

# **City of Northville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# City of Northville, Michigan

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# 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, 2016 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville, Michigan as of June 30, 2016 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

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and 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 opinions 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*

November 7, 2016

# 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, 2016. 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, the Interfund Investment Pool Fund, and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund account 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 Interfund Investment Pool accounts for accrued interest receivable at year end.

The net increase in fund balance to the General Fund of \$435,790 is comprised of the following:

- The General Fund increase of \$50,463 was budgeted.
- The Street, Drainage, and Sidewalk Improvement Fund increase of \$385,327 was due to street improvement projects being deferred until the next fiscal year.

Property tax revenue increased 5.8 percent from the prior year and it continues to be the City's single largest source of revenue at approximately 55.3 percent of governmental revenue. 4.5 percent of that increase was due to the taxable value increasing. The remaining portion was due to receiving reimbursement from the State for the 2014 and 2015 small taxpayer personal property tax losses. The City's millage generated approximately \$4.73 million to support General Fund operations and approximately \$585,000 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 1.48 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, remained consistent with 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 84 of 2015 provided for an additional distribution of \$57,095 for the state and local road and bridge program.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

A valuation for other postemployment benefits (OPEB) was last received as of December 31, 2015. The actuarially accrued liability was calculated at \$20.5 million with unfunded portion at \$13 million. The City advance funded \$435,085 to the plan, bringing the funded ratio to 36.6 percent.

The total pension liability is \$20 million and the plan net position is \$10.5 million. The net pension liability is \$9.5 million. The City contributed an additional \$423,765 beyond the annual required contribution. There are a total of 82 participants in the plan, of which 10 are active.

The Parks and Recreation Commission is responsible for a portion of both the pension and OPEB liabilities. Of the \$9.5 million net pension liability, the Commission's share is \$383,988. Of the \$13 million unfunded OPEB liability, the Commission's share is \$1.09 million.

Funds have been set aside in the amount of approximately \$553,000 for the accumulated compensated absences liability. This represents accumulated vacation, sick, and comp time earned by employees.

Long-term debt for the primary government is \$2.4 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. During 2016 an installment purchase agreement was utilized to finance the purchase of a new ladder truck for the Fire Department in the amount of \$462,597. This is a 10-year obligation which is jointly shared with the City of Plymouth.

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 Change
	2014	2015	2016	Change	
<b>Assets</b>					
Other assets	\$ 13,832,678	\$ 13,763,229	\$ 14,597,424	\$ 834,195	6.1%
Capital assets	<u>27,159,753</u>	<u>27,009,949</u>	<u>26,138,772</u>	<u>(871,177)</u>	-3.2%
Total assets	40,992,431	40,773,178	40,736,196	(36,982)	-0.1%
<b>Deferred Outflows -</b>					
Deferred outflows related to pensions	-	813,615	1,447,276	633,661	100.0%
<b>Liabilities</b>					
Current liabilities	1,129,264	1,116,647	1,335,594	218,947	19.6%
Long-term liabilities	<u>11,510,023</u>	<u>11,445,620</u>	<u>12,216,251</u>	<u>770,631</u>	6.7%
Total liabilities	<u>12,639,287</u>	<u>12,562,267</u>	<u>13,551,845</u>	<u>989,578</u>	7.9%
<b>Net Position</b>					
Net investment in capital assets	24,794,753	24,844,949	23,721,175	(1,123,774)	-4.5%
Restricted	1,859,449	1,674,048	2,046,628	372,580	22.3%
Unrestricted	<u>1,698,942</u>	<u>2,505,529</u>	<u>2,863,824</u>	<u>358,295</u>	14.3%
Total net position	<u>\$ 28,353,144</u>	<u>\$ 29,024,526</u>	<u>\$ 28,631,627</u>	<u>\$ (392,899)</u>	-1.4%

Overall, the City's net position of governmental activities decreased by 1.4 percent from a year ago. The increase in other assets was due to the accumulation of cash for deferred street improvements and the receipt of financing proceeds for the fire department ladder truck purchase. The decrease in capital assets and net investment in capital assets was primarily due to depreciation expense.

The increase in deferred outflows was directly related to 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 increase in current liabilities was due to the timing of accounts payable at year end. The increase in long-term liabilities was related to the new installment purchase agreement for the fire department ladder truck and the increase in the net pension liability.

The increase in restricted net position was primarily related to the accumulation of cash for deferred street improvements. The increase in unrestricted net position was related to increasing the reserves for future capital purchases and improvements in order to maintain a pay-as-you-go system.



# 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				
	2014	2015	2016	Change	Percent Change
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 2,148,363	\$ 2,290,081	\$ 2,356,968	\$ 66,887	2.9%
Operating grants	582,264	669,593	708,945	39,352	5.9%
Capital grants	286,155	567,272	285,416	(281,856)	-49.7%
General revenue:					
Property taxes	4,890,657	5,025,712	5,316,091	290,379	5.8%
State-shared revenue	525,422	531,338	531,475	137	0.0%
Investment earnings	19,678	15,865	111,139	95,274	600.5%
Franchise fees	167,083	178,528	188,044	9,516	5.3%
Racetrack breakage	178,431	182,566	107,591	(74,975)	-41.1%
Gain on disposal of assets	3,045	25,863	-	(25,863)	-100.0%
Other revenue	7,696	-	-	-	0.0%
Total revenue	8,808,794	9,486,818	9,605,669	118,851	1.3%
<b>Program Expenses</b>					
General government	4,130,363	1,864,220	2,236,124	371,904	19.9%
Public safety	6,934,656	3,250,219	3,823,810	573,591	17.6%
Public works	3,046,461	2,513,420	2,469,822	(43,598)	-1.7%
Senior housing	1,082,963	768,108	903,582	135,474	17.6%
Recreation and culture	549,931	355,856	257,806	(98,050)	-27.6%
Interest on long-term debt	97,378	63,613	68,318	4,705	7.4%
Total expenses	15,841,752	8,815,436	9,759,462	944,026	10.7%
<b>Transfers</b>	-	-	(239,106)	(239,106)	100.0%
<b>Change in Net Position</b>	<b><u>\$ (7,032,958)</u></b>	<b><u>\$ 671,382</u></b>	<b><u>\$ (392,899)</u></b>	<b><u>\$ (1,064,281)</u></b>	<b>-158.5%</b>

Overall, governmental revenue increased 1.3 percent from the prior year. That was due to a combination of factors described below.

The increase in charges for services was primarily inflation driven. The increase in operating grants was primarily related to a contribution from Northville Township for the consultant services for the Fish Hatchery pond repairs. The decrease in capital grants was due to federal funding received for the S. Center Street improvements and community development block grant revenue for Allen Terrace improvements both received in the prior year.

A slight increase in interest rates resulted in an increase in investment earnings. There was no gain on sale of assets during the fiscal year.

The decrease in racetrack breakage was a result of Northville Downs not having enough money in the pool to pay off bets on certain days causing "negative breakage" to occur.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

The increase in general government expenses was due to a decrease in overhead charges to other funds and an increase in the current year expense for pension and other postemployment benefits.

The increase in public safety and senior housing expenses was primarily related to capital purchases in the fire department and at Allen Terrace.

The decrease in recreation and culture expenses was due to the change in investment in joint venture recorded in the government-wide statements.

The increase in the interest on long-term debt was due to the first interest payment on the new installment purchase agreement for the ladder truck purchase.

### 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 Great Lakes Water Authority 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 Change
	2014	2015	2016	Change	
<b>Assets</b>					
Other assets	\$ 1,901,512	\$ 1,383,240	\$ 1,567,775	\$ 184,535	13.3%
Capital assets	<u>5,683,115</u>	<u>5,598,591</u>	<u>5,401,376</u>	<u>(197,215)</u>	-3.5%
Total assets	7,584,627	6,981,831	6,969,151	(12,680)	-0.2%
<b>Deferred Outflows</b>					
Deferred outflows related to pensions	-	62,182	135,180	72,998	100.0%
<b>Liabilities</b>					
Current liabilities	314,297	282,424	280,469	(1,955)	-0.7%
Long-term liabilities	<u>858,982</u>	<u>851,875</u>	<u>1,183,016</u>	<u>331,141</u>	38.9%
Total liabilities	<u>1,173,279</u>	<u>1,134,299</u>	<u>1,463,485</u>	<u>329,186</u>	29.0%
<b>Net Position</b>					
Net investment in capital assets	5,683,115	5,598,591	5,401,376	(197,215)	-3.5%
Unrestricted	<u>728,233</u>	<u>311,123</u>	<u>239,470</u>	<u>(71,653)</u>	-23.0%
Total net position	<u>\$ 6,411,348</u>	<u>\$ 5,909,714</u>	<u>\$ 5,640,846</u>	<u>\$ (268,868)</u>	-4.5%

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

A decrease in total net position of 4.5 percent was expected for the following reasons:

The increase in current assets was primarily due to higher receivables for utilities related to above normal water usage in June.

