewalks, and bridges	28,411,820	1,244,388	-	-	29,656,208
Parking system	5,596,142	-	-	-	5,596,142
Buildings and improvements	10,707,822	166,216	-	-	10,874,038
Machinery and equipment	2,146,408	231,303	-	149,745	2,227,966
Vehicles	2,151,318	339,926	-	314,553	2,176,691
Streetscape	5,330,109	-	-	-	5,330,109
Subtotal	54,343,619	1,981,833	-	464,298	55,861,154
Accumulated depreciation:					
Infrastructure	17,612,650	896,724	-	-	18,509,374
Parking system	2,140,041	133,397	-	-	2,273,438
Buildings and improvements	6,600,968	291,943	-	-	6,892,911
Machinery and equipment	1,893,728	85,213	-	149,745	1,829,196
Vehicles	1,910,771	99,448	-	314,553	1,695,666
Streetscape	1,147,021	263,495	-	-	1,410,516
Subtotal	31,305,179	1,770,220	-	464,298	32,611,101
Net capital assets being depreciated	23,038,440	211,613	-	-	23,250,053
Net capital assets	\$ 27,159,753	\$ 1,260,801	\$ (1,410,601)	\$ -	\$ 27,009,953

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

	Balance July 1, 2014	Additions	Reclassification	Disposals	Balance June 30, 2015
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 398,465	\$ 157,323	\$ (150,597)	-	\$ 405,191
Capital assets being depreciated:					
Water and sewer lines	11,069,318	-	150,597	-	11,219,915
Buildings and improvements	21,535	-	-	-	21,535
Refuse and recycling systems	51,384	-	-	-	51,384
Subtotal	11,142,237	-	150,597	-	11,292,834
Accumulated depreciation:					
Water and sewer lines	5,813,990	238,760	-	-	6,052,750
Buildings and improvements	21,535	-	-	-	21,535
Refuse and recycling system	22,062	3,087	-	-	25,149
Subtotal	5,857,587	241,847	-	-	6,099,434
Net capital assets being depreciated	5,284,650	(241,847)	150,597	-	5,193,400
Net capital assets	\$ 5,683,115	\$ (84,524)	-	-	\$ 5,598,591

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

Governmental activities:		
General government		\$ 123,620
Public safety		83,694
Public works		1,294,822
Senior housing		175,040
Recreation and culture		22,294
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset		70,750
Total governmental activities		<u>\$ 1,770,220</u>
Business-type activities:		
Water and sewer		\$ 238,760
Refuse and recycling		3,087
Total business-type activities		<u>\$ 241,847</u>

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

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>
Allen Drive Sewer Relief	\$ 27,117	\$ 44,784
East Street Watermain	378,074	9,000
Downtown Wayfinding	31,886	105,067
Community Connection Exhibit	9,865	18,501
City Hall Renovation	31,511	8,119
Rayson Street (Major)	3,243	82,107
Rayson Street (Local)	3,024	86,976
Elmsmere Reconstruction	5,260	154,740
Horton Street Reconstruction	1,973	58,027
Total	<u>\$ 491,953</u>	<u>\$ 567,321</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) \$ 260,173
	Major Streets Fund	(1) 560,869
	Local Streets Fund	(1) 194,299
	Housing Commission Fund	(2) 14,850
	Other nonmajor governmental funds	(1) 270,147
Total General Fund		1,300,338
Major Streets Fund	Local Streets Fund	(2) 39,113
Housing Commission Fund	Other nonmajor governmental funds	(1) 225,836
Public Improvement Fund	General Fund	(2) 52,320
	Other nonmajor governmental funds	(1) 60,000
Total Public Improvement Fund		112,320
Other nonmajor governmental funds	Public Improvement Fund	(1) 2,056
Total		<u>\$ 1,679,663</u>

(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.

