

# **Charter Township of Northville**

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**Financial Report  
with Supplemental Information  
December 31, 2011**

# Charter Township of Northville

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Northville

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Northville (the "Township") as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Northville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Northville as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the budgetary comparison schedules, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees  
Charter Township of Northville

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Northville's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012 on our consideration of the Charter Township of Northville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Notes 1 and 3. As a result of this required implementation, the activity in one special revenue fund has been combined with the Police Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Moran, PLLC*

April 12, 2012

# Charter Township of Northville

## Management's Discussion and Analysis

### Overview of the Financial Statements

This annual report consists of four parts - the management's discussion and analysis, basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Charter Township of Northville (the "Township"). The first two statements are government-wide financial statements that provide both long- and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide financial statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** - Most of the Township's basic services are included here, such as the police, fire, building, community development departments, and general administration. Property taxes, state-shared revenue, charges for services, and a special operating millage provide most of the funding.
- **Business-type Activities** - The Township charges fees to customers to help it cover the cost of services it provides. The Township's water and sewer system operations are treated as business-type activities.
- **Component Unit** - The Township includes one other entity in its reports, the Economic Development Corporation. Although legally separate, this "component unit" is important because the Township is financially accountable.

# Charter Township of Northville

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate combined balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance operations.

### Financial Overview

The Township has combined total net assets of approximately \$121 million. This was an increase from 2010 of approximately \$4.9 million. Business-type activities comprise \$81.0 million while governmental activities make up \$40.4 million of the total net assets.

# Charter Township of Northville

## Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current assets	\$ 26,856	\$ 25,607	\$ 24,429	\$ 25,674	\$ 51,285	\$ 51,281
Noncurrent assets	<u>62,985</u>	<u>61,939</u>	<u>63,640</u>	<u>62,931</u>	<u>126,625</u>	<u>124,870</u>
Total assets	89,841	87,546	88,069	88,605	177,910	176,151
<b>Liabilities</b>						
Current liabilities	16,132	16,152	1,495	1,262	17,627	17,414
Long-term liabilities	<u>33,318</u>	<u>36,289</u>	<u>5,552</u>	<u>5,902</u>	<u>38,870</u>	<u>42,191</u>
Total liabilities	<u>49,450</u>	<u>52,441</u>	<u>7,047</u>	<u>7,164</u>	<u>56,497</u>	<u>59,605</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	21,855	19,649	46,458	46,888	68,313	66,537
Restricted	6,670	8,798	-	-	6,670	8,798
Unrestricted	<u>11,866</u>	<u>6,658</u>	<u>34,564</u>	<u>34,553</u>	<u>46,430</u>	<u>41,211</u>
Total net assets	<u>\$ 40,391</u>	<u>\$ 35,105</u>	<u>\$ 81,022</u>	<u>\$ 81,441</u>	<u>\$ 121,413</u>	<u>\$ 116,546</u>

# Charter Township of Northville

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,327	\$ 2,528	\$ 11,492	\$ 10,557	\$ 14,819	\$ 13,085
Operating grants and contributions	354	397	2,172	1,108	2,526	1,505
Capital grants and contributions	1,105	4,079	49	338	1,154	4,417
General revenue:						
Property taxes	12,456	13,471	-	-	12,456	13,471
State-shared revenue	2,284	1,319	-	-	2,284	1,319
Unrestricted investment earnings	124	115	629	228	753	343
Other miscellaneous income	297	-	-	-	297	-
Transfers	315	123	(315)	(123)	-	-
Special items and other	323	7	-	-	323	7
Total revenue	20,585	22,039	14,027	12,108	34,612	34,147
<b>Program Expenses</b>						
General government	2,047	4,005	-	-	2,047	4,005
Public safety:						
Police and fire	8,554	10,689	-	-	8,554	10,689
Building department	371	447	-	-	371	447
Community and economic development	221	264	-	-	221	264
Recreation and culture	2,475	1,395	-	-	2,475	1,395
Interest on long-term debt	1,631	1,502	-	-	1,631	1,502
Water and sewer	-	-	14,446	14,090	14,446	14,090
Total program expenses	15,299	18,302	14,446	14,090	29,745	32,392
<b>Change in Net Assets</b>	<b>\$ 5,286</b>	<b>\$ 3,737</b>	<b>\$ (419)</b>	<b>\$ (1,982)</b>	<b>\$ 4,867</b>	<b>\$ 1,755</b>

### Governmental Activities

Revenue for governmental activities totaled approximately \$20.6 million in 2011. A total of \$12.5 million was in the form of property tax collections, a decrease of approximately \$1 million from 2010. A decrease in the taxable value in the Township in the current year caused the revenue decreased. As such, overall property taxes continue to be of concern as the Township projects minimal further increases in the future due to the overall economic conditions. State-shared revenue provided approximately \$2.3 million in 2011, an increase of nearly \$1 million as a result of the 2010 census. However, the Township will continue to watch what will happen in 2012 given the State's financial difficulties. Charges for services, including inspections, fire rescue/advanced life support, and other services generated approximately \$3.3 million.

The Township has worked hard in order to make sure that all current costs are properly funded. As such, the Township has been successful in funding the currently estimated other post-employment benefit obligation and, as of December 31, 2011, the Township has an asset of approximately \$3 million as a result of the prefunding.

### Business-type Activities

# **Charter Township of Northville**

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

The Charter Township of Northville's business-type activities relate to water and sewer operations. Revenue for the business-type activities was approximately \$14 million. Water is provided to the Township residents via the Detroit water and sewer department. Sewage treatment is provided by contracts with the Western Township Utility Authority (WTUA), Wayne County, and the Ypsilanti Community Utility Authority (YCUA). The Township is participating in a WTUA/YCUA project to expand the YCUA treatment facilities to ensure continued sewage treatment services for the community. This project is almost complete at this time.

### **Current Economic Events**

In recent years, the Township has experienced good growth in the community. This is seen in continued growth in the housing, commercial, and industrial markets. Our taxable value is approximately \$1.7 billion, a decrease of approximately \$144 million from 2010. The Township expects that the 2012 property tax revenue will rise as the taxable value is projected to increase (taxable value is projected at approximately \$1.71 billion).

Revenue sharing is also a significant budgetary concern. The State of Michigan is experiencing significant budgeting problems and, as it looks for solutions, revenue sharing continues to be under attack. The levels of funding have been relatively flat until 2011, as a result of the 2010 census results. One additional step we have taken to provide managerial and financial stability is a strategic forecasting plan. This plan will serve as our guide as we develop future budgets and strategies.

### **Financial Analysis of Township Funds and Budgets**

The General Fund ended 2011 with a fund balance of approximately \$4.5 million, including \$1.3 million reserved for a long-term receivable. Several factors affected operating results, although property taxes are a major concern, which is a result of general economic conditions. Expenditures were within expectations.

The General Fund budget is amended semiannually. This is primarily done to prevent over-expenditures. Significant 2011 budget amendments included the budget for capital outlay expenses associated with a grant that was awarded to the Township and state-sourced revenue.

Police and fire operations are funded separately through a dedicated millage. These funds are expended exclusively for operations of police and fire, respectively. Both funds ended the year in line with budget expectations.

The Shared Services Fund consists of the recreation, senior citizens, and youth assistance operations. The Township has a contractual arrangement with the City of Northville to provide these services to the community. These operations are funded separately through a dedicated millage. This fund ended the year in line with budget expectations.

### **Contact Us**

# **Charter Township of Northville**

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

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance department.