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 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.

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

The increase in long-term liabilities was due to the pension and other postemployment benefits changes.

	Business-type Activities				Percent Change
	2014	2015	2016	Change	
Operating revenue:					
Water and sewer	\$ 2,283,449	\$ 2,281,296	\$ 2,538,489	\$ 257,193	11.3%
Refuse and recycling	499,443	463,374	555,747	92,373	19.9%
Operating expenses:					
Water and sewer	3,322,516	2,697,841	2,889,829	191,988	7.1%
Refuse and recycling	483,348	539,747	675,052	135,305	25.1%
Operating loss	(1,022,972)	(492,918)	(470,645)	22,273	
Interest income	1,001	758	6,801	6,043	797.2%
Allocated Internal Service					
Fund net loss	(15,426)	(9,474)	(44,130)	(34,656)	365.8%
Transfers	-	-	239,106	239,106	100.0%
<b>Change in Net Position</b>	<b>\$ (1,037,397)</b>	<b>\$ (501,634)</b>	<b>\$ (268,868)</b>	<b>\$ 232,766</b>	<b>-46.4%</b>

Revenue from the water and sewer operations increased 11.3 percent over the prior year. This was primarily due to a 4 percent and 13 percent increase in water and sewer rates, respectively. Dual water and dual sewer revenue are discretionary sources for watering and vary with the heat and moisture each summer. Due to an extremely dry spring and summer in 2016, dual water and sewage revenue was higher than last year.

The increase in operating expenses was primarily a direct result of the current year expense for pension and other postemployment benefits.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

There was a transfer in from the General Fund to the Water and Sewer Fund to improve the cash position of the Water and Sewer Fund using cell tower revenue.

### 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 2016, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Public Improvement Fund
- Fire Equipment Replacement Fund

### General Fund Budgetary Highlights

The General Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of the City's 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, Investment Pool Fund, and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund account 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 41 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, Michigan and Northville Township provide funding for parks and recreation activities, senior adult services, and the 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 69 percent of General Fund revenue. The General Fund contributed \$380,000 to advance fund the retiree healthcare and pension trust funds.

### **Other Major Funds Highlights**

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.

The Fire Equipment Replacement Fund allows for funds to be set aside over a period of time to meet the needs of replacing higher cost capital equipment to keep the equipment up to current standards.

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

At the end of fiscal year 2016, the City had approximately \$32 million invested in a broad range of capital assets, including buildings, police and fire equipment, infrastructure, and water and sewer lines.

The City continues to collect a dedicated millage approved by the voters in March 1997 for comprehensive improvements to streets, drains, and sidewalks. The focus of the related capital project spending continues to be in conjunction with a 20-year improvement plan, which is reviewed on an ongoing basis.

The City also utilizes a Fire Equipment Replacement Fund and a Police Equipment Replacement Fund. These funds allow for the purchase of equipment following a 20-year replacement program to keep equipment up to date and meet current standards.

The total debt outstanding at the end of the year related to governmental activities was just over \$2.4 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.

An installment purchase agreement was entered into in September 2015 to finance a portion of the fire department ladder truck purchase which will mature in 2026.

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

The taxable value of the City increased 3 percent for the next fiscal year. The City's operating millage was 13.5864 in FY 2016 and will stay the same for FY 2017. This will provide for an additional \$145,000 in general operating tax revenue. For FY 2017 the City's millage for Streets, Drainage, and Sidewalk Improvements has decreased from 1.7542 to 1.7329 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 \$36.00 to \$39.02 bimonthly effective July 1, 2016.

# City of Northville, Michigan

## Management's Discussion and Analysis (Continued)

The water and sewer rate structure is set up to cover the Great Lakes Water Authority water costs, Wayne County sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the combined water and sewer rate from \$12.15 to \$13.49 per unit, or 11 percent, effective July 1, 2016. The service charge decreased from \$5.83 to \$3.31 bimonthly due to cost savings achieved in the billing process. The savings of \$2.52 bimonthly will continue to be charged to the users of the system to pay for phase I of a multi-year meter replacement program.

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 1.46 percent from \$685 to \$695 for one-bedroom apartments.

Constitutional revenue sharing is budgeted to increase 3.9 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.

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

# City of Northville, Michigan

## Statement of Net Position June 30, 2016

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 12,589,541	\$ 885,512	\$ 13,475,053	\$ 423,239
Receivables:				
Property taxes receivable	3,679	-	3,679	-
Receivables from sales to customers on account	-	859,840	859,840	-
Accrued interest receivable	39,640	-	39,640	-
Other receivables	99,078	1,133	100,211	10
Due from other governmental units	194,192	50	194,242	-
Special assessments receivable	93,990	-	93,990	-
Internal balances	241,334	(241,334)	-	-
Inventory	74,131	53,850	127,981	-
Prepaid expenses and other assets	199,716	8,724	208,440	6,713
Restricted assets (Note 8)	289,296	-	289,296	-
Investment in joint ventures (Note 12)	547,827	-	547,827	-
Land held for resale	225,000	-	225,000	-
Capital assets (Note 5):				
Assets not subject to depreciation	3,782,351	438,655	4,221,006	-
Assets subject to depreciation	22,356,421	4,962,721	27,319,142	-
Total assets	40,736,196	6,969,151	47,705,347	429,962
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pensions (Note 9)	1,447,276	135,180	1,582,456	-
<b>Liabilities</b>				
Accounts payable	173,407	258,771	432,178	18,357
Due to other governmental units	40,976	-	40,976	-
Refundable deposits, bonds, etc.	74,770	515	75,285	-
Accrued liabilities and other	669,274	21,183	690,457	25,081
Unearned revenue	21,245	-	21,245	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	105,326	13,766	119,092	-
Current portion of long-term debt (Note 7)	250,596	-	250,596	-
Due in more than one year:				
Compensated absences (Note 7)	422,808	10,781	433,589	-
Net retiree healthcare obligation (Note 11)	1,224,618	372,558	1,597,176	-
Net pension liability (Note 9)	8,401,824	785,911	9,187,735	-
Long-term debt (Note 7)	2,167,001	-	2,167,001	-
Total liabilities	13,551,845	1,463,485	15,015,330	43,438

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

# City of Northville, Michigan

## Statement of Net Position (Continued) June 30, 2016

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net investment in capital assets	\$ 23,721,175	\$ 5,401,376	\$ 29,122,551	\$ -
Restricted for:				
Roads, streets, drainage, and sidewalk improvements	1,844,436	-	1,844,436	-
Insurance retention	162,882	-	162,882	-
Police forfeitures	39,310	-	39,310	-
Unrestricted	<u>2,863,824</u>	<u>239,470</u>	<u>3,103,294</u>	<u>386,524</u>
Total net position	<u><b>\$ 28,631,627</b></u>	<u><b>\$ 5,640,846</b></u>	<u><b>\$ 34,272,473</b></u>	<u><b>\$ 386,524</b></u>