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

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 (refunding) - Maturing through 2022	2.14%	\$ 780,000	\$ -	\$ 80,000	\$ 700,000	\$ 80,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	1,585,000	-	120,000	1,465,000	130,000
Total bonds payable		2,365,000	-	200,000	2,165,000	210,000
Accumulated compensated absences		473,367	44,478	1,292	516,553	125,099
Total governmental activities		\$ 2,838,367	\$ 44,478	\$ 201,292	\$ 2,681,553	\$ 335,099
Business-type activities - Accumulated compensated absences		\$ 34,773	\$ 1,447	\$ 1,661	\$ 34,559	\$ 25,845

Total interest expense for the year was approximately \$65,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2016	\$ 210,000	\$ 59,539	\$ 269,539
2017	210,000	53,797	263,797
2018	220,000	48,002	268,002
2019	230,000	41,945	271,945
2020	235,000	35,677	270,677
2021-2025	1,060,000	83,024	1,143,024
Total	\$ 2,165,000	\$ 321,984	\$ 2,486,984

Advance and Current Refundings - In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, \$1,430,000 of bonds outstanding is considered defeased.

Note 8 - Restricted Cash

The balances of restricted cash accounts are as follows:

	<u>Governmental Activities</u>
Funds held for insurance claims	<u>\$ 368,772</u>

Note 9 - Agent Defined Benefit Pension Plan Description

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS or the "System"), an agent multiple-employer defined benefit pension plan that covers regular employees of the City hired prior to certain dates. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers eligible full-time union and non-union employees. All divisions are closed.

Retirement benefits for public works employees are calculated as 2.5 percent of the employee's final five year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service (reduced). Vesting period is 10 years.

Retirement benefits for police employees are calculated as 2.75 percent of the employee's final three-year average salary times the employee's years of service. Employees must contribute 2.65 percent. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service. Vesting period is 10 years. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for clerical employees are calculated as 2.5 percent of the employee's final five year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 55 with 25 years of service (unreduced) or age 50 with 25 years of service (reduced). Vesting period is six years.

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits for non-union employees are calculated as 2.5 percent of the employee's final three- or four-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service (reduced). Vesting period is six years.

All participating employees are eligible for non duty disability or death benefits when fully vested and for duty-related disability or death benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are two percent, non-compounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the city council, generally after negotiations of these terms with the affected unions. Police employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	64
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>12</u>
Total employees covered by MERS	<u><u>85</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the active police employee contribution rate was 2.65 percent of annual pay and the City's annual required contribution was \$842,856.

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 18,940,120	\$ 10,568,097	\$ 8,372,023
Service cost	108,463	-	108,463
Interest	1,508,044	-	1,508,044
Contributions - Employer	-	1,099,108	(1,099,108)
Contributions - Employee	-	11,676	(11,676)
Net investment income	-	661,980	(661,980)
Benefit payments, including refunds	(1,430,069)	(1,430,069)	-
Administrative expenses	-	(24,342)	24,342
Net changes	186,438	318,353	(131,915)
Balance at December 31, 2014	<u>\$ 19,126,558</u>	<u>\$ 10,886,450</u>	<u>\$ 8,240,108</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$810,623. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 156,571	\$ -
Employer contributions to the plan subsequent to the measurement date	719,226	-
Total	<u>\$ 875,797</u>	<u>\$ -</u>

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$719,226), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending <u>June 30</u>		
2016	\$	39,142
2017		39,143
2018		39,143
2019		39,143

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0% - 4.0%	
Salary increases	4.5%	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.0%	Net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set-forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The 2009-2013 Five-Year Experience Study completed in summer 2015 will impact the December 31, 2015 actuarial valuations. This study will likely result in changes in the assumptions and methods, which may impact future contribution requirements.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20 %	2.20 %
Real assets	12 %	4.20 %
Diversifying strategies	10 %	6.60 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 10,079,295	\$ 8,240,108	\$ 6,663,879

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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 administered by the Municipal Employees' Retirement System of Michigan. 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, 5 percent for each eligible part-time employee, and 2.5 percent for eligible full-time Senior Adult Services 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 \$3,638,368. The current year contribution was calculated based on covered payroll of \$1,818,260, resulting in an employer contribution of \$183,097.

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. At June 30, 2014, the date of the last actuarial valuation, the plan had 84 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 84 members, 16 retirees and 13 active employees have opted out of healthcare 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 Care Health Plan does not issue a publicly available financial report.

Note 11 - Other Postemployment Benefits (Continued)

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.