# Charter Township of Northville

## Statement of Net Assets December 31, 2011

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 4)	\$ 18,744,682	\$ 4,869,338	\$ 23,614,020	\$ 1,103
Cash segregated for capital (Notes 4 and 5)	-	17,511,537	17,511,537	-
Receivables:				
Taxes	5,974,553	-	5,974,553	-
Customers	-	1,584,970	1,584,970	-
Other	261,180	145,808	406,988	-
Due from other governmental units	1,674,223	-	1,674,223	-
Special assessments	-	267,941	267,941	-
Internal balances	(83)	83	-	-
Prepaid items and other assets	201,051	48,826	249,877	-
Investment in joint ventures (Note 14)	3,217,349	11,050,369	14,267,718	-
Capital assets:				
Nondepreciable capital assets (Note 7)	40,524,910	-	40,524,910	-
Depreciable capital assets - Net (Note 7)	15,565,002	52,158,045	67,723,047	-
Special assessments - Net of current portion	649,476	-	649,476	-
Other postemployment benefit asset (Note 13)	3,028,307	432,208	3,460,515	-
Total assets	89,840,650	88,069,125	177,909,775	1,103
<b>Liabilities</b>				
Accounts payable	906,881	984,352	1,891,233	-
Accrued liabilities and other	349,563	39,770	389,333	-
Deferred revenue (Note 6)	12,431,611	202,104	12,633,715	-
Noncurrent liabilities:				
Due within one year (Note 9)	2,444,793	268,503	2,713,296	-
Due in more than one year	33,316,521	5,552,243	38,868,764	-
Total liabilities	49,449,369	7,046,972	56,496,341	-
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	21,854,912	46,458,045	68,312,957	-
Restricted for:				
Police and fire operations	3,127,263	-	3,127,263	-
Shared services	1,972,012	-	1,972,012	-
Debt service	1,390,479	-	1,390,479	-
Youth assistance	180,810	-	180,810	-
Unrestricted	11,865,805	34,564,108	46,429,913	1,103
Total net assets	\$ 40,391,281	\$ 81,022,153	\$ 121,413,434	\$ 1,103

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

# Charter Township of Northville

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,046,634	\$ 1,132,659	\$ -	\$ -
Public safety	8,924,921	1,980,044	68,993	-
Community and economic development	220,606	7,388	60,846	-
Recreation and culture	2,475,283	207,152	224,269	1,105,462
Interest on long-term debt	1,630,883	-	-	-
Total governmental activities	15,298,327	3,327,243	354,108	1,105,462
Business-type activities:				
Water and sewer	13,398,252	10,291,344	2,171,519	48,923
Solid waste	1,047,325	1,200,640	-	-
Total business-type activities	14,445,577	11,491,984	2,171,519	48,923
Total primary government	<b>\$ 29,743,904</b>	<b>\$ 14,819,227</b>	<b>\$ 2,525,627</b>	<b>\$ 1,154,385</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (913,975)	\$ -	\$ (913,975)	\$ -
(6,875,884)	-	(6,875,884)	-
(152,372)	-	(152,372)	-
(938,400)	-	(938,400)	-
(1,630,883)	-	(1,630,883)	-
(10,511,514)	-	(10,511,514)	-
-	(886,466)	(886,466)	-
-	153,315	153,315	-
-	(733,151)	(733,151)	-
(10,511,514)	(733,151)	(11,244,665)	-
12,455,833	-	12,455,833	-
2,283,885	-	2,283,885	-
124,472	628,701	753,173	-
296,138	-	296,138	-
323,222	-	323,222	-
15,483,550	628,701	16,112,251	-
314,546	(314,546)	-	-
5,286,582	(418,996)	4,867,586	-
35,104,699	81,441,149	116,545,848	1,103
<b>\$ 40,391,281</b>	<b>\$ 81,022,153</b>	<b>\$ 121,413,434</b>	<b>\$ 1,103</b>

# Charter Township of Northville

	General Fund	Combining Police Fund	Fire	Shared Services	Seven Mile Road Property Purchase Fund
<b>Assets</b>					
Cash and investments (Note 4)	\$ 3,172,056	\$ 5,061,512	\$ 4,752,502	\$ 2,398,452	\$ 1,317,521
Receivables:					
Property taxes	667,791	2,391,092	1,782,617	381,788	751,265
Special assessments	25,225	-	-	-	-
Other receivables	4,195	-	-	-	-
Due from other governmental units	1,648,135	-	-	-	-
Due from other funds (Note 8)	429,000	-	19	-	-
Prepaid expenses and other assets	65,024	69,566	55,511	-	-
<b>Total assets</b>	<b>\$ 6,011,426</b>	<b>\$ 7,522,170</b>	<b>\$ 6,590,649</b>	<b>\$ 2,780,240</b>	<b>\$ 2,068,786</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 146,278	\$ 386,124	\$ 263,999	\$ 30,195	\$ 38,200
Due to other funds (Note 8)	83	460	221	-	-
Deferred revenue (Note 6)	1,389,378	5,128,944	3,632,763	778,033	1,530,990
<b>Total liabilities</b>	<b>1,535,739</b>	<b>5,515,528</b>	<b>3,896,983</b>	<b>808,228</b>	<b>1,569,190</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepays	45,024	69,566	55,511	-	-
Long-term receivable	1,303,142	-	-	-	-
Restricted:					
Police	-	1,014,887	-	-	-
Fire	-	-	1,987,299	-	-
Debt service	-	-	-	-	499,596
Youth assistance activities	-	-	-	-	-
Shared services	-	-	-	1,972,012	-
Assigned:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Police	-	922,189	-	-	-
Fire	-	-	463,612	-	-
ALS	-	-	187,244	-	-
Unassigned (deficit)	3,127,521	-	-	-	-
<b>Total fund balances</b>	<b>4,475,687</b>	<b>2,006,642</b>	<b>2,693,666</b>	<b>1,972,012</b>	<b>499,596</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,011,426</b>	<b>\$ 7,522,170</b>	<b>\$ 6,590,649</b>	<b>\$ 2,780,240</b>	<b>\$ 2,068,786</b>

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

**Governmental Funds  
Balance Sheet  
December 31, 2011**

Nonmajor Funds	Total
\$ 2,042,639	\$ 18,744,682
-	5,974,553
624,251	649,476
256,985	261,180
26,088	1,674,223
-	429,019
<u>10,950</u>	<u>201,051</u>
<b><u>\$ 2,960,913</u></b>	<b><u>\$27,934,184</u></b>

\$ 42,085	\$ 906,881
428,338	429,102
<u>650,302</u>	<u>13,110,410</u>
1,120,725	14,446,393

10,950	181,051
-	1,303,142
11,593	1,026,480
-	1,987,299
459,973	959,569
169,860	169,860
-	1,972,012
592,749	592,749
621,151	621,151
-	922,189
-	463,612
-	187,244
<u>(26,088)</u>	<u>3,101,433</u>
<u>1,840,188</u>	<u>13,487,791</u>

<b><u>\$ 2,960,913</u></b>	<b><u>\$27,934,184</u></b>
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# Charter Township of Northville

## **Governmental Funds** **Reconciliation of the Fund Balances to the Statement of Net Assets** **December 31, 2011**

<b>Fund Balance Reported in Governmental Funds</b>	\$ 13,487,791
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	56,089,912
Investments in joint ventures are not financial resources and are not reported in the funds	3,217,349
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	652,711
Grants and other receivables that are not collected within 60 days of year end are not available currently and are not recorded in the funds	26,088
Bonds payable, estimated self-insurance claims, and accumulated compensated absences are not due and payable in the current period and are not reported in the funds	(35,761,314)
Accrued interest is not due and payable in the current period and is not reported in the funds	(349,563)
Net prepayments of retiree healthcare obligations relate to expenses of future periods; however, they are recognized in the funds when paid	<u>3,028,307</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 40,391,281</u></b>

