

Northville Public Schools

**Financial Report
with Supplemental Information
June 30, 2011**

Northville Public Schools

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Independent Auditor's Report

To the Board of Education
Northville Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northville Public Schools (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northville Public Schools' 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, each major fund, and the aggregate remaining fund information of Northville Public Schools as of June 30, 2011 and the respective changes in financial position, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this requirement implementation, the Athletic Fund, previously classified as a special revenue fund, is now reported as a part of the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB 54.

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

To the Board of Education
Northville Public Schools

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 1, 2011 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 considered in assessing the results of our audit.

Plante & Moran, PLLC

September 1, 2011

Northville Public Schools

Management's Discussion and Analysis

This section of Northville Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northville Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Special Education Center Program Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Northville Public Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, early childhood development, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Special Education Center Program Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Northville Public Schools

Management's Discussion and Analysis (Continued)

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and a scholarship fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2011 and 2010:

	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Assets		
Current and other assets	\$ 26.0	\$ 23.2
Capital assets	102.3	105.9
Total assets	128.3	129.1
Liabilities		
Current liabilities	21.9	20.1
Long-term liabilities	73.4	81.7
Total liabilities	95.3	101.8

Northville Public Schools

Management's Discussion and Analysis (Continued)

TABLE I (Continued)

	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Net Assets		
Invested in capital assets - Net of related debt	\$ 31.3	\$ 27.6
Restricted	0.4	0.3
Unrestricted	1.3	(0.6)
Total net assets	\$ 33.0	\$ 27.3

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$33.0 million at June 30, 2011. Capital assets, net of related debt totaling \$31.3 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$1.3 million) was unrestricted.

The \$1.3 million in unrestricted net assets of governmental activities represents the accumulated results of all past year's operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2011 and 2010.

Northville Public Schools

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2011	2010
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 5.6	\$ 4.9
Operating grants and contributions	20.3	20.5
General revenue:		
Property taxes	19.2	19.4
State foundation allowance	47.4	45.3
Federal sources - Unrestricted	1.7	2.0
Other	1.0	0.9
Total revenue	<u>95.2</u>	<u>93.0</u>
Functions/Program Expenses		
Instruction	54.0	56.0
Support services	26.3	27.7
Athletics	0.7	0.7
Food services	2.4	2.4
Community services	2.3	2.2
Interest on long-term debt	3.8	4.5
Total functions/program expenses	<u>89.5</u>	<u>93.5</u>
Increase (Decrease) in Net Assets	5.7	(0.5)
Net Assets - Beginning of year	<u>27.3</u>	<u>27.8</u>
Net Assets - End of year	<u>\$ 33.0</u>	<u>\$ 27.3</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$89.5 million. Certain activities were partially funded from those who benefited from the programs (\$5.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20.3 million). The School District paid for the remaining "public benefit" portion of our governmental activities with \$19.2 million in taxes, \$47.4 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net assets of \$5.7 million. The key reason for the change in net assets was an increase in one-time state funding payments and a decrease in expenses from a reduction in personnel, utilities, and substitute costs.

Northville Public Schools

Management's Discussion and Analysis (Continued)

Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3.8 million, which is an increase of \$0.2 million from last year. Increases in the Special Revenue Fund balances (Food Service and Early Childhood) more than offset a reduction in the General Fund fund balance.

In the General Fund, our principal operating fund, the fund balance decreased \$0.6 million to \$2.4 million. The change is mainly due to an increase in retirement and healthcare costs.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Education Fund remained stable from prior years, showing minimal net change.

Balances in Debt Service Funds remained stable. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2010-11 General Fund original budget. Budgeted revenue was increased \$3.9 million due to an avoided State proration assumed in the original budget and additional revenue (i.e., Education Jobs Fund and Maintenance of Effort payments) approved by the State later in the year.

Northville Public Schools

Management's Discussion and Analysis (Continued)

Budgeted expenditures were increased \$8.1 million to account for the recall of teachers made possible by the additional State funding discussed above and an increase in retirement and healthcare costs. The amount of transfers to other funds established in the original budget for (\$0.3) million was removed due to the change required by GASB 54 impacting the Athletics Fund.