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 11 employees participating in this plan. In accordance with these requirements, the City contributed \$8,780 and employees contributed \$4,387 during the current year. Additionally, there are some AFSCME employees who do not make contributions to the plan and the City contributes 1 percent of earnings into the plan. The City contributed \$1,106 for the two AFSCME employees. Finally, there are nine police officers (POAM, COAM, Non-Union) who have employee-only contributions to the plan which totaled \$1,950.

The City funded 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2015, the City made premium payments of \$624,405 and contributed an additional \$337,386 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 2015, total member contributions were \$15,574.

City of Northville, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. 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	\$ 840,692
ARC adjustment	(60,375)
Interest on the prior year's net OPEB obligation	<u>72,450</u>
Annual OPEB cost	852,767
Amounts contributed:	
Payments of current premiums	(624,401)
Advance funding	<u>(337,386)</u>
Decrease in net OPEB obligation	(109,020)
OPEB obligation - Beginning of year	<u>1,811,239</u>
OPEB obligation - End of year	<u><u>\$ 1,702,219</u></u>

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
6/30/13	6/30/13	\$ 1,012,634	126.9	\$ 2,106,200
6/30/14	6/30/14	834,233	135.4	1,811,243
6/30/15	6/30/14	852,767	112.8	1,702,219

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
6/30/12	\$ 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
6/30/14	6,905,872	19,305,113	12,399,241	35.8	2,618,278	473.6

Note 11 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2014 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 7.45 percent initially, reduced to an ultimate rate of 5 percent after 13 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, 2014 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, 2015, the investment in the Recreation Commission was \$570,357. During the current year, the City contributed \$191,683 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 \$261,165 for fringe benefit expenditures during the year ended June 30, 2015.

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, 2015, the investment in the Commission was \$23,484. During the current year, the City contributed \$17,405 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.

Note 12 - Jointly Governed Organizations (Continued)

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 2015, the City paid \$807,982 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 Accident Fund Municipal Group Program for employee injuries. The City purchases commercial insurance for all medical benefits and for firefighter death and disability coverage. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (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, 2015, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

Note 14 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's fiscal year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. 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 the City's financial statements for the year ending June 30, 2018.

Note 15 - Subsequent Events

On August 3, 2015, City Council approved an amendment to the Interlocal Fire Service Agreement with the City of Plymouth. The City of Plymouth will no longer contribute funds to the Fire Equipment Replacement Fund for apparatus purchases. The amended contract also provides for a refund or credit to be issued by the City of Northville to the City of Plymouth for such contributions made in the past. On August 12, 2015, a refund was issued to the City of Plymouth for \$304,443 for contributions made through June 30, 2015.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios

	2015
Total Pension Liability	
Service cost	\$ 108,463
Interest	1,508,044
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(1,430,069)
Net Change in Total Pension Liability	186,438
Total Pension Liability - Beginning of year	18,940,120
Total Pension Liability - End of year	\$ 19,126,558
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,099,108
Contributions - Member	11,676
Net investment income	661,980
Administrative expenses	(24,342)
Benefit payments, including refunds	(1,430,069)
Net Change in Plan Fiduciary Net Position	318,353
Plan Fiduciary Net Position - Beginning of year	10,568,097
Plan Fiduciary Net Position - End of year	\$ 10,886,450
City's Net Pension Liability - Ending	\$ 8,240,108
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.92 %
Covered Employee Payroll	\$ 855,589
City's Net Pension Liability as a Percentage of Covered Employee Payroll	963.1 %

City of Northville, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696	\$ 558,240	\$ 544,825	\$ 541,632	\$ 586,128	\$ 524,726
Contributions in relation to the actuarially determined contribution	1,099,108	1,042,329	717,456	663,972	639,696	558,240	544,825	541,632	586,128	524,726
Contribution Deficiency (Excess)	\$ (256,252)	\$ (282,309)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 855,589	\$ 1,051,567	\$ 1,189,266	\$ 1,321,194	\$ 1,430,837	\$ 1,801,142	\$ 1,818,683	\$ 1,878,443	\$ 1,982,054	\$ 2,149,100
Contributions as a Percentage of Covered Employee Payroll	128.5 %	99.1 %	60.3 %	50.3 %	44.7 %	31.0 %	30.0 %	28.8 %	29.6 %	24.4 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Option B, Level Dollar Contribution
Remaining amortization period	10 to 14 Years
Asset valuation method	10 Year Smoothed
Inflation	3.0% - 4.0%
Salary increases	4.5%
Investment rate of return	8.0%
Retirement age	60
Mortality	1994 Group Annuity Mortality Table
Other information	None