# City of Northville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,236,124	\$ 794,567	\$ 2,728	\$ -
Public safety	3,823,810	598,155	19,050	269,093
Public works	2,469,822	22,914	657,532	16,323
Senior housing	903,582	822,508	29,635	-
Recreation and culture	257,806	118,824	-	-
Interest on long-term debt	68,318	-	-	-
Total governmental activities	9,759,462	2,356,968	708,945	285,416
Business-type activities:				
Water and sewer	2,933,959	2,538,489	-	-
Refuse and recycling	675,052	555,747	-	-
Total business-type activities	3,609,011	3,094,236	-	-
Total primary government	<b>\$ 13,368,473</b>	<b>\$ 5,451,204</b>	<b>\$ 708,945</b>	<b>\$ 285,416</b>
Component unit - Downtown Development Authority	<b>\$ 877,095</b>	<b>\$ 12,942</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Racetrack breakage				
Franchise fee revenue				
Total general revenue				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,438,829)	\$ -	\$ (1,438,829)	\$ -
(2,937,512)	-	(2,937,512)	-
(1,773,053)	-	(1,773,053)	-
(51,439)	-	(51,439)	-
(138,982)	-	(138,982)	-
(68,318)	-	(68,318)	-
(6,408,133)	-	(6,408,133)	-
-	(395,470)	(395,470)	-
-	(119,305)	(119,305)	-
-	(514,775)	(514,775)	-
(6,408,133)	(514,775)	(6,922,908)	-
-	-	-	(864,153)
5,316,091	-	5,316,091	722,341
531,475	-	531,475	-
111,139	6,801	117,940	5,140
107,591	-	107,591	-
188,044	-	188,044	9,595
6,254,340	6,801	6,261,141	737,076
(239,106)	239,106	-	-
(392,899)	(268,868)	(661,767)	(127,077)
29,024,526	5,909,714	34,934,240	513,601
<b>\$ 28,631,627</b>	<b>\$ 5,640,846</b>	<b>\$ 34,272,473</b>	<b>\$ 386,524</b>

# City of Northville, Michigan

	<u>Major Capital Projects Funds</u>		
	<u>General Fund</u>	<u>Public Improvement</u>	<u>Fire Equipment Replacement</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,963,041	\$ 2,649,946	\$ 891,340
Receivables:			
Property taxes receivable	3,679	-	-
Special assessments receivable	-	-	-
Accrued interest receivable	39,640	-	-
Other receivables	94,930	53	13
Due from other governmental units	98,303	-	-
Inventory	54,806	-	-
Prepaid expenses and other assets	189,063	1,200	-
Land held for resale	-	225,000	-
	<u>\$ 4,443,462</u>	<u>\$ 2,876,199</u>	<u>\$ 891,353</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 109,077	\$ 26,426	\$ 130
Due to other governmental units	40,976	-	-
Refundable deposits, bonds, etc.	74,770	-	-
Accrued liabilities and other	490,315	-	-
Unearned revenue	-	-	-
	<u>715,138</u>	<u>26,426</u>	<u>130</u>
Total liabilities			
<b>Deferred Inflows of Resources</b> (Note 4)	7,989	-	-
<b>Fund Balances</b>			
Nonspendable:			
Inventory/Assets held for resale	54,806	225,000	-
Prepays	189,063	1,200	-
Restricted:			
Roads	-	-	-
Police forfeitures	39,310	-	-
Streets, drains, and sidewalk improvements	1,059,075	-	-
Committed:			
Cemetery improvements	-	158,587	-
Arts commission	-	-	-
Capital projects and purchases	-	2,464,986	891,223
Parking	-	-	-
Allen Terrace	-	-	-
Debt service	-	-	-
Assigned - Other	623	-	-
Unassigned	2,377,458	-	-
	<u>3,720,335</u>	<u>2,849,773</u>	<u>891,223</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,443,462</u>	<u>\$ 2,876,199</u>	<u>\$ 891,353</u>

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

**Governmental Funds  
Balance Sheet  
June 30, 2016**

Other Nonmajor Governmental Funds	Total
\$ 4,099,855	\$ 11,604,182
-	3,679
93,990	93,990
-	39,640
3,814	98,810
95,889	194,192
-	54,806
8,566	198,829
-	225,000
<b>\$ 4,302,114</b>	<b>\$ 12,513,128</b>
\$ 35,246	\$ 170,879
-	40,976
-	74,770
30,541	520,856
21,245	21,245
87,032	828,726
77,363	85,352
-	279,806
8,566	198,829
782,646	782,646
-	39,310
-	1,059,075
943,672	1,102,259
76,432	76,432
1,314,044	4,670,253
686,144	686,144
320,881	320,881
5,334	5,334
-	623
-	2,377,458
4,137,719	11,599,050
<b>\$ 4,302,114</b>	<b>\$ 12,513,128</b>

# City of Northville, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 11,599,050
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	15,661,578
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	10,261,394
Investments in joint ventures are not financial resources and are not reported in the funds	547,827
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	77,363
Receivables that are not collected or collectible within 60 days of year end are not available to pay for current year expenditures.	7,989
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,417,597)
Interest payable is not accrued in the funds	(17,636)
Compensated absences are not included as a liability of the funds	(528,134)
Other postemployment benefits are not included as a liability of the funds	(1,224,618)
Net pension liability is due and payable in the current period and is not reported in the funds	(8,401,824)
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	1,447,276
Internal service funds are included as part of governmental activities	<u>1,618,959</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 28,631,627</u></b>

# City of Northville, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	Capital Projects Funds			Other Nonmajor Governmental Funds	Total
	General Fund	Public Improvement	Fire Equipment Replacement		
<b>Revenue</b>					
Property taxes	\$ 5,316,091	\$ -	\$ -	\$ -	\$ 5,316,091
Licenses and permits	433,619	-	-	-	433,619
Federal grants	77	-	-	-	77
State-shared revenue and grants	536,713	25,204	-	456,913	1,018,830
Cemetery sales and services	87,213	-	-	-	87,213
Charges for overhead services	198,070	-	-	-	198,070
Sales and services	543,755	-	-	28,250	572,005
Fines and forfeitures	70,804	-	-	-	70,804
Investment income	48,849	18,838	3,397	32,087	103,171
Rental income	268,320	-	-	799,811	1,068,131
Special assessments	-	-	-	133,919	133,919
Local contribution	130,960	-	262,593	182,925	576,478
Racetrack breakage	13,630	93,961	-	-	107,591
Michigan Housing Authority subsidies	-	-	-	29,635	29,635
Other	24,327	11,010	-	144,450	179,787
<b>Total revenue</b>	<b>7,672,428</b>	<b>149,013</b>	<b>265,990</b>	<b>1,807,990</b>	<b>9,895,421</b>
<b>Expenditures - Current</b>					
General government	1,647,694	13,431	-	-	1,661,125
Cemetery	124,957	-	-	-	124,957
Public safety:					
Police department	2,605,001	-	-	59,874	2,664,875
Fire department	792,527	-	1,111,866	-	1,904,393
Public works	534,618	37,477	-	582,382	1,154,477
Senior housing	-	-	-	724,406	724,406
Recreation and culture	218,325	8,450	-	121,576	348,351
Contribution to MERS Trusts	380,000	-	-	-	380,000
Debt service	6,242	-	-	269,539	275,781
<b>Total expenditures</b>	<b>6,309,364</b>	<b>59,358</b>	<b>1,111,866</b>	<b>1,757,777</b>	<b>9,238,365</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,363,064</b>	<b>89,655</b>	<b>(845,876)</b>	<b>50,213</b>	<b>657,056</b>
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	462,596	-	-	-	462,596
Transfers in (Note 6)	55,037	409,056	626,718	521,207	1,612,018
Transfers out (Note 6)	(1,444,907)	(115,037)	-	(291,180)	(1,851,124)
<b>Total other financing (uses) sources</b>	<b>(927,274)</b>	<b>294,019</b>	<b>626,718</b>	<b>230,027</b>	<b>223,490</b>
<b>Net Change in Fund Balances</b>	<b>435,790</b>	<b>383,674</b>	<b>(219,158)</b>	<b>280,240</b>	<b>880,546</b>
<b>Fund Balances - Beginning of year</b>	<b>3,284,545</b>	<b>2,466,099</b>	<b>1,110,381</b>	<b>3,857,479</b>	<b>10,718,504</b>
<b>Fund Balances - End of year</b>	<b>\$ 3,720,335</b>	<b>\$ 2,849,773</b>	<b>\$ 891,223</b>	<b>\$ 4,137,719</b>	<b>\$ 11,599,050</b>

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

# 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, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 880,546
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	(840,137)
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	(46,014)
Change in long-term debt as a result of the issuance of new debt that is recognized in the statement of activities when received; it is not reported in the funds statements	(462,596)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(116,542)
Contribution of capital assets recognized in the statement of activities, but not in the governmental funds	16,607
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	(2,537)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	210,000
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	(21,673)
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	219,489
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.	(113,103)
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	282
Internal service funds are included as part of governmental activities	(117,221)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (392,899)</b>