# Charter Township of Northville

	General Fund	Combining Police Fund	Fire	Shared Services	Seven Mile Road Property Purchase Fund
<b>Revenue</b>					
Property taxes	\$ 1,446,191	\$ 4,949,638	\$ 3,722,860	\$ 779,310	\$ 1,557,834
Building department	748,445	-	-	-	-
Federal sources	-	-	-	-	-
State sources	2,600,131	-	-	-	-
Investment income	12,633	67,150	3,906	6,056	776
Licensing and enforcement	-	327,666	-	-	-
Other revenue	1,272,294	523,048	454,788	-	199,023
<b>Total revenue</b>	<b>6,079,694</b>	<b>5,867,502</b>	<b>4,181,554</b>	<b>785,366</b>	<b>1,757,633</b>
<b>Expenditures</b>					
Current:					
General government:					
Legislative	1,372,570	-	-	-	-
Treasurer	1,061,268	-	-	-	-
Clerk	360,165	-	-	-	-
Public safety:					
Police department	-	6,053,974	-	-	-
Fire department	-	-	3,548,206	-	-
Building department	431,065	-	-	-	-
Community and economic development:					
Community development programs	-	-	-	-	-
Planning and zoning	159,760	-	-	-	-
Shared services	-	-	-	853,127	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	1,777,541
<b>Total expenditures</b>	<b>3,384,828</b>	<b>6,053,974</b>	<b>3,548,206</b>	<b>853,127</b>	<b>1,777,541</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>2,694,866</b>	<b>(186,472)</b>	<b>633,348</b>	<b>(67,761)</b>	<b>(19,908)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	4,325	78	-	-
Transfers in	5,002	-	-	-	-
Transfers out	(506,200)	(188,728)	(337,500)	-	-
<b>Total other financing (uses) sources</b>	<b>(501,198)</b>	<b>(184,403)</b>	<b>(337,422)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,193,668</b>	<b>(370,875)</b>	<b>295,926</b>	<b>(67,761)</b>	<b>(19,908)</b>
<b>Fund Balances - As restated - Beginning of year (Note 3)</b>	<b>2,282,019</b>	<b>2,377,517</b>	<b>2,397,740</b>	<b>2,039,773</b>	<b>519,504</b>
<b>Fund Balances - End of year</b>	<b>\$ 4,475,687</b>	<b>\$ 2,006,642</b>	<b>\$ 2,693,666</b>	<b>\$ 1,972,012</b>	<b>\$ 499,596</b>

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

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended December 31, 2011**

Nonmajor Funds	Total
\$ -	\$ 12,455,833
-	748,445
484,758	484,758
-	2,600,131
33,951	124,472
-	327,666
<u>1,067,076</u>	<u>3,516,229</u>
1,585,785	20,257,534
-	1,372,570
-	1,061,268
-	360,165
50,494	6,104,468
-	3,548,206
-	431,065
60,846	60,846
-	159,760
201,567	1,054,694
1,394,769	1,394,769
<u>1,616,986</u>	<u>3,394,527</u>
<u>3,324,662</u>	<u>18,942,338</u>
(1,738,877)	1,315,196
-	4,403
1,649,999	1,655,001
<u>(308,027)</u>	<u>(1,340,455)</u>
<u>1,341,972</u>	<u>318,949</u>
(396,905)	1,634,145
<u>2,237,093</u>	<u>11,853,646</u>
<u>\$ 1,840,188</u>	<u>\$ 13,487,791</u>

# Charter Township of Northville

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,634,145

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	2,470,406
Depreciation expense	(1,214,168)
Net book value of assets disposed of	(799,912)

Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end (273,007)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,750,000

Change in accrued interest payable 13,644

Decrease 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 they come due for payment 1,200,376

Grants and other receivables that are not collected within 60 days of year end are not available currently and are not recorded in the funds 26,088

Equity interest in the 35th District Courthouse Authority is not reported in the governmental funds 45,620

Equity interest in the Northville Parks and Recreation Commission is not reported in the governmental funds 207,152

Net prepayments of retiree healthcare obligations relate to expenditures in future periods and are not reported in the funds 226,238

**Change in Net Assets of Governmental Activities** **\$ 5,286,582**

# Charter Township of Northville

## Proprietary Funds - Enterprise Funds Statement of Net Assets December 31, 2011

	Enterprise Funds		
	Water and Sewer	Solid Waste	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 4)	\$ 4,308,382	\$ 560,956	\$ 4,869,338
Cash segregated for capital purposes (Notes 4 and 5)	17,511,537	-	17,511,537
Receivables:			
Special assessments	267,941	-	267,941
Customers	1,584,970	-	1,584,970
Other	145,808	-	145,808
Due from other funds (Note 8)	83	-	83
Prepaid items and other assets	48,826	-	48,826
Total current assets	23,867,547	560,956	24,428,503
Noncurrent assets:			
Advances to other funds (Notes 8 and 9)	793,238	-	793,238
Investment in joint venture (Note 14)	11,050,369	-	11,050,369
Capital assets - Depreciable assets - Net (Note 7)	51,391,249	766,796	52,158,045
Other postemployment benefit asset (Note 13)	432,208	-	432,208
Total noncurrent assets	63,667,064	766,796	64,433,860
Total assets	87,534,611	1,327,752	88,862,363
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	905,972	78,380	984,352
Accrued liabilities and other	39,770	-	39,770
Deferred revenue (Note 6)	-	202,104	202,104
Current portion of long-term debt (Note 9)	268,503	-	268,503
Total current liabilities	1,214,245	280,484	1,494,729
Noncurrent liabilities:			
Advances from other funds (Note 8)	-	793,238	793,238
Long-term debt - Net of current portion (Note 9)	5,552,243	-	5,552,243
Total noncurrent liabilities	5,552,243	793,238	6,345,481
Total liabilities	6,766,488	1,073,722	7,840,210
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	45,691,249	766,796	46,458,045
Unrestricted (deficit)	35,076,874	(512,766)	34,564,108
Total net assets	\$ 80,768,123	\$ 254,030	\$ 81,022,153

# Charter Township of Northville

## Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2011

	Enterprise Funds		
	Water and Sewer	Solid Waste	Total
<b>Operating Revenue</b>			
Sale of water and sewer services	\$ 10,154,598	\$ -	\$ 10,154,598
Solid waste charges	-	1,200,640	1,200,640
Other revenue	70,955	-	70,955
	<u>10,225,553</u>	<u>1,200,640</u>	<u>11,426,193</u>
Total operating revenue			
<b>Operating Expenses</b>			
Cost of water	4,249,196	-	4,249,196
Cost of sewage disposal	5,151,486	-	5,151,486
Salaries and wages	759,477	-	759,477
Collection and recycling charges	-	984,983	984,983
Fringe benefits	299,425	-	299,425
System maintenance and operation	255,870	-	255,870
General and administrative	648,925	35,901	684,826
Depreciation	1,806,833	26,441	1,833,274
	<u>13,171,212</u>	<u>1,047,325</u>	<u>14,218,537</u>
Total operating expenses			
<b>Operating (Loss) Income</b>	(2,945,659)	153,315	(2,792,344)
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	628,329	372	628,701
Interest expense	(227,040)	-	(227,040)
Special assessments	136,746	-	136,746
Customer connection fees	2,100,564	-	2,100,564
	<u>2,638,599</u>	<u>372</u>	<u>2,638,971</u>
Total nonoperating revenue			
<b>(Loss) Income - Before contributions</b>	(307,060)	153,687	(153,373)
<b>Capital Contributions - Lines constructed by developers</b>	48,923	-	48,923
<b>Transfers Out</b>	(314,546)	-	(314,546)
<b>Change in Net Assets</b>	(572,683)	153,687	(418,996)
<b>Net Assets - Beginning of year</b>	81,340,806	100,343	81,441,149
<b>Net Assets - End of year</b>	<u>\$ 80,768,123</u>	<u>\$ 254,030</u>	<u>\$ 81,022,153</u>