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,020,930	\$ 5,004,210	\$ 5,025,712	\$ 21,502
Licenses and permits	321,820	447,675	476,942	29,267
State-shared revenue and grants	536,115	542,018	538,827	(3,191)
Charges for overhead services	238,140	238,140	235,628	(2,512)
Sales and services	585,205	617,560	640,143	22,583
Fines and forfeitures	45,800	70,700	70,946	246
Investment income	7,900	-	5,910	5,910
Rental income	141,149	150,681	153,534	2,853
Local contribution	128,720	128,720	128,720	-
Racetrack breakage	23,260	20,000	17,972	(2,028)
Other	18,500	33,339	21,315	(12,024)
Total revenue	7,067,539	7,253,043	7,315,649	62,606
Expenditures - Current				
General government:				
City Council	13,645	13,910	12,666	1,244
City manager	311,000	313,895	309,520	4,375
Finance and administrative services	293,050	282,250	279,758	2,492
Technology costs	117,500	135,910	127,366	8,544
Tax and assessing	242,655	206,345	194,380	11,965
City clerk	110,125	112,840	98,700	14,140
Clerk - Elections	46,940	56,385	47,612	8,773
Buildings and grounds	383,880	337,306	303,396	33,910
City attorney	77,000	110,000	110,049	(49)
Planning, zoning, and inspection	264,530	339,435	289,194	50,241
Insurance	26,040	17,414	17,414	-
Central supply	22,617	24,610	21,031	3,579
Public safety:				
Police	2,632,653	2,673,837	2,625,439	48,398
Fire	775,605	801,440	790,130	11,310
Public works:				
Civic events	34,245	26,415	20,552	5,863
Parking system	107,535	132,590	121,845	10,745
Administration	176,973	179,866	181,524	(1,658)
Street lighting and miscellaneous public works	197,035	175,925	166,917	9,008
Beautification	5,290	6,095	4,782	1,313
Parks and recreation	216,753	216,668	216,667	1
OPEB trust contribution	200,000	300,000	300,000	-
Total expenditures	6,255,071	6,463,136	6,238,942	224,194
Excess of Revenue Over Expenditures	812,468	789,907	1,076,707	286,800
Other Financing Sources (Uses)				
Transfers in	29,000	52,320	52,320	-
Transfers out	(658,478)	(1,114,230)	(1,300,338)	(186,108)
Total other financing uses	(629,478)	(1,061,910)	(1,248,018)	(186,108)
Net Change in Fund Balance	182,990	(272,003)	(171,311)	100,692
Fund Balance - Beginning of year	3,455,856	3,455,856	3,455,856	-
Fund Balance - End of year	<u>\$ 3,638,846</u>	<u>\$ 3,183,853</u>	<u>\$ 3,284,545</u>	<u>\$ 100,692</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 249,270	\$ 250,598	\$ 257,028	\$ 6,430
Investment income	350	-	559	559
Total revenue	249,620	250,598	257,587	6,989
Expenditures - Current - Public works				
Total expenditures	503,260	812,121	727,348	84,773
Excess of Expenditures (Under) Over Revenue	(253,640)	(561,523)	(469,761)	91,762
Other Financing Sources (Uses)				
Transfers in	328,353	616,264	560,869	(55,395)
Transfers out	(93,390)	(63,769)	(39,113)	24,656
Total other financing sources	234,963	552,495	521,756	(30,739)
Net Change in Fund Balance	(18,677)	(9,028)	51,995	61,023
Fund Balance - Beginning of year	424,709	424,709	424,709	-
Fund Balance - End of year	<u>\$ 406,032</u>	<u>\$ 415,681</u>	<u>\$ 476,704</u>	<u>\$ 61,023</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 116,843	\$ 148,651	\$ 150,144	\$ 1,493
Charges for services	-	-	898	898
Investment income	275	-	266	266
Total revenue	117,118	148,651	151,308	2,657
Expenditures - Current - Public works				
Administration	13,280	13,280	10,790	2,490
Street maintenance and repairs	374,047	436,936	373,930	63,006
Total expenditures	387,327	450,216	384,720	65,496
Excess of Expenditures (Under) Over Revenue	(270,209)	(301,565)	(233,412)	68,153
Other Financing Sources - Transfers in	270,209	301,565	233,412	(68,153)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	208,945	208,945	208,945	-
Fund Balance - End of year	<u>\$ 208,945</u>	<u>\$ 208,945</u>	<u>\$ 208,945</u>	<u>\$ -</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parking Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Investment income	\$ 600	\$ -	\$ 767	\$ 767
Other revenue:				
Special assessments	59,353	59,353	59,353	-
Other	2,300	2,715	2,767	52
Total revenue	62,253	62,068	62,887	819
Expenditures - Current - Public works	5,213	15,171	5,171	10,000
Net Change in Fund Balance	57,040	46,897	57,716	10,819
Fund Balance - Beginning of year	495,021	495,021	495,021	-
Fund Balance - End of year	<u>\$ 552,061</u>	<u>\$ 541,918</u>	<u>\$ 552,737</u>	<u>\$ 10,819</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Housing Commission Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 4,573	\$ -	\$ -	\$ -
Charges for services	5,305	7,280	8,209	929
Investment income	1,000	-	417	417
Rental income	778,338	789,838	788,890	(948)
Other revenue:				
Michigan Housing Authority subsidies	38,934	27,434	26,512	(922)
Other	7,000	17,386	16,707	(679)
Total revenue	835,150	841,938	840,735	(1,203)
Expenditures - Current -				
Senior housing	611,775	630,650	607,729	22,921
Excess of Revenue Over Expenditures	223,375	211,288	233,006	21,718
Other Financing Sources (Uses)				
Transfers in	14,850	14,850	14,850	-
Transfers out	(206,086)	(225,836)	(225,836)	-
Total other financing uses	(191,236)	(210,986)	(210,986)	-
Net Change in Fund Balance	32,139	302	22,020	21,718
Fund Balance - Beginning of year	277,805	277,805	277,805	-
Fund Balance - End of year	\$ 309,944	\$ 278,107	\$ 299,825	\$ 21,718