# City of Northville, Michigan

## Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 786,645	\$ 98,867	\$ 885,512	\$ 985,359
Receivables	770,734	90,289	861,023	268
Inventory	53,850	-	53,850	19,325
Prepaid expenses and other assets	8,094	630	8,724	887
Total current assets	1,619,323	189,786	1,809,109	1,005,839
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	289,296
Capital assets (Note 5):				
Assets not subject to depreciation	438,655	-	438,655	-
Assets subject to depreciation	4,926,522	36,199	4,962,721	215,800
Total noncurrent assets	5,365,177	36,199	5,401,376	505,096
Total assets	6,984,500	225,985	7,210,485	1,510,935
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pensions	123,981	11,199	135,180	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	227,333	31,438	258,771	2,528
Refundable deposits, bonds, etc.	515	-	515	-
Accrued liabilities and other	19,444	1,739	21,183	130,782
Current portion of compensated absences (Note 7)	11,532	2,234	13,766	4,530
Total current liabilities	258,824	35,411	294,235	137,840
Noncurrent liabilities:				
Compensated absences - Net of current portion (Note 7)	9,032	1,749	10,781	3,548
Net retiree healthcare obligation (Note 11)	338,720	33,838	372,558	-
Net pension liability (Note 9)	720,889	65,022	785,911	-
Total noncurrent liabilities	1,068,641	100,609	1,169,250	3,548
Total liabilities	1,327,465	136,020	1,463,485	141,388
<b>Net Position</b>				
Net investment in capital assets	5,365,177	36,199	5,401,376	215,800
Restricted - Insurance retention	-	-	-	162,882
Unrestricted	415,839	64,965	480,804	990,865
Total net position	<u>\$ 5,781,016</u>	<u>\$ 101,164</u>	5,882,180	<u>\$ 1,369,547</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			(241,334)	
<b>Net Position of Business-type Activities</b>			<u>\$ 5,640,846</u>	



# City of Northville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
<b>Operating Revenue</b>				
Sales to customers	\$ 2,538,419	\$ 555,139	\$ 3,093,558	\$ -
Rental income	70	-	70	295,738
Recoveries	-	-	-	5,168
Other revenue	-	608	608	16,526
Total operating revenue	<u>2,538,489</u>	<u>555,747</u>	<u>3,094,236</u>	<u>317,432</u>
<b>Operating Expenses</b>				
General operating and maintenance	2,185,182	531,230	2,716,412	280,210
Claims	-	-	-	141,735
Compensation payouts	-	-	-	11,529
Other expenses	464,005	140,285	604,290	-
Depreciation	240,642	3,537	244,179	73,552
Total operating expenses	<u>2,889,829</u>	<u>675,052</u>	<u>3,564,881</u>	<u>507,026</u>
<b>Operating Loss</b>	(351,340)	(119,305)	(470,645)	(189,594)
<b>Nonoperating Revenue</b>				
Investment income	6,017	784	6,801	16,710
Gain on sale of assets	-	-	-	1,430
<b>Loss - Before contributions</b>	<u>(345,323)</u>	<u>(118,521)</u>	<u>(463,844)</u>	<u>(171,454)</u>
<b>Transfers in (Note 6)</b>	<u>239,106</u>	<u>-</u>	<u>239,106</u>	<u>-</u>
<b>Change in Net Position</b>	(106,217)	(118,521)	(224,738)	(171,454)
<b>Net Position - Beginning of year</b>	<u>5,887,233</u>	<u>219,685</u>	<u>6,106,918</u>	<u>1,541,001</u>
<b>Net Position - End of year</b>	<u><u>\$ 5,781,016</u></u>	<u><u>\$ 101,164</u></u>	<u><u>\$ 5,882,180</u></u>	<u><u>\$ 1,369,547</u></u>
<b>Net Change in Net Position - Total enterprise funds</b>			\$ (224,738)	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities			<u>(44,130)</u>	
<b>Change in Net Position of Business-type Activities</b>			<u><u>\$ (268,868)</u></u>	

# City of Northville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 2,376,465	\$ 553,924	\$ 2,930,389	\$ 295,482
Payments to suppliers/insurance claims	(1,978,140)	(532,745)	(2,510,885)	(275,142)
Payments to employees	(497,364)	(65,854)	(563,218)	(145,338)
Other receipts	-	-	-	23,124
Net cash used in operating activities	(99,039)	(44,675)	(143,714)	(101,874)
<b>Cash Flows from Noncapital Financing Activities -</b>				
Transfers from other funds	239,106	-	239,106	-
<b>Cash Flows from Capital and Related Financing</b>				
<b>Activities - Purchase of capital assets</b>	(33,463)	(13,501)	(46,964)	(26,189)
<b>Cash Flows from Investing Activities - Interest received</b>				
on investments	6,017	784	6,801	16,710
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	112,621	(57,392)	55,229	(111,353)
<b>Cash and Cash Equivalents - Beginning of year</b>	674,024	156,259	830,283	1,386,008
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 786,645</u>	<u>\$ 98,867</u>	<u>\$ 885,512</u>	<u>\$ 1,274,655</u>
<b>Balance Sheet Classification of Cash and Cash</b>				
<b>Equivalents</b>				
Cash and investments	\$ 786,645	\$ 98,867	\$ 885,512	\$ 985,359
Restricted cash	-	-	-	289,296
Total cash and cash equivalents	<u>\$ 786,645</u>	<u>\$ 98,867</u>	<u>\$ 885,512</u>	<u>\$ 1,274,655</u>
<b>Reconciliation of Operating Loss to Net Cash from</b>				
<b>Operating Activities</b>				
Operating loss	\$ (351,340)	\$ (119,305)	\$ (470,645)	\$ (189,594)
Adjustments to reconcile operating loss to net cash				
from operating activities:				
Depreciation and amortization	240,642	3,537	244,179	73,552
Changes in assets and liabilities:				
Receivables	(162,024)	(1,826)	(163,850)	(268)
Inventories	(5,154)	-	(5,154)	(4,491)
Prepaid and other assets	(4,076)	(356)	(4,432)	(242)
Accounts payable	33,982	(13,683)	20,299	(17,214)
Accrued and other liabilities	210,730	98,157	308,887	36,383
Net pension liability	(61,799)	(11,199)	(72,998)	-
Net cash used in operating activities	<u>\$ (99,039)</u>	<u>\$ (44,675)</u>	<u>\$ (143,714)</u>	<u>\$ (101,874)</u>

# City of Northville, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 144,869	\$ 262
Other receivables	3	-
Total assets	144,872	<u>\$ 262</u>
<b>Liabilities</b>		
Accounts payable	33	\$ 6
Due to other governmental units	-	256
Total liabilities	33	<u>\$ 262</u>
<b>Net Position Held in Trust</b>	<u>\$ 144,839</u>	

# City of Northville, Michigan

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## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2016

	Private Purpose Trust - Allen Terrace Trust Fund
<b>Additions</b> - Interest and dividends	\$ 1,185
<b>Deductions</b> - Rent subsidies	<u>2,787</u>
<b>Net Decrease in Net Position Held in Trust</b>	(1,602)
<b>Net Position Held in Trust</b> - Beginning of year	<u>146,441</u>
<b>Net Position Held in Trust</b> - End of year	<u><u>\$ 144,839</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 (the "City"):

#### **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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 revenue 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 revenue was 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.
- 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.
- Fire Equipment Replacement Fund - The Fire Equipment Replacement Fund is a Capital Projects Fund that accounts for the long-term capital needs of the fire department.

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

**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 funds as “major” enterprise funds:

- The Water and Sewer Fund provides water to customers, and disposes of sanitary sewage in exchange for bimonthly user charges.
- The Refuse and Recycling Fund provides refuse and recycling services to customers in exchange for 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 the following:

- 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.

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.

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

#### **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.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is 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.

**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 Assets** - Restricted assets represent 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.