# Charter Township of Northville

## Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended December 31, 2011

	Enterprise Funds	
	Water and Sewer	Solid Waste
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 10,445,293	\$ 1,204,168
Payments to suppliers	(11,746,158)	(1,036,934)
Payments to employees	(862,808)	-
Internal activity - Payments to other funds	5,401	-
Net cash (used in) provided by operating activities	(2,158,272)	167,234
<b>Cash Flows from Capital and Related Financing Activities</b>		
Special assessment collections	58,513	-
Loans (to) from other funds	(793,238)	793,238
Purchase of capital assets	(436,624)	(793,238)
Principal and interest paid on capital debt	(354,199)	-
Collection of connection fees	2,100,564	-
Transfers to other funds for debt service	(314,546)	-
Net cash provided by capital and related financing activities	260,470	-
<b>Cash Flows from Investing Activities - Interest received on investments</b>	628,329	372
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,269,473)	167,606
<b>Cash and Cash Equivalents - Beginning of year</b>	23,089,392	393,350
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 21,819,919</b>	<b>\$ 560,956</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 4,308,382	\$ 560,956
Cash segregated for capital	17,511,537	-
Total cash and cash equivalents	<b>\$ 21,819,919</b>	<b>\$ 560,956</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>		
Reconciliation of operating (loss) income to net cash from operating activities	\$ (2,945,659)	\$ 153,315
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	1,806,833	26,441
Change in investments in joint venture	(1,212,697)	-
Changes in assets and liabilities:		
Receivables	212,000	-
Due from others	5,401	-
Accrued liabilities	(196,094)	-
Prepaid and other assets	5,760	-
Accounts payable	166,184	(16,051)
Deferred revenue	-	3,529
Net cash (used in) provided by operating activities	<b>\$ (2,158,272)</b>	<b>\$ 167,234</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2011, developers constructed water and sewer lines with an estimated value of \$48,923 and donated them to the Township's Water and Sewer Fund.

# Charter Township of Northville

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## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2011

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,837,683
Receivables	<u>2,038</u>
Total assets	<b><u>\$ 7,839,721</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 9,262
Tax collections distributable	4,666,434
Bonds and deposits	<u>3,164,025</u>
Total liabilities	<b><u>\$ 7,839,721</u></b>

# Charter Township of Northville

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## Notes to Financial Statements December 31, 2011

### Note I - Summary of Significant Accounting Policies

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

#### **Reporting Entity**

The Charter Township of Northville is governed by an elected seven-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Charter Township of Northville and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

The Northville Township Building Authority is governed by a three-member board that is appointed by the Township board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Northville Township Brownfield Authority, created in 2007, is governed by a seven-member board that is appointed by the Township board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because of the insignificance of its activity. The sole purpose of the Northville Township Brownfield Authority is to promote revitalization of environmentally distressed areas within the boundaries of the Township.

The Economic Development Corporation (the "EDC") is reported within the component unit column in the financial statements. It is reported in a separate column to emphasize that it is separate from the Township. The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC's governing body, which consists of nine individuals, is selected by the Township board.

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

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

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 1 - 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. In addition, property taxes collected in December of the current year and January of the subsequent year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been deferred.

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

# Charter Township of Northville

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## Notes to Financial Statements December 31, 2011

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

The Township reports the following major governmental funds:

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

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millage on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical service in the Township.

The Shared Services Fund accounts for various recreation and culture activities within the Township. Revenue consists primarily of voter-approved millage on all real property.

The Seven Mile Road Property Purchase Fund accounts for the acquisition of specific property in the Township and related debt. Revenue consists primarily of voter-approved millage on all real property.

The Township reports the Water and Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports agency fund types. The agency funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### Property Tax Revenue

The taxable valuation of the Township totaled approximately \$1.7 billion. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2010 tax is levied and collectible on December 1, 2010 and is recognized as revenue in the year ended December 31, 2011, when the proceeds of the levy are budgeted and available for the financing of operations. These amounts are recognized in the respective General, special revenue, and debt service funds financial statements as tax revenue, net of administrative fees plus collection of delinquent tax revenue.

The Township's tax levy for the year ended December 31, 2011 was as follows:

Purpose	Millage Rate	Revenue
General operating	0.8000 \$	1,399,719
Police and fire special voted mills	5.000	8,727,498
Shared services special voted mills	0.4574	796,610
Debt services special voted mills	.9100	1,596,034
Total	7.1674 \$	12,519,861

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

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

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

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

**Prepaid Items** - 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.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bike paths 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 Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Governmental activities:

Bike paths and similar items	15 years
Building and improvements	30 years
Vehicles	5 years
Furniture and equipment	5 years
Computer equipment	3 years

Business-type activities:

Water and sewer systems	50-75 years
Building and improvements	25 years
Equipment	5-15 years

**Compensated Absences** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay 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.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

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

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

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

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The Township implemented GASB No. 54 during the year.

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

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

# Charter Township of Northville

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## Notes to Financial Statements December 31, 2011

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

- Committed - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- Assigned - Intent to spend resources on specific purposes expressed by the Township manager or finance director, who is authorized by Resolution 2011-56, *Fund Balance Classification Policies and Procedures*, and is approved by the board of trustees to make assignments.
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

When multiple classifications of fund balance are available, fund balance will be used first from the most restrictive category in order, to the least restrictive.

The fund balance policy proscribes the minimum fund balance as \$250,000 in the General Fund. This is deemed to be the prudent amount to maintain the Township's ability to meet obligations as they come due throughout the year.

**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.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

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

**Construction Code Fees** - The Township 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 Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2011		\$	(2,438,647)
Current year permit revenue			748,445
Related expenses:			
Direct costs	\$	431,065	
Estimated indirect costs		<u>387,667</u>	<u>818,732</u>
Current year shortfall			<u>(70,287)</u>
Cumulative shortfall at December 31, 2011			<u>\$ (2,508,934)</u>

**Fund Deficits** - At December 31, 2011, the Township had a deficit fund balance of \$26,088 in the Community Block Development Grant Fund. The deficit occurred because the Township did not receive the funds related to the final reimbursement request until after the 60-day period and hence are considered unavailable.