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Public Improvements Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ -	\$ 14,705	\$ 14,705	\$ -
Investment income	2,200	-	1,368	1,368
Other revenue:				
Local donations	-	5,215	5,211	(4)
Racetrack breakage	60,000	117,620	164,594	46,974
Other miscellaneous income	7,000	12,275	13,795	1,520
Total revenue	69,200	149,815	199,673	49,858
Expenditures - Current				
General government	13,760	13,405	13,427	(22)
Public works	68,840	209,022	220,862	(11,840)
Total expenditures	82,600	222,427	234,289	(11,862)
Excess of Revenue Under Expenditures	(13,400)	(72,612)	(34,616)	37,996
Other Financing Sources (Uses)				
Transfers in	22,056	122,056	262,229	140,173
Transfers out	(89,000)	(112,320)	(112,320)	-
Total other financing (uses) sources	(66,944)	9,736	149,909	140,173
Net Change in Fund Balance	(80,344)	(62,876)	115,293	178,169
Fund Balance - Beginning of year	2,350,806	2,350,806	2,350,806	-
Fund Balance - End of year	<u>\$ 2,270,462</u>	<u>\$ 2,287,930</u>	<u>\$ 2,466,099</u>	<u>\$ 178,169</u>

City of Northville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

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. The City Council authorized a final year-end operating transfer from the General Fund to the Public Improvement Fund to set aside funds for building department software upgrades, election needs, and the Randolph Drain assessment. As a result of this year-end budget transfer, the final transfers out balance exceeded the budgeted amount.

Minor budget variances in the General Fund include amounts in excess of budget for general government-city attorney and public works-administration.

City of Northville, Michigan

Note to Required Supplemental Information (Continued) **June 30, 2015**

The Public Improvement Fund public works expenditures exceeded budgeted amounts due to timing of completion of feasibility study performed for a potential municipal building relocation. There was a minor budget variance in the Public Improvement Fund general government expenditures.