The variances between the final budget and actual amount for revenue were due to one-time payments from the State and an increase in reimbursement for Act 18 expenses. The difference in intradistrict sources was due to a lower than anticipated transfer for Food Service and Early Childhood Funds.

The positive variance between the final budget and the actual for instruction, pupil support services, instructional staff, general administration, business, and central staff resulted from lower than projected healthcare costs and lower substitute costs. The positive variance for operations and maintenance is due to utility savings. The difference for transportation was due to the costs of a change in the transportation plan that increased the number of bus stops.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the School District had \$102 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$3.6 million, or 4 percent, from last year.

	2011	2010
Land	\$ 3,377,000	\$ 3,377,000
Buildings and building improvements	144,015,347	143,750,676
Buses and other vehicles	4,405,168	4,405,168
Furniture and equipment	<u>22,901,513</u>	<u>22,871,403</u>
Total capital assets	174,699,028	174,404,247
Less accumulated depreciation	<u>(72,400,291)</u>	<u>(68,505,131)</u>
Net capital assets	<u><u>\$ 102,298,737</u></u>	<u><u>\$ 105,899,116</u></u>

This year's additions of \$295,000 included wheelchair lift and building renovations.

Northville Public Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$68.5 million in bonds outstanding versus \$75.4 million in the previous year - a change of 9 percent. Those bonds consisted of the following:

	2011	2010
General obligation bonds	\$ 68,540,000	\$ 75,465,000

The School District's Moody's rating on school bond qualified bonds is Aa3, and the S&P rating is AA-. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$68.5 million is significantly below this \$390 million statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Student Enrollment

Our elected officials and administration consider many factors when setting the School District's 2011/2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2012 fiscal year is 10 percent and 90 percent of the February 2011 and September 2011 student counts, respectively. The 2011/2012 budget was adopted in June 2011, based on an estimate of students who will be enrolled in September 2011. Approximately 70 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2011-2012 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2011/2012 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Northville Public Schools

Management's Discussion and Analysis (Continued)

State Foundation Allowance

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. As a result of legislation approved in 2010-2011, the foundation amount for the School District would have increased from \$8,218 to \$8,489 in 2011-2012. However, the State reduced the foundation allowance for all districts by \$470 in order to balance the State budget. As a result, the School District foundation allowance for 2011-2012 will be \$8,019. Additionally, two one-time opportunities for an additional \$100 per pupil have been approved for 2011-2012.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Northville Public Schools

Statement of Net Assets June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 7,667,692
Receivables - Net (Note 4)	12,346,673
Inventories	173,537
Prepaid costs	610,876
Restricted assets - Investments (Note 3)	5,245,716
Capital assets - Net (Note 5)	<u>102,298,737</u>
Total assets	128,343,231
Liabilities	
Accounts payable	1,341,391
Accrued payroll and other liabilities	6,106,388
State aid anticipation note (Note 10)	14,000,000
Accrued interest	394,043
Deferred revenue (Note 4)	60,256
Noncurrent liabilities (Note 7):	
Due within one year	7,584,921
Due in more than one year	<u>65,866,346</u>
Total liabilities	<u>95,353,345</u>
Net Assets	
Invested in capital assets - Net of related debt	31,279,632
Restricted - Debt service	422,773
Unrestricted	<u>1,287,481</u>
Total net assets	<u><u>\$ 32,989,886</u></u>

Northville Public Schools

Statement of Activities Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 54,058,099	\$ 277,368	\$ 19,982,126	\$ (33,798,605)
Support services	26,297,661	-	-	(26,297,661)
Athletics	680,380	399,524	-	(280,856)
Food services	2,417,720	2,066,991	336,064	(14,665)
Community services	2,309,207	2,887,146	-	577,939
Interest on long-term debt	3,764,851	-	-	(3,764,851)
Total primary government	\$ 89,527,918	\$ 5,631,029	\$ 20,318,190	(63,578,699)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				8,322,776
Property taxes, levied for debt service				10,845,088
State aid not restricted to specific purposes				47,448,277
Federal sources - Unrestricted				1,658,446
Interest and investment earnings				10,620
Other				958,085
Total general revenue				69,243,292
Change in Net Assets				5,664,593
Net Assets - Beginning of year				27,325,293
Net Assets - End of year				\$ 32,989,886