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

**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 acquisition value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
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

**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.

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

#### **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 1 - 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 2015 taxable valuation of the City totaled \$329 million (net of captured taxable value of \$24 million), on which taxes levied consisted of 13.5864 mills for the City's operating purposes and 1.7542 mills for street improvements. The ad valorem taxes levied raised approximately \$4.47 million for operations and \$577,000 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 revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer Fund and internal service funds is 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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, 2016

### 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, 2015		\$	(719,627)
Current year permit revenue			220,666
Related expenses:			
Direct costs	\$	80,010	
Estimated indirect costs		124,732	204,742
			<u>15,924</u>
Current year excess			<u>15,924</u>
Cumulative shortfall at June 30, 2016		\$	<u>(703,703)</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 three 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, 2016

### 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 \$2,023,543 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
<b>Primary Government</b>		
Commercial paper	\$ 1,129,732	191 days
U.S. Treasury	3,613,444	747 days
Federal Agency Bond	7,759,587	767 days
Supra National Agency Bond	1,021,006	503 days
Municipal bonds	49,950	63 days
Total	\$ 13,573,719	

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### 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
<b>Primary Government</b>			
Money markets	\$ 13,085	AAAm	S&P
Commercial paper	1,129,732	A-1	S&P
U.S. Treasury	3,613,444	AA+	S&P
Federal Agency Bond	7,759,587	AA+	S&P
Supra National Agency Bond	1,021,006	AAA	S&P
Municipal bonds	49,950	SP-1	S&P
Total	<u>\$ 13,586,804</u>		

**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, 2016, more than 5 percent of the City's investments are in the following federal agency securities:

Federal Home Loan Banks	13%
Fannie Mae	33%
Freddie Mac	10%
International Bank for Reconstruction & Development	6%

**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, 2016, the carrying amount of the cash and investments for the DDA and the Parks and Recreation Commission was \$423,239 and \$1,826,272, respectively.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.



# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2016:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 3,613,444	\$ -	\$ 3,613,444	\$ -
Supra national agency bonds	1,021,006	-	1,021,006	-
Federal agency bonds	7,759,587	-	7,759,587	-
Municipal bonds	49,950	-	49,950	-
Commercial paper	1,129,732	-	1,129,732	-
Total investments by fair value level	13,573,719	\$ -	\$ 13,573,719	\$ -
Investments measured at the net asset value (NAV) - Money market	13,085			
Total investments measured at fair value	\$ 13,586,804			

The fair value of debt securities at June 30, 2016 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

The City holds money market investments in the Governments of Michigan Investing Cooperative Program. These investments are measured at the net asset value (NAV) per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the cooperative program that is recorded at amortized cost.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### 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 \$77,363 in unavailable revenue related to special assessments and \$7,989 in unavailable revenue related to amounts that had not been received within the period of availability.

### Note 5 - Capital Assets

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

	Balance July 1, 2015	Additions	Reclassifications	Disposals	Balance June 30, 2016
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 3,611,236	\$ -	\$ -	\$ -	\$ 3,611,236
Construction in progress	54,879	53,962	(57,698)	-	51,143
Other nondepreciable assets	93,785	-	26,187	-	119,972
Subtotal	3,759,900	53,962	(31,511)	-	3,782,351
Capital assets being depreciated:					
Roads, sidewalks, and bridges	29,656,208	6,194	-	-	29,662,402
Parking system	5,596,142	-	-	-	5,596,142
Buildings and improvements	10,874,038	-	-	-	10,874,038
Machinery and equipment	2,227,966	90,586	-	15,373	2,303,179
Vehicles	2,176,691	818,359	-	20,600	2,974,450
Streetscape	5,330,109	-	-	-	5,330,109
Subtotal	55,861,154	915,139	-	35,973	56,740,320
Accumulated depreciation:					
Infrastructure	18,509,374	913,433	-	-	19,422,807
Parking system	2,273,438	133,397	-	-	2,406,835
Buildings and improvements	6,892,911	276,410	-	-	7,169,321
Machinery and equipment	1,829,196	96,535	-	15,373	1,910,358
Vehicles	1,695,666	125,588	-	20,600	1,800,654
Streetscape	1,410,516	263,408	-	-	1,673,924
Subtotal	32,611,101	1,808,771	-	35,973	34,383,899
Net capital assets being depreciated	23,250,053	(893,632)	-	-	22,356,421
Net capital assets	\$ 27,009,953	\$ (839,670)	\$ (31,511)	\$ -	\$ 26,138,772

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
<b>Business-type Activities</b>				
Capital assets not being depreciated - Construction in progress	\$ 405,191	\$ 33,464	\$ -	\$ 438,655
Capital assets being depreciated:				
Water and sewer lines	11,219,915	-	-	11,219,915
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling systems	51,384	13,500	-	64,884
Subtotal	11,292,834	13,500	-	11,306,334
Accumulated depreciation:				
Water and sewer lines	6,052,750	240,642	-	6,293,392
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	25,149	3,537	-	28,686
Subtotal	6,099,434	244,179	-	6,343,613
Net capital assets being depreciated	5,193,400	(230,679)	-	4,962,721
Net capital assets	<u>\$ 5,598,591</u>	<u>\$ (197,215)</u>	<u>\$ -</u>	<u>\$ 5,401,376</u>

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

<b>Governmental activities:</b>	
General government	\$ 105,675
Public safety	113,168
Public works	1,311,445
Senior housing	182,674
Recreation and culture	22,257
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>73,552</u>
Total governmental activities	<u>\$ 1,808,771</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 240,642
Refuse and recycling	<u>3,537</u>
Total business-type activities	<u>\$ 244,179</u>

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### 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	\$ 41,171	\$ 30,729
East Street Watermain	387,074	9,000
Downtown Wayfinding	106,577	7,857
Rayson Street (Major)	3,705	81,887
Rayson Street (Local)	3,508	86,746
Elmsmere Reconstruction	6,150	154,340
Horton Street Reconstruction	2,288	57,878
Fish Hatchery	25,143	9,757
E. Main Street Sewer Lining	14,170	24,944
Rayson Street Water Main	1,140	5,000
S. Wing St. Improvement	3,588	3,938
Walnut Street Improvement	2,563	2,813
S. Wing St. Water Main	2,255	2,475
Walnut St. Water Main	1,845	2,025
Total	<u>\$ 601,177</u>	<u>\$ 479,389</u>

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### 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) \$ 347,000
	Water and Sewer Fund	(1) 239,106
	Fire Equipment Replacement Fund	(1) 596,718
	Other nonmajor governmental funds	(1) <u>262,083</u>
	Total General Fund	1,444,907
Public Improvement Fund	General Fund	(2) 55,037
	Fire Equipment Replacement Fund	(1) 30,000
	Other nonmajor governmental funds	(1) <u>30,000</u>
	Total Public Improvement Fund	115,037
Other nonmajor governmental funds	Public Improvement Fund	(1) 62,056
	Other nonmajor governmental funds	(1) <u>229,124</u>
	Total other nonmajor governmental funds	<u>291,180</u>
Total	<u>\$ 1,851,124</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.

### 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.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

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

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 2023	2.14%	\$ 700,000	\$ -	\$ 80,000	\$ 620,000	\$ 80,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	1,465,000	-	130,000	1,335,000	130,000
Installment Purchase Agreement - Maturing through 2026	2.57%	-	462,597	-	462,597	40,596
Total bonds payable		2,165,000	462,597	210,000	2,417,597	250,596
Accumulated compensated absences		516,553	30,201	18,620	528,134	105,326
Total governmental activities		\$ 2,681,553	\$ 492,798	\$ 228,620	\$ 2,945,731	\$ 355,922
Business-type activities - Accumulated compensated absences		\$ 34,559	\$ -	\$ 10,012	\$ 24,547	\$ 13,766

Total interest expense for the year was approximately \$60,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2017	\$ 250,596	\$ 65,164	\$ 315,760
2018	262,000	58,308	320,308
2019	273,000	51,158	324,158
2020	279,000	43,773	322,773
2021	286,000	36,196	322,196
2022-2026	1,067,001	69,971	1,136,972
Total	\$ 2,417,597	\$ 324,570	\$ 2,742,167

**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, 2016, \$1,305,000 of bonds outstanding is considered defeased.

### Note 8 - Restricted Assets

The balances of restricted cash accounts are as follows:

	<u>Governmental Activities</u>
Funds held for insurance claims	<u>\$ 289,296</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 of Northville, Michigan and the Northville Parks and Recreation Commission 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](http://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 nonunion 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 nonunion 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 2 percent, noncompounding.

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, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>10</u>
Total employees covered by MERS	<u><u>82</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, 2016, the active police employee contribution rate was 2.65 percent of annual pay and the City's annual required contribution was \$851,664, of which \$51,840 is attributable to the Parks and Recreation Commission.



# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

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

#### Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 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
<b>Balance at December 31, 2014</b>	\$ 19,126,558	\$ 10,886,450	\$ 8,240,108
Service cost	105,071	-	105,071
Interest	1,518,738	-	1,518,738
Differences between expected and actual experience	(45,461)	-	(45,461)
Changes in assumptions	881,953	-	881,953
Contributions - Employer	-	1,307,640	(1,307,640)
Contributions - Employee	-	11,969	(11,969)
Net investment income	-	(167,140)	167,140
Benefit payments, including refunds	(1,540,297)	(1,540,297)	-
Administrative expenses	-	(23,783)	23,783
Net changes	920,004	(411,611)	1,331,615
<b>Balance at December 31, 2015</b>	<u>\$ 20,046,562</u>	<u>\$ 10,474,839</u>	<u>\$ 9,571,723</u>

At June 30, 2016, the City reported a liability of \$9,187,735 for its proportionate share of the net pension liability.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,834,248. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 923,002
Employer contributions to the plan subsequent to the measurement date	659,454
Total	<u>\$ 1,582,456</u>

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 (\$659,454), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending June 30	Amount
2017	\$ 240,144
2018	240,144
2019	240,144
2020	202,570

**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	2.50%
Salary increases	3.75% Average, including inflation
Investment rate of return	8.00% Net of pension plan investment expense, including inflation

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

Mortality rates were based on a 50 percent male and 50 percent female blend of the following table:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disable retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 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.

#### 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, 2015, 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 %	5.02 %
Global fixed income	20 %	2.18 %
Real assets	13 %	4.23 %
Diversifying strategies	10 %	6.56 %

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the plan, calculated using the discount rate of 8.0 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the plan	\$ 11,551,791	\$ 9,571,723	\$ 7,880,866

**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](http://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 \$3,676,509. The current year contribution was calculated based on covered payroll of \$1,900,127, resulting in an employer contribution of \$191,912.

### Note 11 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible City and Parks and Recreation 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 December 31, 2015, the date of the last actuarial valuation, the plan had 77 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 77 members, 17 retirees and 8 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.

**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 12 employees participating in this plan. In accordance with these requirements, the City contributed \$10,661 and employees contributed \$5,330 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 \$707 for the one AFSCME employee. Finally, there are nine police officers (POAM, COAM, Non-union) who have employee-only contributions to the plan which totaled \$1,840.

# City of Northville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 11 - Other Postemployment Benefits (Continued)

The City funded 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2016, the City made premium payments of \$642,121 and contributed an additional \$414,250 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 2016, total member contributions were \$17,165.

**Funding Progress** - For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. 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 28 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 993,116
ARC adjustment	(56,741)
Interest on the prior year's net OPEB obligation	<u>68,085</u>
Annual OPEB cost	1,004,460
Amounts contributed:	
Payments of current premiums	(674,418)
Advance funding	<u>(435,085)</u>
Decrease in net OPEB obligation	(105,043)
OPEB obligation - Beginning of year	<u>1,702,219</u>
OPEB obligation - End of year	<u>\$ 1,597,176</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
6/30/14	6/30/14	\$ 834,233	135.4	\$ 1,811,243
6/30/15	6/30/14	852,767	112.8	1,702,219
6/30/16	12/31/15	1,004,460	110.4	1,597,176

### Note 11 - Other Postemployment Benefits (Continued)

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
6/30/13	\$ 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
12/31/15	7,500,415	20,505,136	13,004,721	36.6	2,689,840	483.5

**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 December 31, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return, and an annual healthcare cost trend rate of 8.50 percent initially, reduced to an ultimate rate of 5 percent after eight years for current retirees. The expected long-term inflation assumption used was 2.5 percent. A discount rate of 4 percent was used. 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 as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2015 was 28 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, 2016, the investment in the Recreation Commission was \$527,123. During the current year, the City contributed \$192,883 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 Recreation Commission is the City of Northville, Michigan. Accordingly, employees and retirees of the Recreation 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 Recreation Commission for its pro-rata share of employee fringe benefit costs in the same manner as city departments are charged for fringe benefits. The Recreation 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 \$278,118 for fringe benefit expenditures during the year ended June 30, 2016.

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, 2016, the investment in the Commission was \$20,704. During the current year, the City contributed \$17,750 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 2016, the City paid \$813,578 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, 2016, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

### **Note 14 - Upcoming Accounting Pronouncements**

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 OPEB plan. 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.

## **Required Supplemental Information**

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# City of Northville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,230,374	\$ 5,319,661	\$ 5,316,091	\$ (3,570)
Licenses and permits	354,690	415,635	433,619	17,984
Federal grants	-	77	77	-
State-shared revenue and grants	558,409	534,380	536,713	2,333
Cemetery	70,000	85,500	87,213	1,713
Charges for overhead services	200,620	198,070	198,070	-
Sales and services	557,169	568,205	543,755	(24,450)
Fines and forfeitures	45,800	70,750	70,804	54
Investment income	4,500	32,383	48,849	16,466
Rental income	146,849	268,318	268,320	2
Local contribution	130,960	130,960	130,960	-
Racetrack breakage	19,360	16,358	13,630	(2,728)
Other	32,140	25,904	24,327	(1,577)
<b>Total revenue</b>	<b>7,350,871</b>	<b>7,666,201</b>	<b>7,672,428</b>	<b>6,227</b>
<b>Expenditures - Current</b>				
General government:				
City Council	14,145	14,745	13,401	1,344
City manager	318,395	323,255	322,702	553
Finance and administrative services	287,810	296,242	296,208	34
Technology costs	111,830	148,820	134,359	14,461
Tax and assessing	231,518	195,245	175,563	19,682
City clerk	113,325	117,810	116,290	1,520
Clerk - Elections	47,699	48,939	46,329	2,610
Buildings and grounds	201,620	179,830	154,343	25,487
City attorney	84,000	107,000	95,649	11,351
Planning, zoning, and inspection	335,215	287,095	259,183	27,912
Insurance	28,400	13,065	13,063	2
Central supply	23,080	23,080	20,604	2,476
Cemetery	131,750	128,655	124,957	3,698
Public safety:				
Police	2,726,358	2,661,654	2,605,001	56,653
Fire	833,620	833,620	792,527	41,093
Public works:				
Civic events	34,270	34,620	33,068	1,552
Parking system	129,500	95,015	94,158	857
Administration	180,557	244,315	242,220	2,095
Street lighting and miscellaneous public works	179,570	160,640	160,586	54
Beautification	5,750	5,210	4,586	624
Recreation and culture	218,328	218,328	218,325	3
Pension and OPEB trust contributions	200,000	380,000	380,000	-
Debt service	-	6,245	6,242	3
<b>Total expenditures</b>	<b>6,436,740</b>	<b>6,523,428</b>	<b>6,309,364</b>	<b>214,064</b>
<b>Excess of Revenue Over Expenditures</b>	<b>914,131</b>	<b>1,142,773</b>	<b>1,363,064</b>	<b>220,291</b>
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	-	462,596	462,596	-
Transfers in	20,000	55,040	55,037	(3)
Transfers out	(580,418)	(1,268,779)	(1,444,907)	(176,128)
<b>Total other financing uses</b>	<b>(560,418)</b>	<b>(751,143)</b>	<b>(927,274)</b>	<b>(176,131)</b>
<b>Net Change in Fund Balance</b>	<b>353,713</b>	<b>391,630</b>	<b>435,790</b>	<b>44,160</b>
<b>Fund Balance - Beginning of year</b>	<b>3,284,545</b>	<b>3,284,545</b>	<b>3,284,545</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 3,638,258</b>	<b>\$ 3,676,175</b>	<b>\$ 3,720,335</b>	<b>\$ 44,160</b>

# City of Northville, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2016

**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 of 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.

# City of Northville, Michigan

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

	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 105,071	\$ 108,463
Interest	1,518,738	1,508,044
Changes in benefit terms	-	-
Differences between expected and actual experience	(45,461)	-
Changes in assumptions	881,953	-
Benefit payments, including refunds	(1,540,297)	(1,430,069)
<b>Net Change in Total Pension Liability</b>	920,004	186,438
<b>Total Pension Liability - Beginning of year</b>	19,126,558	18,940,120
<b>Total Pension Liability - End of year</b>	<b>\$ 20,046,562</b>	<b>\$ 19,126,558</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,307,640	\$ 1,099,108
Contributions - Member	11,969	11,676
Net investment income	(167,140)	661,980
Administrative expenses	(23,783)	(24,342)
Benefit payments, including refunds	(1,540,297)	(1,430,069)
<b>Net Change in Plan Fiduciary Net Position</b>	(411,611)	318,353
<b>Plan Fiduciary Net Position - Beginning of year</b>	10,886,450	10,568,097
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 10,474,839</b>	<b>\$ 10,886,450</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 9,571,723</b>	<b>\$ 8,240,108</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	52.25 %	56.92 %
<b>Covered Employee Payroll</b>	\$ 825,019	\$ 855,589
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	1,160.2 %	963.1 %