### Note 3 - Accounting and Reporting Change

During the year, the Township adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	Combining Police Fund
<b>Fund Balance</b> - December 31, 2010 - As previously reported	\$ 2,359,558
Reclassifications under GASB No. 54	<u>17,959</u>
<b>Fund Balance</b> - December 31, 2010 - As restated	<u>\$ 2,377,517</u>

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 4 - 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 mature 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; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated five banks for the deposit of its funds. The investment policy adopted by the board of trustees in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Township'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 Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$7,861,640 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township 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 Township'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 Township had the following investments:

Investment	Fair Value	Weighted Average Maturity
<b>Primary Government</b> - U.S. government agency securities	<u>\$ 15,191,164</u>	11.53

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 4 - 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 Township has no investment policy that would further limit its investment choices. As of year end, the Township had investments in five governmental investment funds that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These funds are fully liquid for withdrawal at any time and the price per unit does not fluctuate with interest earned according to the amount and duration of the investment. At year end, the credit quality ratings are as follows:

Investment	S&P AAA	S&P AA+	S&P AA	S&P A-I	S&P Not Rated
<b>Primary Government</b>					
Municipal bonds	\$ -	\$ -	\$ 448,231	\$ -	\$ -
U.S. government agency securities	1,010,733	8,416,837	-	-	3,140,569
Asset and mortgage-backed securities	-	-	-	-	2,174,794
Bank investment pool	-	-	-	7,483,405	-
Total	<u>\$ 1,010,733</u>	<u>\$ 8,416,837</u>	<u>\$ 448,231</u>	<u>\$ 7,483,405</u>	<u>\$ 5,315,363</u>

### Note 5 - Cash Segregated for Capital - Water and Sewer

Segregated assets at December 31, 2011 consist of bank deposits. These assets are segregated by board resolution for replacement of plant, major repairs, acquisition of capacity, and facility expansion.

### Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. On the government-wide statements, since reporting is based on the full accrual basis of accounting, both governmental and business-type activities report only the unearned revenue as deferred. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Enterprise Funds
	Unavailable	Unearned	Total	
Property taxes	\$ -	\$ 12,175,430	\$ 12,175,430	\$ -
Special assessments	652,711	-	652,711	-
Forfeitures	-	256,181	256,181	-
Grant revenue and other	26,088	-	26,088	202,104
Total	<u>\$ 678,799</u>	<u>\$ 12,431,611</u>	<u>\$ 13,110,410</u>	<u>\$ 202,104</u>

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 7 - Capital Assets

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

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 40,224,310	\$ 300,600	\$ -	\$ 40,524,910
Capital assets being depreciated:				
Bike paths	821,319	1,129,244	-	1,950,563
Buildings and improvements	17,918,393	12,183	-	17,930,576
Vehicles	2,710,745	117,891	46,938	2,781,698
Furniture and equipment	3,262,717	862,467	807,145	3,318,039
Computer equipment	936,499	48,021	44,516	940,004
Subtotal	25,649,673	2,169,806	898,599	26,920,880
Accumulated depreciation:				
Bike paths	298,220	82,638	-	380,858
Buildings and improvements	4,473,961	572,750	-	5,046,711
Vehicles	2,056,894	278,896	40,375	2,295,415
Furniture and equipment	2,535,173	244,078	13,796	2,765,455
Computer equipment	876,149	35,806	44,516	867,439
Subtotal	10,240,397	1,214,168	98,687	11,355,878
Net capital assets being depreciated	15,409,276	955,638	799,912	15,565,002
Net capital assets	\$ 55,633,586	\$ 1,256,238	\$ 799,912	\$ 56,089,912
<b>Water and Sewer</b>				
Capital assets being depreciated:				
Water and sewer systems	\$ 72,660,998	\$ 357,016	\$ -	\$ 73,018,014
Buildings and improvements	1,549,787	-	-	1,549,787
Equipment	3,967,638	128,531	-	4,096,169
Subtotal	78,178,423	485,547	-	78,663,970
Accumulated depreciation:				
Water and sewer systems	20,951,015	1,458,385	-	22,409,400
Equipment	3,604,632	286,456	-	3,891,088
Buildings and improvements	910,241	61,992	-	972,233
Subtotal	25,465,888	1,806,833	-	27,272,721
Net capital assets being depreciated	52,712,535	(1,321,286)	-	51,391,249
Net capital assets	52,712,535	(1,321,286)	-	51,391,249
<b>Solid Waste</b> - Capital assets being depreciated - Machinery and equipment	-	793,237	-	793,237
Accumulated depreciation - Machinery and equipment	-	26,441	-	26,441
Net capital assets being depreciated	-	766,796	-	766,796
Net capital assets	-	766,796	-	766,796
Net business-type activity capital assets	\$ 52,712,535	\$ (554,490)	\$ -	\$ 52,158,045

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 7 - Capital Assets (Continued)

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

Governmental activities:		
General government	\$	437,454
Public safety		727,382
Building department		3,922
Recreation and culture		45,410
		45,410
Total governmental activities	\$	1,214,168
Business-type activities:		
Water and sewer	\$	1,806,833
Solid waste		26,441
		26,441
Total business-type activities	\$	1,833,274

**Construction Commitments** - The Township has no significant active construction projects at year end.

### Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Combining Police Fund	\$ 441
	Fire Fund	221
	Nonmajor governmental funds	428,338
	Total General Fund	429,000
Fire Fund	Combining Police Fund	19
Water and Sewer Fund	General Fund	83
	Total	\$ 429,102
Receivable Fund	Payable Fund	Amount
<b>Advances from</b>		
Water and Sewer Fund	Solid Waste Fund	\$ 793,238

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

The Water and Sewer Fund advanced \$793,328 to the Solid Waste Fund for the acquisition of equipment. The loan bears interest at 2 percent and will be repaid to the Water and Sewer Fund over a five-year period.

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 506,200
Police Fund	Nonmajor governmental funds	188,728
Fire Fund	Nonmajor governmental funds	337,500
Nonmajor governmental funds	General Fund	5,002
	Nonmajor governmental funds	<u>303,025</u>
	Subtotal	308,027
Water and Sewer Fund	Nonmajor governmental funds	<u>314,546</u>
	Total	<u>\$ 1,655,001</u>

The transfers from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance capital improvements and debt service.

The transfers from the Fire Fund and the Police Fund to the nonmajor governmental funds represent the use of resources to finance debt service.

The transfers from the nonmajor governmental funds to other nonmajor governmental funds represent the transfer of unrestricted funds from the capital projects fund.

The transfers from the nonmajor governmental funds to the General Fund represent the transfer of unrestricted funds from the debt service fund.

The transfers from the Water and Sewer Fund to the nonmajor governmental funds represent the use of resources to finance debt service requirements.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 9 - Long-term Debt

The Township 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 Township. Installment purchase agreements and capital leases are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefiting from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Description	Amount
<b>Governmental Activities</b>	
<u>General Obligations:</u>	
2003 General Obligation Limited Bonds:	
Amount of issue - \$15,000,000	
Maturing through 2023	
Interest rate 3.00% - 4.75%	\$ 11,000,000
2006 General Obligation Bonds:	
Amount of issue - \$2,645,000	
Maturing through 2020	
Interest rate 3.75% - 4.00%	2,150,000
2009 Unlimited Tax General Obligation Bonds Series B:	
Amount of issue - \$18,145,000	
Maturing through 2029	
Interest rate 6.066% - 6.478%	18,145,000
2009 Unlimited Tax General Obligation Bonds Series A:	
Amount of issue - \$3,865,000	
Maturing through 2014	
Interest rate 2.00% - 3.00%	<u>2,375,000</u>
Subtotal	33,670,000
<u>Special Assessment Bonds:</u>	
2009 Special Assessment Limited Tax Bonds:	
Amount of issue - \$625,000	
Maturing through 2024	
Interest rate 3.10% - 5.00%	<u>565,000</u>
Total governmental activities bonds	<u>\$ 34,235,000</u>

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 9 - Long-term Debt (Continued)