Northville Public Schools

Governmental Funds Balance Sheet June 30, 2011

	General Fund	Special Education Center Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 7,308,433	\$ -	\$ 359,259	\$ 7,667,692
Receivables - Net (Note 4)	11,408,302	625,195	313,176	12,346,673
Due from other funds (Note 6)	164,580	625,195	849,694	1,639,469
Inventories	126,740	-	46,797	173,537
Prepaid costs	610,876	-	-	610,876
Restricted assets - Investments (Note 3)	5,245,716	-	-	5,245,716
Total assets	<u>\$ 24,864,647</u>	<u>\$ 1,250,390</u>	<u>\$ 1,568,926</u>	<u>\$ 27,683,963</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 792,724	\$ 15,404	\$ 22,449	\$ 830,577
Accrued payroll and other liabilities	6,106,388	-	-	6,106,388
State aid anticipation note (Note 10)	14,000,000	-	-	14,000,000
Due to other funds (Note 6)	1,428,500	562,317	159,466	2,150,283
Deferred revenue (Note 4)	124,782	625,195	61,500	811,477
Total liabilities	22,452,394	1,202,916	243,415	23,898,725
Fund Balances				
Nonspendable:				
Inventory	126,740	-	46,797	173,537
Prepaid assets	610,876	-	-	610,876
Restricted:				
Debt service	-	-	422,773	422,773
Special education	-	47,474	-	47,474
Food service	-	-	170,216	170,216
Committed - Early child development	-	-	685,725	685,725
Unassigned	1,674,637	-	-	1,674,637
Total fund balances	<u>2,412,253</u>	<u>47,474</u>	<u>1,325,511</u>	<u>3,785,238</u>
Total liabilities and fund balances	<u>\$ 24,864,647</u>	<u>\$ 1,250,390</u>	<u>\$ 1,568,926</u>	<u>\$ 27,683,963</u>

Northville Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds \$ 3,785,238

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 government funds:

Cost of capital assets	\$ 174,699,028	
Accumulated depreciation	<u>(72,400,291)</u>	102,298,737

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable including bond premium	(71,019,105)	
Compensated absences	(1,521,162)	
IBNR for self-insurance	(731,000)	
Early retirement incentive	<u>(180,000)</u>	(73,451,267)

Accrued interest payable is not included as a liability in governmental funds (394,043)

Other assets are not available to pay current period expenditures, therefore deferred in the governmental funds 751,221

Net Assets of Governmental Activities **\$ 32,989,886**

Northville Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2011

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 10,165,817	\$ -	\$ 15,597,664	\$ 25,763,481
State sources	49,762,881	3,894,394	85,947	53,743,222
Federal sources	3,233,902	-	336,064	3,569,966
Interdistrict sources	1,242,333	9,812,767	4,600	11,059,700
Total revenue	<u>64,404,933</u>	<u>13,707,161</u>	<u>16,024,275</u>	<u>94,136,369</u>
Expenditures				
Current:				
Instruction	43,353,684	8,941,482	-	52,295,166
Support services:				
Pupil	3,985,143	3,019,068	-	7,004,211
Instructional staff	1,982,046	230,469	-	2,212,515
General administration	1,037,623	-	-	1,037,623
School administration	3,619,260	407,504	-	4,026,764
Business	813,746	7,000	-	820,746
Operations and maintenance	6,870,980	-	-	6,870,980
Transportation and maintenance	2,252,101	79,955	-	2,332,056
Central	1,059,558	-	-	1,059,558
Athletics	673,360	-	-	673,360
Food services	-	-	2,300,865	2,300,865
Community services	62,858	-	2,168,446	2,231,304
Debt service:				
Principal	-	-	6,925,000	6,925,000
Interest	-	-	3,560,882	3,560,882
Other	-	-	247,668	247,668
Capital outlay	40,222	299,561	1,901	341,684
Total expenditures	<u>65,750,581</u>	<u>12,985,039</u>	<u>15,204,762</u>	<u>93,940,382</u>
Excess of Revenue (Under) Over Expenditures	(1,345,648)	722,122	819,513	195,987
Other Financing Sources (Uses)				
Transfers in	757,891	-	-	757,891
Transfers out	-	(634,805)	(123,086)	(757,891)
Total other financing sources (uses)	<u>757,891</u>	<u>(634,805)</u>	<u>(123,086)</u>	<u>-</u>
Net Change in Fund Balances	(587,757)	87,317	696,427	195,987
Fund Balances (Deficit) - Beginning of year	<u>3,000,010</u>	<u>(39,843)</u>	<u>629,084</u>	<u>3,589,251</u>
Fund Balances - End of year	<u>\$ 2,412,253</u>	<u>\$ 47,474</u>	<u>\$ 1,325,511</u>	<u>\$ 3,785,238</u>