Other Supplemental Information

City of Northville, Michigan

Other Supplemental Information Combining Balance Sheet General Fund June 30, 2015

	Combining General Fund				
	General Fund	Street, Drainage, and Sidewalk Improvement	Interfund Investment Pool	Payroll	Total
Assets					
Cash and investments	\$ 2,613,499	\$ 667,583	\$ (42,884)	\$ 103,860	\$ 3,342,058
Receivables:					
Property taxes receivable	5,879	-	-	-	5,879
Accrued interest receivable	-	-	42,884	-	42,884
Other receivables	83,290	-	-	2,220	85,510
Due from other governmental units	183,232	6,385	-	-	189,617
Inventory	54,234	-	-	-	54,234
Prepaid expenses and other assets	76,639	-	-	38,530	115,169
Total assets	<u>\$3,016,773</u>	<u>\$ 673,968</u>	<u>\$ -</u>	<u>\$ 144,610</u>	<u>\$3,835,351</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 80,038	\$ 220	\$ -	\$ 32	\$ 80,290
Due to other governmental units	21,656	-	-	19,466	41,122
Accrued liabilities and other	296,578	-	-	125,112	421,690
Total liabilities	398,272	220	-	144,610	543,102
Deferred Inflows of Resources -					
Unavailable revenue	7,704	-	-	-	7,704
Fund Balances					
Nonspendable:					
Inventory/Assets held for resale	54,234	-	-	-	54,234
Prepays	115,169	-	-	-	115,169
Restricted:					
Police forfeitures	38,764	-	-	-	38,764
Streets, drains, and sidewalk improvements	-	673,748	-	-	673,748
Assigned:					
Beautification Commission	5,111	-	-	-	5,111
Other	1,492	-	-	-	1,492
Unassigned	2,396,027	-	-	-	2,396,027
Total fund balances	<u>2,610,797</u>	<u>673,748</u>	<u>-</u>	<u>-</u>	<u>3,284,545</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$3,016,773</u>	<u>\$ 673,968</u>	<u>\$ -</u>	<u>\$ 144,610</u>	<u>\$3,835,351</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General Fund Year Ended June 30, 2015

	Combining General Fund				Total
	General Fund	Street, Drainage, and Sidewalk Improvement	Interfund Investment Pool	Payroll	
Revenue					
Property taxes	\$ 4,470,333	\$ 555,379	\$ -	\$ -	\$ 5,025,712
Licenses and permits	476,942	-	-	-	476,942
State-shared revenue and grants	538,827	-	-	-	538,827
Sales and services:					
Charges to other funds	235,628	-	-	-	235,628
Charges for services to external parties	640,143	-	-	-	640,143
Fines and forfeitures	70,946	-	-	-	70,946
Investment income	4,910	1,000	-	-	5,910
Rental income	153,534	-	-	-	153,534
Other revenue:					
Local contribution	128,720	-	-	-	128,720
Racetrack breakage	17,972	-	-	-	17,972
Other	21,315	-	-	-	21,315
Total revenue	6,759,270	556,379	-	-	7,315,649
Expenditures					
Current:					
General government	1,811,086	-	-	-	1,811,086
Public safety:					
Police department	2,625,439	-	-	-	2,625,439
Fire department	790,130	-	-	-	790,130
Public works	495,620	-	-	-	495,620
Recreation and culture	216,667	-	-	-	216,667
Pension/OPEB contributions	300,000	-	-	-	300,000
Total expenditures	6,238,942	-	-	-	6,238,942
Excess of Revenue Over Expenditures	520,328	556,379	-	-	1,076,707
Other Financing Sources (Uses)					
Transfers in	52,320	-	-	-	52,320
Transfers out	(545,170)	(755,168)	-	-	(1,300,338)
Total other financing uses	(492,850)	(755,168)	-	-	(1,248,018)
Net Change in Fund Balances	27,478	(198,789)	-	-	(171,311)
Fund Balances - Beginning of year	2,583,319	872,537	-	-	3,455,856
Fund Balances - End of year	<u>\$ 2,610,797</u>	<u>\$ 673,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,284,545</u>