Description	Amount
<b>Business-type Activities</b>	
<u>General Obligations:</u>	
2007 Capital Improvement Bonds:	
Amount of issue - \$5,000,000	
Maturing through 2027	
Interest rate 4.00% - 4.05%	\$ 4,600,000
2009 General Obligation Bonds:	
Amount of issue - \$1,125,000	
Maturity through 2024	
Interest rate 3.25% - 4.50%	1,100,000
Total business-type activities bonds	<u>\$ 5,700,000</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 35,390,000	\$ -	\$ 1,720,000	\$ 33,670,000	\$ 1,735,000
Special assessment bonds	595,000	-	30,000	565,000	40,000
Total bonds payable	35,985,000	-	1,750,000	34,235,000	1,775,000
Estimated self-insurance claims (Note 10)	160,000	256,619	256,619	160,000	160,000
Accumulated compensated absences	2,566,690	1,981,221	3,181,597	1,366,314	509,793
Total governmental activities	<u>\$ 38,711,690</u>	<u>\$ 2,237,840</u>	<u>\$ 5,188,216</u>	<u>\$ 35,761,314</u>	<u>\$ 2,444,793</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 5,825,000	\$ -	\$ 125,000	\$ 5,700,000	\$ 225,000
Accumulated compensated absences	263,953	152,592	295,799	120,746	43,503
Total business-type activities	<u>\$ 6,088,953</u>	<u>\$ 152,592</u>	<u>\$ 420,799</u>	<u>\$ 5,820,746</u>	<u>\$ 268,503</u>

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 9 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$1,858,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,775,000	\$ 1,326,003	\$ 3,101,003	\$ 225,000	\$ 224,575	\$ 449,575
2013	1,865,000	1,284,941	3,149,941	225,000	215,763	440,763
2014	1,880,000	1,243,633	3,123,633	250,000	206,950	456,950
2015	1,980,000	1,183,696	3,163,696	275,000	197,325	472,325
2016	2,000,000	1,104,361	3,104,361	275,000	176,225	451,225
2017-2021	11,230,000	4,184,649	15,414,649	1,900,000	730,425	2,630,425
2022-2026	8,765,000	1,872,459	10,637,459	2,150,000	307,275	2,457,275
2027-2029	4,740,000	302,960	5,042,960	400,000	8,100	408,100
Total	<u>\$ 34,235,000</u>	<u>\$ 12,502,702</u>	<u>\$ 46,737,702</u>	<u>\$ 5,700,000</u>	<u>\$ 2,066,638</u>	<u>\$ 7,766,638</u>

As of December 31, 2010, the Water and Sewer Fund has committed to repay a portion of the 2003 General Obligation Limited Tax bonds issued to construct the municipal building. The outstanding amount of principal and interest to be paid by the Water and Sewer Fund at December 31, 2011 is \$1,149,965.

**Defeased Debt** - In prior years, the Township defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bond are not included in the financial statements. At December 31, 2011, \$2,150,000 of bonds outstanding are considered to be defeased.

**Special Assessment Bonds** - The Township has pledged substantially all revenue from the Edenderry Hills Special Assessment District to repay the above special assessment bonds. Proceeds from the bonds provided financing for the Edenderry Hills Special Assessment District (SAD). The bonds are payable solely from the revenue of the SAD. The remaining principal and interest to be paid on the bonds total \$733,694. During the current year, net revenue of the SAD was \$74,629. In 2011, the Township paid \$30,000 and \$25,398 toward principal and interest, respectively.

### Note 10 - Risk Management

The Township 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 Township has purchased insurance through the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority for claims relating to property loss, torts, errors and omissions, and medical benefits.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 10 - Risk Management (Continued)

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

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

The Township 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 those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2011	2010
Estimated liability - Beginning of year	\$ 160,000	\$ 160,000
Estimated claims incurred, including changes in estimates	256,619	265,252
Claim payments	<u>(256,619)</u>	<u>(265,252)</u>
Estimated liability - End of year	<u>\$ 160,000</u>	<u>\$ 160,000</u>

### Note 11 - Defined Benefit Pension Plan

**Plan Description** - The Township participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers employees in the command and patrol divisions. The plan was approved on April 1, 1998. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's competitive bargaining units. The Township is required to contribute up to 15 percent of annual payroll and employees are required to contribute amounts in excess of 15 percent.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 11 - Defined Benefit Pension Plan (Continued)

**Annual Pension Cost** - For the year ended December 31, 2011, the Township's annual pension cost of \$1,403,854 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, attributable to seniority/merit, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

#### Three-year Trend Information

	Fiscal Year Ended December 31		
	2009	2010	2011
Annual pension cost (APC)	\$ 1,031,071	\$ 1,337,954	\$ 1,403,854
Percentage of APC contributed	100 %	100 %	100 %

  

	Valuation for the Year Ended December 31		
	2008	2009	2010
Actuarial value of assets	\$ 10,571,558	\$ 12,095,899	\$ 17,066,696
Actuarial accrued liability (AAL) (entry age)	\$ 17,787,312	\$ 18,233,062	\$ 24,110,887
Unfunded AAL (UAAL)	\$ 7,215,754	\$ 6,137,163	\$ 7,044,191
Funded ratio	59.4 %	66.3 %	70.8 %
Covered payroll	\$ 5,513,324	\$ 5,586,475	\$ 7,021,949
UAAL as a percentage of covered payroll	130.9 %	109.9 %	100.3 %

### Note 12 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees not enrolled in the defined benefit plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the board of trustees, the Township contributes 15 percent of employees' base earnings and voluntary employee contributions are allowed. In accordance with these requirements, the Township contributed \$140 during the current year and employees contributed \$85,816.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 13 - Other Postemployment Benefits (OPEB)

**Plan Description** - The Township provides health benefits to certain full-time employees upon retirement in accordance with labor contracts. Full-time employees who have completed 25 years of service (15 years if management) can retire and receive benefits under this plan. There is effectively a minimum retirement age of 50 years for fire and water and sewer employees. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare.

This is a single-employer defined benefit plan administered by the Township. Administrative costs are paid by the plan. Currently, 14 retirees and one beneficiary are eligible for healthcare benefits and there are 111 active employees that are expected to retire and receive benefits in the future.

**Funding Policy** - The Township 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 Township has made contributions to advance-fund these benefits, as determined by the Township board through annual budget resolutions. Contributions for postemployment healthcare benefits totaled \$226,105, consisting of \$196,953 in payments of current premiums and \$29,152 in advance funding.

**Funding Progress** - For the year ended December 31, 2011, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2009. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 28,792
Adjustment to the annual required contribution and interest on asset	<u>(82,026)</u>
Annual OPEB cost	(53,234)
Amounts contributed:	
Payments of current premiums	(196,953)
Advance funding	<u>(29,152)</u>
Decrease in net OPEB obligation	(279,339)
OPEB obligation (asset) - Beginning of year	<u>(3,181,176)</u>
OPEB obligation (asset) - End of year	<u>\$ (3,460,515)</u>

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 13 - Other Postemployment Benefits (OPEB) (Continued)

The schedule of employer contributions and the net OPEB obligation are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed	Net Pension Asset
12/31/08	1/1/07	\$ 1,119,097	100	\$ -
12/31/09	1/1/09	128,187	1,935	2,480,524
12/31/10	1/1/09	28,792	11,052	3,181,176
12/31/11	1/1/09	28,792	11,734	3,460,515

\* The required contribution is expressed to the Township as a percentage of payroll.

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)	Covered Payroll (c) *	UAAL as a Percentage of Covered Payroll **
1/1/07	\$ 1,014,428	\$ 9,086,172	\$ 8,071,744	11.2	\$ -	-
1/1/09	2,622,392	2,676,437	54,045	98.0	-	-

\* Covered payroll - Not available

\*\* UAAL as a percentage of covered payroll - Not available

**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 multiyear 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.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 13 - Other Postemployment Benefits (OPEB) (Continued)

In the January 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2009 was 30 years. The Township received a letter from the actuary in 2010 that changed the amortization period to 22 years.