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

Northville Public Schools

Fiduciary Funds Statement of Net Assets June 30, 2011

	<u>Trust Funds</u>	<u>Student Activities Agency Fund</u>
Assets		
Cash and investments (Note 3)	\$ 242,470	\$ 248,578
Due from General Fund (Note 6)	-	515,928
	<u>242,470</u>	<u>764,506</u>
Total assets	242,470	\$ 764,506
Liabilities		
Accounts payable	500	\$ -
Due to student groups	-	764,506
Due to General Fund (Note 6)	5,114	-
	<u>5,614</u>	<u>-</u>
Total liabilities	5,614	\$ 764,506
Net Assets - Reserved for scholarships	<u>\$ 236,856</u>	

Northville Public Schools

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2011

	<u>Trust Funds</u>
Additions	
Interest	\$ 9,618
Contributions	1,379
Unrealized gain on investment	<u>14,282</u>
Total additions	25,279
Deductions	<u>6,950</u>
Change in Net Assets	18,329
Net Assets - Beginning of year	<u>218,527</u>
Net Assets - End of year	<u><u>\$ 236,856</u></u>

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies

The accounting policies of Northville Public Schools (the "School District") 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 School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed fund balance, assigned fund balance, and unassigned fund balance.

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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - 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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

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

Special Education Center Program Fund - The Special Education Center Program Fund is used to record all transactions associated with special education center programs administered by the School District on behalf of the County.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the food services and early childhood development center. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on bonds outstanding.

Student Activity (Agency) Fund - The School District presently maintains a Student Activity Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Trust Funds - The School District maintains trust funds to account for funds entrusted to the School District for scholarship award programs and various school-related purposes.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 for approximately 50 percent of the taxes that are due on September 15 and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

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

Restricted Assets - The School District is required to deposit monthly payments to be set aside for the payment of the state aid loan. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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.

Fund Balance - 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 School District implemented Statement 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
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or Assistant Superintendent of Finance and Operations, who is authorized by policy, and approved by the Board of Education to make assignments

The Board of Education has adopted a fund balance policy. The fund balance policy proscribes the minimum fund balance as 11 percent of the School District General Fund annual operating expenditures. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting Change - Effective July 1, 2010, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 54. In addition to the changes to fund balance discussed above, the School District changed its presentation of the athletics activity in the governmental funds. Previously, the athletics function was reported as a Special Revenue Fund. With the adoption of GASB 54, the activity no longer met the criteria to be classified as a Special Revenue Fund and the activity is now reported in the General Fund. The Athletics Fund had a fund balance of \$2,688 as of June 30, 2010. The General Fund beginning balance on July 1, 2010 has been restated to include the Athletics Fund fund balance.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The budget for revenue was amended during the year to reflect a less than expected decrease in per pupil foundation allowance and federal stabilization funds received. The expenditure budget was amended to reflect increases in salaries and benefits due to the recall of employees, increases in health insurance due to rate increases, and increases in expenses of new federal grants.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. As a result, fund balance has not been committed or assigned.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated one bank for the deposit of its funds.