# City of Northville, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 851,664	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696	\$ 558,240	\$ 544,825	\$ 541,632	\$ 586,128
Contributions in relation to the actuarially determined contribution	1,307,640	1,099,108	1,042,329	717,456	663,972	639,696	558,240	544,825	541,632	586,128
<b>Contribution Deficiency (Excess)</b>	<b>\$ (455,976)</b>	<b>\$ (256,252)</b>	<b>\$ (282,309)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 825,019</b>	<b>\$ 855,589</b>	<b>\$ 1,051,567</b>	<b>\$ 1,189,266</b>	<b>\$ 1,321,194</b>	<b>\$ 1,430,837</b>	<b>\$ 1,801,142</b>	<b>\$ 1,818,683</b>	<b>\$ 1,878,443</b>	<b>\$ 2,149,100</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>158.5 %</b>	<b>128.5 %</b>	<b>99.1 %</b>	<b>60.3 %</b>	<b>50.3 %</b>	<b>44.7 %</b>	<b>31.0 %</b>	<b>30.0 %</b>	<b>28.8 %</b>	<b>27.3 %</b>

### 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	23 years
Asset valuation method	10-year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	8.00%
Retirement age	60
Mortality	50% female/50% male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105%), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50% male and 50% female blend.
Other information	None

## **Other Supplemental Information**

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# City of Northville, Michigan

## Other Supplemental Information Combining Balance Sheet General Fund June 30, 2016

	Combining General Fund				
	General Fund	Street, Drainage, and Sidewalk Improvement	Interfund Investment Pool	Payroll	Total
<b>Assets</b>					
Cash and investments	\$ 2,794,958	\$ 1,060,261	\$ (39,640)	\$ 147,462	\$ 3,963,041
Receivables:					
Property taxes receivable	3,679	-	-	-	3,679
Accrued interest receivable	-	-	39,640	-	39,640
Other receivables	93,583	26	-	1,321	94,930
Due from other governmental units	98,303	-	-	-	98,303
Inventory	54,806	-	-	-	54,806
Prepaid expenses and other assets	78,089	-	-	110,974	189,063
	<u>\$ 3,123,418</u>	<u>\$ 1,060,287</u>	<u>\$ -</u>	<u>\$ 259,757</u>	<u>\$ 4,443,462</u>
<b>Total assets</b>					
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 108,817	\$ 259	\$ -	\$ 1	\$ 109,077
Due to other governmental units	21,656	-	-	19,320	40,976
Refundable deposits, bonds, etc.	74,770	-	-	-	74,770
Accrued liabilities and other	248,926	953	-	240,436	490,315
	<u>454,169</u>	<u>1,212</u>	<u>-</u>	<u>259,757</u>	<u>715,138</u>
<b>Total liabilities</b>					
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	7,989	-	-	-	7,989
<b>Fund Balances</b>					
Nonspendable:					
Inventory/Assets held for resale	54,806	-	-	-	54,806
Prepays	78,089	-	-	110,974	189,063
Restricted:					
Police forfeitures	39,310	-	-	-	39,310
Streets, drains, and sidewalk improvements	-	1,059,075	-	-	1,059,075
Assigned - Other	623	-	-	-	623
Unassigned	2,488,432	-	-	(110,974)	2,377,458
	<u>2,661,260</u>	<u>1,059,075</u>	<u>-</u>	<u>-</u>	<u>3,720,335</u>
<b>Total fund balances</b>					
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,123,418</u>	<u>\$ 1,060,287</u>	<u>\$ -</u>	<u>\$ 259,757</u>	<u>\$ 4,443,462</u>

# City of Northville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General Fund Year Ended June 30, 2016

	Combining General Fund				Total
	General Fund	Street, Drainage, and Sidewalk Improvement	Interfund Investment Pool	Payroll	
<b>Revenue</b>					
Property taxes	\$ 4,730,961	\$ 585,130	\$ -	\$ -	\$ 5,316,091
Licenses and permits	433,619	-	-	-	433,619
Federal grants	77	-	-	-	77
State-shared revenue and grants	536,713	-	-	-	536,713
Sales and services:					
Cemetery sales	87,213	-	-	-	87,213
Charges to other funds	198,070	-	-	-	198,070
Charges for services to external parties	543,755	-	-	-	543,755
Fines and forfeitures	70,804	-	-	-	70,804
Investment income	39,659	9,190	-	-	48,849
Rental income	268,320	-	-	-	268,320
Other revenue:					
Local contribution	130,960	-	-	-	130,960
Racetrack breakage	13,630	-	-	-	13,630
Other	24,327	-	-	-	24,327
Total revenue	7,078,108	594,320	-	-	7,672,428
<b>Expenditures</b>					
Current:					
General government	1,647,694	-	-	-	1,647,694
Cemetery	124,957	-	-	-	124,957
Public safety:					
Police department	2,605,001	-	-	-	2,605,001
Fire department	792,527	-	-	-	792,527
Public works	534,618	-	-	-	534,618
Recreation and culture	218,325	-	-	-	218,325
Pension/OPEB contributions	380,000	-	-	-	380,000
Debt service	6,242	-	-	-	6,242
Total expenditures	6,309,364	-	-	-	6,309,364
<b>Excess of Revenue Over Expenditures</b>	768,744	594,320	-	-	1,363,064
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	462,596	-	-	-	462,596
Transfers in	55,037	-	-	-	55,037
Transfers out	(1,235,914)	(208,993)	-	-	(1,444,907)
Total other financing uses	(718,281)	(208,993)	-	-	(927,274)
<b>Net Change in Fund Balances</b>	50,463	385,327	-	-	435,790
<b>Fund Balances - Beginning of year</b>	2,610,797	673,748	-	-	3,284,545
<b>Fund Balances - End of year</b>	<b>\$ 2,661,260</b>	<b>\$ 1,059,075</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,720,335</b>

# City of Northville, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Parking	Housing Commission
<b>Assets</b>				
Cash and investments	\$ 538,035	\$ 172,869	\$ 669,656	\$ 366,247
Special assessments receivable	-	-	93,990	-
Receivables - Net - Other receivables	36	42	15	1,895
Due from other governmental units	48,673	47,216	-	-
Prepaid expenses and other assets	1,081	1,634	-	5,851
<b>Total assets</b>	<b>\$ 587,825</b>	<b>\$ 221,761</b>	<b>\$ 763,661</b>	<b>\$ 373,993</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,873	\$ 4,593	\$ 154	\$ 12,865
Accrued liabilities and other	4,435	8,324	-	13,151
Unearned revenue	-	-	-	21,245
<b>Total liabilities</b>	<b>11,308</b>	<b>12,917</b>	<b>154</b>	<b>47,261</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>-</b>	<b>-</b>	<b>77,363</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable - Prepays	1,081	1,634	-	5,851
Restricted - Roads	575,436	207,210	-	-
Committed:				
Cemetery improvements	-	-	-	-
Arts commission	-	-	-	-
Capital projects and purchases	-	-	-	-
Parking	-	-	686,144	-
Allen Terrace	-	-	-	320,881
Debt service	-	-	-	-
<b>Total fund balances</b>	<b>576,517</b>	<b>208,844</b>	<b>686,144</b>	<b>326,732</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 587,825</b>	<b>\$ 221,761</b>	<b>\$ 763,661</b>	<b>\$ 373,993</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Housing Commission Capital Outlay	
\$ 943,867	\$ 87,122	\$ 2,554	\$ 2,780	\$ 207,801	\$ 1,108,924	\$ 4,099,855
-	-	-	-	-	-	93,990
21	1	-	-	1,780	24	3,814
-	-	-	-	-	-	95,889
-	-	-	-	-	-	8,566
<b>\$ 943,888</b>	<b>\$ 87,123</b>	<b>\$ 2,554</b>	<b>\$ 2,780</b>	<b>\$ 209,581</b>	<b>\$ 1,108,948</b>	<b>\$ 4,302,114</b>