The following is an allocation of the OPEB asset as of December 31, 2011:

Governmental activities	\$ 3,028,307
Business-type activities	<u>432,208</u>
Total	<u>\$ 3,460,515</u>

### Note 14 - Joint Ventures

The Township is a member of the Western Township Utilities Authority (WTUA), which provides sewage disposal services to the residents of Canton, Northville, and Plymouth townships. The participating communities provide annual funding for its operations. During the current year, the Township paid WTUA \$5,464,335 for operations, debt, and capital. The Township's equity interest is recorded within the Water and Sewer Fund. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for WTUA can be obtained from the administrative offices at 40905 Joy Road, Canton, MI 48187.

# Charter Township of Northville

## Notes to Financial Statements December 31, 2011

### Note 14 - Joint Ventures (Continued)

The Township is a member of the 35th District Court System and has an equity interest in the 35th District Courthouse Authority (the "Courthouse"), which provides judicial services to the Township and various other surrounding communities. The Township appoints one member to the joint venture's board, which then approves the annual budget. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Township and various other surrounding communities agreed to become guarantors of bonds issued by the Courthouse during 1999. There were bonds outstanding of \$2,560,000 at December 31, 2010, of which the Township guarantees nearly 18.52 percent, or \$474,112. Complete financial statements of the Courthouse can be obtained from the administrative offices at 660 Plymouth Road, Plymouth, MI 48170.

The Township also participates in the Northville Parks and Recreation Commission (Recreation Commission) as a joint venture with the City of Northville. Approval of the annual budget is required by the City of Northville and the Township. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$650,226 for the Recreation Commission's operations. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the Township in the near future. Complete financial statements for the Recreation Commission can be obtained from the administrative office at 215 West Main, Northville, MI 48167.

	Governmental Activities	Business-type Activities	Total
Western Township Utilities Authority (WTUA)	\$ -	\$ 11,050,369	\$ 11,050,369
35th District Court System	665,113	-	665,113
Northville Parks and Recreation Commission	2,552,236	-	2,552,236
Total	<u>\$ 3,217,349</u>	<u>\$ 11,050,369</u>	<u>\$ 14,267,718</u>

### Note 15 - Contingent Liabilities

In the regular course of business, the Township is exposed to various litigation. As of December 31, 2011, the monetary exposure to the Township cannot be determined but could be significant.

# Charter Township of Northville

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## Notes to Financial Statements December 31, 2011

### Note 16 - Upcoming Accounting Pronouncements

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

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

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

## **Required Supplemental Information**

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# Charter Township of Northville

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 1,453,876	\$ 1,465,998	\$ 1,446,191	\$ (19,807)
Building department	485,200	743,100	748,445	5,345
State sources	1,303,140	1,274,552	2,600,131	1,325,579
Interest, transfers in, and miscellaneous	748,318	7,500	17,635	10,135
Other revenue	-	884,087	1,272,294	388,207
Total revenue	<u>3,990,534</u>	<u>4,375,237</u>	<u>6,084,696</u>	<u>1,709,459</u>
<b>Expenditures - Current</b>				
General government:				
Legislative	1,500,917	1,608,683	1,372,570	236,113
Treasurer	991,955	1,071,324	1,061,268	10,056
Clerk	358,265	360,760	360,165	595
Total general government	<u>2,851,137</u>	<u>3,040,767</u>	<u>2,794,003</u>	<u>246,764</u>
Building department	518,108	421,119	431,065	(9,946)
Planning and zoning	165,066	161,230	159,760	1,470
Transfer to other funds	456,200	506,200	506,200	-
Total expenditures	<u>3,990,511</u>	<u>4,129,316</u>	<u>3,891,028</u>	<u>238,288</u>
<b>Net Change in Fund Balance</b>	23	245,921	2,193,668	1,947,747
<b>Fund Balance - Beginning of year</b>	<u>2,282,019</u>	<u>2,282,019</u>	<u>2,282,019</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 2,282,042</u></u>	<u><u>\$ 2,527,940</u></u>	<u><u>\$ 4,475,687</u></u>	<u><u>\$ 1,947,747</u></u>

# Charter Township of Northville

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 4,975,340	\$ 5,018,733	\$ 4,949,638	\$ (69,095)
Interest, transfers in, and miscellaneous	721,767	883,307	917,546	34,239
Total revenue	5,697,107	5,902,040	5,867,184	(34,856)
<b>Expenditures - Current</b>				
Public safety	6,320,644	6,121,594	6,053,974	67,620
Transfers to other funds	-	188,728	188,728	-
Total expenditures	6,320,644	6,310,322	6,242,702	67,620
<b>Excess of Expenditures Over Revenue</b>	(623,537)	(408,282)	(375,518)	32,764
<b>Other Financing Sources -</b>				
Proceeds from sale of capital assets	-	4,325	4,325	-
<b>Net Change in Fund Balance</b>	(623,537)	(403,957)	(371,193)	32,764
<b>Fund Balance - Beginning of year</b>	2,359,558	2,359,558	2,359,558	-
<b>Fund Balance - End of year</b>	<u>\$ 1,736,021</u>	<u>\$ 1,955,601</u>	<u>\$ 1,988,365</u>	<u>\$ 32,764</u>

# Charter Township of Northville

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,735,315	\$ 3,745,409	\$ 3,722,860	\$ (22,549)
Interest, transfers in, and miscellaneous	285,735	274,545	458,694	184,149
Total revenue	4,021,050	4,019,954	4,181,554	161,600
<b>Expenditures - Current</b>				
Public safety	3,962,414	3,616,200	3,548,206	67,994
Transfers to other funds	-	337,500	337,500	-
Total expenditures	3,962,414	3,953,700	3,885,706	67,994
<b>Excess of Revenue Over Expenditures</b>	58,636	66,254	295,848	229,594
<b>Other Financing Sources -</b>				
Proceeds from sale of capital assets	-	75	78	3
<b>Net Change in Fund Balance</b>	58,636	66,329	295,926	229,597
<b>Fund Balance - Beginning of year</b>	2,397,740	2,397,740	2,397,740	-
<b>Fund Balance - End of year</b>	<u>\$ 2,456,376</u>	<u>\$ 2,464,069</u>	<u>\$ 2,693,666</u>	<u>\$ 229,597</u>

# Charter Township of Northville

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Shared Services Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 796,848	\$ 796,505	\$ 779,310	\$ (17,195)
Interest, transfers in, and miscellaneous	1,500	5,400	6,056	656
Total revenue	798,348	801,905	785,366	(16,539)
<b>Expenditures - Current - Recreation and culture</b>	1,108,825	1,108,825	853,127	255,698
<b>Net Change in Fund Balance</b>	(310,477)	(306,920)	(67,761)	239,159
<b>Fund Balance - Beginning of year</b>	2,039,773	2,039,773	2,039,773	-
<b>Fund Balance - End of year</b>	<u>\$ 1,729,296</u>	<u>\$ 1,732,853</u>	<u>\$ 1,972,012</u>	<u>\$ 239,159</u>

# Charter Township of Northville

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## **Note to Required Supplemental Information Year Ended December 31, 2011**

**Budgetary Information** - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2011 is not known. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

The budget process begins in August via an email distribution to various Township departments.

In August, a preliminary operating budget is adopted for the following year.

In September, the budget is available for public viewing, a public hearing for truth and taxation takes place, and study sessions occur with the board of trustees.