Note 3 - Deposits and Investments (Continued)

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts, CDs, and all other investments as noted by the state statutory authority listed above.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$701,488 had \$451,488 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District 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 School District 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.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

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 School District's investment policy does not restrict investment maturities. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

At year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 12,986,281	AAAm/AA	S&P/Moody's
Mutual fund	<u>181,205</u>	Not rated	
Total investments	<u>\$ 13,167,486</u>		

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Special Education Center Program Fund	Nonmajor Funds
Receivables:			
Taxes	\$ 472,299	\$ -	\$ 245,451
Accounts	-	-	67,725
Intergovernmental	<u>10,936,003</u>	<u>625,195</u>	<u>-</u>
Total receivables	<u>\$ 11,408,302</u>	<u>\$ 625,195</u>	<u>\$ 313,176</u>

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 4 - Receivables and Deferred Revenue (Continued)

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

	Governmental Funds	
	Unavailable	Unearned
Amounts due from other governmental units not received timely	\$ 751,221	\$ -
Payment received prior to meeting all eligibility requirements	-	60,256
Total	<u>\$ 751,221</u>	<u>\$ 60,256</u>

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities	Balance July 1, 2010	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2011
Capital assets not being depreciated - Land	\$ 3,377,000	\$ -	\$ -	\$ 3,377,000
Capital assets being depreciated:				
Buildings and improvements	143,750,676	264,671	-	144,015,347
Furniture and equipment	22,871,403	30,110	-	22,901,513
Buses	4,405,168	-	-	4,405,168
Subtotal	171,027,247	294,781	-	171,322,028
Accumulated depreciation:				
Buildings and improvements	43,831,764	3,312,560	-	47,144,324
Furniture and equipment	21,012,913	359,822	-	21,372,735
Buses	3,660,454	222,778	-	3,883,232
Subtotal	68,505,131	3,895,160	-	72,400,291
Net capital assets being depreciated	102,522,116	(3,600,379)	-	98,921,737
Net capital assets	<u>\$ 105,899,116</u>	<u>\$ (3,600,379)</u>	<u>\$ -</u>	<u>\$ 102,298,737</u>

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 2,550,551
Support services	1,153,357
Community services	90,757
Food services	<u>100,495</u>
Total governmental activities	<u>\$ 3,895,160</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Special Education Center Program	Nonmajor Governmental Funds	Trust and Agency	
General Fund	\$ -	\$ -	\$ 159,466	\$ 5,114	\$ 164,580
Special Education Center Program	625,195	-	-	-	625,195
Nonmajor governmental funds	287,377	562,317	-	-	849,694
Trust and agency	515,928	-	-	-	515,928
Total	<u>\$ 1,428,500</u>	<u>\$ 562,317</u>	<u>\$ 159,466</u>	<u>\$ 5,114</u>	<u>\$ 2,155,397</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund bank accounts.

Transfers In	Special Education Center Program Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 634,805	\$ 123,086	\$ 757,891

Transfers provided support for special education services and the Food Services Fund reimbursed the General Fund for overhead costs.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and certain risk liabilities.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds	\$ 75,465,000	\$ -	\$ 6,925,000	\$ 68,540,000	\$ 7,025,000
Premium	2,784,026	-	304,921	2,479,105	304,921
Other obligations	3,476,306	-	1,044,144	2,432,162	255,000
Total governmental activities	<u>\$ 81,725,332</u>	<u>\$ -</u>	<u>\$ 8,274,065</u>	<u>\$ 73,451,267</u>	<u>\$ 7,584,921</u>

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,025,000	\$ 3,229,544	\$ 10,254,544
2013	6,990,000	2,899,770	9,889,770
2014	6,975,000	2,581,688	9,556,688
2015	7,075,000	2,255,126	9,330,126
2016	7,150,000	1,943,002	9,093,002
2017-2021	25,975,000	4,488,754	30,463,754
2022-2024	7,350,000	1,250,938	8,600,938
Total	<u>\$ 68,540,000</u>	<u>\$ 18,648,822</u>	<u>\$ 87,188,822</u>