City of Northville, Michigan

	Special Revenue Funds		Debt Service Funds	
	Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund
Assets				
Cash and investments	\$ 916,177	\$ 84,309	\$ 2,554	\$ 2,780
Receivables - Net - Other receivables	-	700	-	-
Due from other governmental units	-	-	-	-
Total assets	<u>\$ 916,177</u>	<u>\$ 85,009</u>	<u>\$ 2,554</u>	<u>\$ 2,780</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 228	\$ 7,498	\$ -	\$ -
Accrued liabilities and other	-	3,631	-	-
Total liabilities	228	11,129	-	-
Fund Balances - Committed				
Cemetery improvements	915,949	-	-	-
Arts commission	-	73,880	-	-
Capital projects and purchases	-	-	-	-
Debt service	-	-	2,554	2,780
Total fund balances	<u>915,949</u>	<u>73,880</u>	<u>2,554</u>	<u>2,780</u>
Total liabilities and fund balances	<u>\$ 916,177</u>	<u>\$ 85,009</u>	<u>\$ 2,554</u>	<u>\$ 2,780</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Capital Projects Funds			
Fire Equipment Replacement	Police Equipment Replacement	Housing Commission Capital Outlay	Total Nonmajor Governmental Funds
\$ 1,101,140	\$ 253,063	\$ 1,033,435	\$ 3,393,458
-	-	-	700
9,479	-	37,768	47,247
<u>\$ 1,110,619</u>	<u>\$ 253,063</u>	<u>\$ 1,071,203</u>	<u>\$ 3,441,405</u>
\$ 238	\$ 48	\$ 113	\$ 8,125
-	-	-	3,631
238	48	113	11,756
-	-	-	915,949
-	-	-	73,880
1,110,381	253,015	1,071,090	2,434,486
-	-	-	5,334
<u>1,110,381</u>	<u>253,015</u>	<u>1,071,090</u>	<u>3,429,649</u>
<u>\$ 1,110,619</u>	<u>\$ 253,063</u>	<u>\$ 1,071,203</u>	<u>\$ 3,441,405</u>

City of Northville, Michigan

	Special Revenue Funds		Debt Service Funds	
	Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund
Revenue				
Community Development Block Grant	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Sales and services	24,678	-	-	-
Investment income	1,350	112	-	-
Other revenue:				
Local contribution	-	687	169,135	-
Other	-	117,754	-	-
Total revenue	26,028	118,553	169,135	-
Expenditures				
Current:				
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	113,067	-	-
Debt service	-	-	169,135	95,836
Total expenditures	-	113,067	169,135	95,836
Excess of Revenue Over (Under) Expenditures	26,028	5,486	-	(95,836)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	95,836
Transfers out	-	(2,056)	-	-
Total other financing (uses) sources	-	(2,056)	-	95,836
Net Change in Fund Balances	26,028	3,430	-	-
Fund Balances - Beginning of year	889,921	70,450	2,554	2,780
Fund Balances - End of year	\$ 915,949	\$ 73,880	\$ 2,554	\$ 2,780

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015**

Capital Projects Fund			
Fire Equipment Replacement	Police Equipment Replacement	Housing Commission Capital Outlay	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 126,900	\$ 126,900
17,557	-	-	17,557
-	-	-	24,678
1,270	337	1,524	4,593
124,727	-	8,618	303,167
-	-	-	117,754
<u>143,554</u>	<u>337</u>	<u>137,042</u>	<u>594,649</u>
375,002	127,876	-	502,878
-	-	173,795	173,795
-	-	-	113,067
-	-	-	264,971
<u>375,002</u>	<u>127,876</u>	<u>173,795</u>	<u>1,054,711</u>
(231,448)	(127,539)	(36,753)	(460,062)
16,863	9,000	-	25,863
235,147	95,000	130,000	555,983
-	-	-	(2,056)
<u>252,010</u>	<u>104,000</u>	<u>130,000</u>	<u>579,790</u>
20,562	(23,539)	93,247	119,728
<u>1,089,819</u>	<u>276,554</u>	<u>977,843</u>	<u>3,309,921</u>
<u>\$ 1,110,381</u>	<u>\$ 253,015</u>	<u>\$ 1,071,090</u>	<u>\$ 3,429,649</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2015