In October, the final operating budget is adopted.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and major special revenue funds as adopted by the Township board is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor special revenue funds budgets as adopted by the Township is available at the Township Hall for inspection.

# Charter Township of Northville

## Note to Required Supplemental Information (Continued) Year Ended December 31, 2011

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Charter Township of Northville - General Fund:		
Amounts per operating statement	\$ 6,079,694	\$ 3,384,828
Operating transfers budgeted as revenue and expenditures	5,002	506,200
Amounts per budget statement	<u>\$ 6,084,696</u>	<u>\$ 3,891,028</u>

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Charter Township of Northville - Combining Police Fund:			
Amounts per operating statement	\$ 5,867,502	\$ 6,053,974	\$ 2,006,642
Operating transfers budgeted as revenue and expenditures	-	188,728	-
DARE fund activity, reported within the Police Fund in the operating statement, which is not budgeted as part of the Police Fund	<u>(318)</u>	<u>-</u>	<u>(18,277)</u>
Amounts per budget statement	<u>\$ 5,867,184</u>	<u>\$ 6,242,702</u>	<u>\$ 1,988,365</u>

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Charter Township of Northville - Fire Fund:		
Amounts per operating statement	\$ 4,181,554	\$ 3,548,206
Operating transfers budgeted as revenue and expenditures	-	337,500
Amounts per budget statement	<u>\$ 4,181,554</u>	<u>\$ 3,885,706</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township of Northville had no significant unfavorable budget variances.

## **Other Supplemental Information**

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# Charter Township of Northville

	Special Revenue Funds		
	Community Development Block Grant	Youth Assistance	Special Operations Team
<b>Assets</b>			
Cash and investments	\$ -	\$ 174,334	\$ 12,584
Receivables:			
Special assessments	-	-	-
Other receivables	1,075	-	-
Due from other governmental units	26,088	-	-
Prepaid expenses and other assets	-	10,950	-
<b>Total assets</b>	<b>\$ 27,163</b>	<b>\$ 185,284</b>	<b>\$ 12,584</b>
<b>Liabilities and Fund Balances (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 417	\$ 4,474	\$ 991
Due to other funds	26,746	-	-
Deferred revenue	26,088	-	-
<b>Total liabilities</b>	<b>53,251</b>	<b>4,474</b>	<b>991</b>
<b>Fund Balances (Deficit)</b>			
Nonspendable - Prepays	-	10,950	-
Restricted:			
Police	-	-	11,593
Debt service	-	-	-
Youth assistance activities	-	169,860	-
Assigned:			
Debt service	-	-	-
Capital projects	-	-	-
Unassigned (deficit)	(26,088)	-	-
<b>Total fund balances (deficit)</b>	<b>(26,088)</b>	<b>180,810</b>	<b>11,593</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 27,163</b>	<b>\$ 185,284</b>	<b>\$ 12,584</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2011**

Debt Service Funds					Capital Projects Funds	Total Nonmajor Governmental Funds
Gerald Avenue	Beck Road Park	Land Acquisition	Building Authority	Edenderry Paving SAD Fund	General Capital Outlay	
\$ 311,703	\$ -	\$ 40,038	\$ 552,711	\$ 148,493	\$ 802,776	\$ 2,042,639
-	-	-	-	430,910	193,341	624,251
-	-	-	-	-	255,910	256,985
-	-	-	-	-	-	26,088
-	-	-	-	-	-	10,950
<b>\$ 311,703</b>	<b>\$ -</b>	<b>\$ 40,038</b>	<b>\$ 552,711</b>	<b>\$ 579,403</b>	<b>\$ 1,252,027</b>	<b>\$ 2,960,913</b>
-	-	-	-	223	35,980	42,085
-	-	-	-	-	401,592	428,338
-	-	-	-	430,910	193,304	650,302
-	-	-	-	431,133	630,876	1,120,725
-	-	-	-	-	-	10,950
-	-	-	-	-	-	11,593
311,703	-	-	-	148,270	-	459,973
-	-	-	-	-	-	169,860
-	-	40,038	552,711	-	-	592,749
-	-	-	-	-	621,151	621,151
-	-	-	-	-	-	(26,088)
311,703	-	40,038	552,711	148,270	621,151	1,840,188
<b>\$ 311,703</b>	<b>\$ -</b>	<b>\$ 40,038</b>	<b>\$ 552,711</b>	<b>\$ 579,403</b>	<b>\$ 1,252,027</b>	<b>\$ 2,960,913</b>

# Charter Township of Northville

	Special Revenue Funds		
	Community Development Block Grant	Youth Assistance	Special Operations Team
<b>Revenue</b>			
Federal grants	\$ 34,758	\$ -	\$ -
Investment income	-	207	33
Other revenue	-	223,969	42,123
Total revenue	34,758	224,176	42,156
<b>Expenditures</b>			
Current:			
Public safety	-	-	50,494
Community and economic development	60,846	-	-
Recreation and culture	-	201,567	-
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	60,846	201,567	50,494
<b>Excess of Revenue (Under) Over Expenditures</b>	(26,088)	22,609	(8,338)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing (uses) sources	-	-	-
<b>Net Change in Fund Balances</b>	(26,088)	22,609	(8,338)
<b>Fund Balances (Deficit) - Beginning of year</b>	-	158,201	19,931
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ (26,088)</b>	<b>\$ 180,810</b>	<b>\$ 11,593</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Deficit)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2011**

Debt Service Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
Gerald Avenue	Beck Road Park	Land Acquisition	Building Authority	Edenderry Paving SAD Fund	General Capital Outlay	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ 484,758
315	-	164	1,190	28,636	3,406	33,951
-	-	-	-	68,270	732,714	1,067,076
315	-	164	1,190	96,906	1,186,120	1,585,785
-	-	-	-	-	-	50,494
-	-	-	-	-	-	60,846
-	-	-	-	-	-	201,567
-	-	-	-	-	1,394,769	1,394,769
-	-	303,050	1,258,438	55,498	-	1,616,986
-	-	303,050	1,258,438	55,498	1,394,769	3,324,662
315	-	(302,886)	(1,257,248)	41,408	(208,649)	(1,738,877)
-	-	303,025	1,296,974	-	50,000	1,649,999
-	(5,002)	-	-	-	(303,025)	(308,027)
-	(5,002)	303,025	1,296,974	-	(253,025)	1,341,972
315	(5,002)	139	39,726	41,408	(461,674)	(396,905)
311,388	5,002	39,899	512,985	106,862	1,082,825	2,237,093
<b>\$ 311,703</b>	<b>\$ -</b>	<b>\$ 40,038</b>	<b>\$ 552,711</b>	<b>\$ 148,270</b>	<b>\$ 621,151</b>	<b>\$ 1,840,188</b>

# Charter Township of Northville

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2011

	Agency Funds			Total Agency Funds
	Tax Collection Fund	Water and Sewer Agency Fund	Township Escrow Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,912,976	\$ 939,600	\$ 1,985,107	\$ 7,837,683
Receivables	-	-	2,038	2,038
Total assets	<u>\$ 4,912,976</u>	<u>\$ 939,600</u>	<u>\$ 1,987,145</u>	<u>\$ 7,839,721</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 9,262	\$ 9,262
Tax collections distributable	4,666,434	-	-	4,666,434
Bonds and deposits	246,542	939,600	1,977,883	3,164,025
Total liabilities	<u>\$ 4,912,976</u>	<u>\$ 939,600</u>	<u>\$ 1,987,145</u>	<u>\$ 7,839,721</u>