\$ 216	\$ 6,060	\$ -	\$ -	\$ 46	\$ 4,439	\$ 35,246
-	4,631	-	-	-	-	30,541
-	-	-	-	-	-	21,245
216	10,691	-	-	46	4,439	87,032
-	-	-	-	-	-	77,363
-	-	-	-	-	-	8,566
-	-	-	-	-	-	782,646
943,672	-	-	-	-	-	943,672
-	76,432	-	-	-	-	76,432
-	-	-	-	209,535	1,104,509	1,314,044
-	-	-	-	-	-	686,144
-	-	-	-	-	-	320,881
-	-	2,554	2,780	-	-	5,334
943,672	76,432	2,554	2,780	209,535	1,104,509	4,137,719
<b>\$ 943,888</b>	<b>\$ 87,123</b>	<b>\$ 2,554</b>	<b>\$ 2,780</b>	<b>\$ 209,581</b>	<b>\$ 1,108,948</b>	<b>\$ 4,302,114</b>

# City of Northville, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Parking	Housing Commission
<b>Revenue</b>				
State-shared revenue and grants	\$ 271,852	\$ 185,061	\$ -	\$ -
Sales and services	-	142	-	8,083
Investment income	3,824	1,438	5,161	3,139
Rental income	-	-	-	799,811
Other revenue:				
Special assessments	-	-	133,919	-
Local contribution	-	-	-	-
Michigan Broadband Authority	-	-	-	29,635
Other	-	-	5,111	14,614
Total revenue	<u>275,676</u>	<u>186,641</u>	<u>144,191</u>	<u>855,282</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Public works	263,570	308,028	10,784	-
Health and welfare	-	-	-	614,341
Recreation and culture	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>263,570</u>	<u>308,028</u>	<u>10,784</u>	<u>614,341</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	12,106	(121,387)	133,407	240,941
<b>Other Financing Sources (Uses)</b>				
Transfers in	87,707	121,286	-	15,090
Transfers out	-	-	-	(229,124)
Total other financing sources (uses)	<u>87,707</u>	<u>121,286</u>	<u>-</u>	<u>(214,034)</u>
<b>Net Change in Fund Balances</b>	99,813	(101)	133,407	26,907
<b>Fund Balances - Beginning of year</b>	<u>476,704</u>	<u>208,945</u>	<u>552,737</u>	<u>299,825</u>
<b>Fund Balances - End of year</b>	<u>\$ 576,517</u>	<u>\$ 208,844</u>	<u>\$ 686,144</u>	<u>\$ 326,732</u>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016**

Special Revenue Funds		Debt Service Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Housing Commission Capital Outlay	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,913
20,025	-	-	-	-	-	28,250
7,698	449	-	-	1,894	8,484	32,087
-	-	-	-	-	-	799,811
-	-	-	-	-	-	133,919
-	1,010	175,415	-	6,500	-	182,925
-	-	-	-	-	-	29,635
-	124,725	-	-	-	-	144,450
<u>27,723</u>	<u>126,184</u>	<u>175,415</u>	<u>-</u>	<u>8,394</u>	<u>8,484</u>	<u>1,807,990</u>
-	-	-	-	59,874	-	59,874
-	-	-	-	-	-	582,382
-	-	-	-	-	110,065	724,406
-	121,576	-	-	-	-	121,576
-	-	175,415	94,124	-	-	269,539
<u>-</u>	<u>121,576</u>	<u>175,415</u>	<u>94,124</u>	<u>59,874</u>	<u>110,065</u>	<u>1,757,777</u>
27,723	4,608	-	(94,124)	(51,480)	(101,581)	50,213
-	-	-	94,124	68,000	135,000	521,207
-	(2,056)	-	-	(60,000)	-	(291,180)
<u>-</u>	<u>(2,056)</u>	<u>-</u>	<u>94,124</u>	<u>8,000</u>	<u>135,000</u>	<u>230,027</u>
27,723	2,552	-	-	(43,480)	33,419	280,240
<u>915,949</u>	<u>73,880</u>	<u>2,554</u>	<u>2,780</u>	<u>253,015</u>	<u>1,071,090</u>	<u>3,857,479</u>
<u>\$ 943,672</u>	<u>\$ 76,432</u>	<u>\$ 2,554</u>	<u>\$ 2,780</u>	<u>\$ 209,535</u>	<u>\$ 1,104,509</u>	<u>\$ 4,137,719</u>

# City of Northville, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2016

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 460,035	\$ 1,005	\$ 524,319	\$ 985,359
Receivables - Net - Other receivables	256	-	12	268
Inventory	19,325	-	-	19,325
Prepaid expenses and other assets	887	-	-	887
Total current assets	480,503	1,005	524,331	1,005,839
Noncurrent assets:				
Restricted assets	-	289,296	-	289,296
Capital assets - Assets subject to depreciation	215,800	-	-	215,800
Total noncurrent assets	215,800	289,296	-	505,096
Total assets	696,303	290,301	524,331	1,510,935
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,405	-	123	2,528
Accrued liabilities and other	3,363	127,419	-	130,782
Current portion of compensated absences	4,530	-	-	4,530
Total current liabilities	10,298	127,419	123	137,840
Noncurrent liabilities - Compensated absences - Net of current portion	3,548	-	-	3,548
Total liabilities	13,846	127,419	123	141,388
<b>Net Position</b>				
Invested in capital assets	215,800	-	-	215,800
Restricted - Insurance claims	-	162,882	-	162,882
Unrestricted	466,657	-	524,208	990,865
Total net position	<u>\$ 682,457</u>	<u>\$ 162,882</u>	<u>\$ 524,208</u>	<u>\$ 1,369,547</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, 2016

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
<b>Operating Revenue</b>				
Rental income	\$ 295,738	\$ -	\$ -	\$ 295,738
Recoveries	-	5,168	-	5,168
Other revenue	1,706	14,820	-	16,526
Total operating revenue	297,444	19,988	-	317,432
<b>Operating Expenses</b>				
Other operation and maintenance	280,210	-	-	280,210
Claims	-	141,735	-	141,735
Compensation pay-outs	-	-	11,529	11,529
Depreciation	73,552	-	-	73,552
Total operating expenses	353,762	141,735	11,529	507,026
<b>Operating Loss</b>	(56,318)	(121,747)	(11,529)	(189,594)
<b>Nonoperating Revenue</b>				
Investment income	3,589	8,742	4,379	16,710
Gain on sale of assets	1,430	-	-	1,430
<b>Change in Net Position</b>	(51,299)	(113,005)	(7,150)	(171,454)
<b>Net Position - Beginning of year</b>	733,756	275,887	531,358	1,541,001
<b>Net Position - End of year</b>	<b>\$ 682,457</b>	<b>\$ 162,882</b>	<b>\$ 524,208</b>	<b>\$ 1,369,547</b>



# City of Northville, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2016

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 295,482	\$ -	\$ -	\$ 295,482
Payments to suppliers/insurance claims	(166,936)	(108,206)	-	(275,142)
Payments to employees	(133,801)	-	(11,537)	(145,338)
Other receipts	3,136	19,988	-	23,124
Net cash used in operating activities	(2,119)	(88,218)	(11,537)	(101,874)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Activities - Purchase of capital assets	(26,189)	-	-	(26,189)
<b>Cash Flows from Investing Activities</b> - Interest received on investments				
	3,589	8,742	4,379	16,710
<b>Net Decrease in Cash and Cash Equivalents</b>	(24,719)	(79,476)	(7,158)	(111,353)
<b>Cash and Cash Equivalents</b> - Beginning of year	484,754	369,777	531,477	1,386,008
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 460,035</u>	<u>\$ 290,301</u>	<u>\$ 524,319</u>	<u>\$ 1,274,655</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 460,035	\$ 1,005	\$ 524,319	\$ 985,359
Restricted cash	-	289,296	-	289,296
Total cash and cash equivalents	<u>\$ 460,035</u>	<u>\$ 290,301</u>	<u>\$ 524,319</u>	<u>\$ 1,274,655</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (56,318)	\$ (121,747)	\$ (11,529)	\$ (189,594)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	73,552	-	-	73,552
Changes in assets and liabilities:				
Receivables	(256)	-	(12)	(268)
Inventories	(4,491)	-	-	(4,491)
Prepaid and other assets	(242)	-	-	(242)
Accounts payable	(17,218)	-	4	(17,214)
Accrued and other liabilities	2,854	33,529	-	36,383
Net cash used in operating activities	<u>\$ (2,119)</u>	<u>\$ (88,218)</u>	<u>\$ (11,537)</u>	<u>\$ (101,874)</u>