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 484,754	\$ 1,005	\$ 531,477	\$ 1,017,236
Inventory	14,834	-	-	14,834
Prepaid expenses and other assets	645	-	-	645
Total current assets	500,233	1,005	531,477	1,032,715
Noncurrent assets:				
Restricted assets	-	368,772	-	368,772
Capital assets - Assets subject to depreciation	263,163	-	-	263,163
Total noncurrent assets	263,163	368,772	-	631,935
Total assets	763,396	369,777	531,477	1,664,650
Liabilities				
Current liabilities:				
Accounts payable	19,623	-	119	19,742
Accrued liabilities and other	1,949	93,890	-	95,839
Current portion of compensated absences	4,979	-	-	4,979
Total current liabilities	26,551	93,890	119	120,560
Noncurrent liabilities - Compensated absences - Net of current portion	3,089	-	-	3,089
Total liabilities	29,640	93,890	119	123,649
Net Position				
Invested in capital assets	263,163	-	-	263,163
Restricted - Insurance claims	-	275,887	-	275,887
Unrestricted	470,593	-	531,358	1,001,951
Total net position	<u>\$ 733,756</u>	<u>\$ 275,887</u>	<u>\$ 531,358</u>	<u>\$ 1,541,001</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2015

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Operating Revenue				
Rental income	\$ 318,713	\$ -	\$ -	\$ 318,713
Charges to other funds	-	-	68,398	68,398
Recoveries	-	5,679	-	5,679
Other revenue	1,521	74,543	-	76,064
Total operating revenue	320,234	80,222	68,398	468,854
Operating Expenses				
Other operation and maintenance	273,009	-	-	273,009
Claims	-	131,834	-	131,834
Depreciation	70,750	-	-	70,750
Total operating expenses	343,759	131,834	-	475,593
Operating (Loss) Income	(23,525)	(51,612)	68,398	(6,739)
Nonoperating Revenue -				
Investment income	1,309	9,402	677	11,388
Change in Net Position	(22,216)	(42,210)	69,075	4,649
Net Position - Beginning of year	755,972	318,097	462,283	1,536,352
Net Position - End of year	<u>\$ 733,756</u>	<u>\$ 275,887</u>	<u>\$ 531,358</u>	<u>\$ 1,541,001</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 318,713	\$ -	\$ 68,398	\$ 387,111
Receipts from interfund services and reimbursements	1,521	-	-	1,521
Payments to suppliers/insurance claims	(163,870)	(94,945)	(11)	(258,826)
Payments to employees	(90,074)	-	-	(90,074)
Other receipts	-	80,223	-	80,223
	<u>66,290</u>	<u>(14,722)</u>	<u>68,387</u>	<u>119,955</u>
Net cash provided by (used in) operating activities				
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets				
	(59,518)	-	-	(59,518)
Cash Flows from Investing Activities - Interest received on investments				
	1,309	9,402	677	11,388
Net Increase (Decrease) in Cash and Cash Equivalents				
	8,081	(5,320)	69,064	71,825
Cash and Cash Equivalents - Beginning of year				
	476,673	375,097	462,413	1,314,183
Cash and Cash Equivalents - End of year				
	<u>\$ 484,754</u>	<u>\$ 369,777</u>	<u>\$ 531,477</u>	<u>\$ 1,386,008</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 484,754	\$ 1,005	\$ 531,477	\$ 1,017,236
Restricted cash	-	368,772	-	368,772
	<u>\$ 484,754</u>	<u>\$ 369,777</u>	<u>\$ 531,477</u>	<u>\$ 1,386,008</u>
Total cash and cash equivalents				
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (23,525)	\$ (51,612)	\$ 68,398	\$ (6,739)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	70,750	-	-	70,750
Changes in assets and liabilities:				
Inventories	3,974	-	-	3,974
Prepaid and other assets	104	-	-	104
Accounts payable	16,371	-	(11)	16,360
Accrued and other liabilities	(1,384)	36,890	-	35,506
	<u>66,290</u>	<u>(14,722)</u>	<u>68,387</u>	<u>119,955</u>
Net cash provided by (used in) operating activities				