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

2001 \$27,510,000 serial and term bonds due in annual installments of \$675,000 to \$1,625,000 through May 1, 2021; interest at 2.90 percent to 5.375 percent	\$ 5,550,000
2004 \$34,740,000 serial and term bonds due in annual installments of \$1,650,000 to \$2,500,000 through May 1, 2024; interest at 2.25 percent to 5.25 percent	27,025,000
2005 \$40,550,000 serial and term bonds due in annual installments of \$3,700,000 through May 1, 2018; interest at 2.5 percent to 5 percent	25,900,000
2005B \$11,215,000 serial and term bonds due in annual installments of \$50,000 to \$1,525,000 through May 1, 2019; interest at 3 percent to 5 percent	<u>10,065,000</u>
Total bonded debt	<u>\$ 68,540,000</u>

Early Retirement Obligation - In 2010, the School District offered voluntary severance incentive plans to teachers who were currently employed by the School District and at the top of their step respective to the salary schedule. Future payment obligations, included in other long-term obligations, are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2012	\$ 180,000

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 1,521,162
Self-insurance	<u>731,000</u>
Total	<u>\$ 2,252,162</u>

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 8 - Risk Management

The School District 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 School District participates in a MAISL risk pool for workers' compensation and the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, and errors and omissions; the School District is partially uninsured for health and dental claims.

The shared-risk pool program in which the School District operates is a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

For risk retention situations, the School District estimates the liability for health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2011	2010
Estimated liability - Beginning of year	\$ 1,261,986	\$ 444,156
Estimated claims incurred - Including changes in estimates	9,298,312	9,604,042
Claim payments	(9,829,298)	(8,786,212)
Unpaid claims - End of year	<u>\$ 731,000</u>	<u>\$ 1,261,986</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the Web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 10.13 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 12.16 percent for the period from October 1, 2010 through June 30, 2011. The employer contribution rate for pension plus plan members was 10.66 percent for the period from October 1, 2010 through June 30, 2011. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were \$5,525,311, \$5,119,370, and \$4,810,873, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent for the period from October 1, 2010 through October 31, 2010, and 8.50 percent for the period from November 1, 2010 through June 30, 2011. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were \$3,765,435, \$3,441,550, and \$3,313,848, respectively.

Note 10 - State Aid Anticipation Note

On August 20, 2010, the School District borrowed \$6,000,000 and \$4,000,000 in state aid anticipation notes for a total of \$10,000,000. The notes bear interest at 0.98 percent and 2.3 percent, respectively. The notes are due on August 20, 2011. On June 17, 2011, the School District borrowed \$4,000,000 in an additional state aid anticipation note. The note bears interest at 0.59 percent and is due on August 22, 2011. At June 30, 2011, Northville Public Schools has accrued interest of \$56,207 on these notes.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 11 - Subsequent Events

On August 22, 2011, Northville Public Schools intends to borrow \$7,000,000 and \$3,000,000 in state aid anticipation notes for a total of \$10,000,000. The notes are expected to bear interest at 1.81 and 0.782 percent, respectively. The notes are due on August 20, 2012.

The School District will complete a bond refunding in August 2011 of the \$5,550,000 remaining on the 2001 voter-approved bond. The bonds will be sold at a true interest rate of 3.53 percent with a final maturity of 2021. This action will reduce debt service payment by \$274,856.

Note 12 - Contingent Liabilities

The School District is a party in various legal matters. It is not possible to predict with certainty whether the School District will ultimately be successful in any of the legal matters, or if not, what the impact will be based on current information. Management believes the ultimate resolution will not have a material effect on the School District's financial statements.

Note 13 - 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the School District's 2013 fiscal year.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the School District's 2012 fiscal year.

Northville Public Schools

Notes to Financial Statements June 30, 2011

Note 13 - Upcoming Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. This pronouncement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting in Statement 34, incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure, and by renaming that measure as net position, rather than net assets. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the School District's 2013 fiscal year.

Required Supplemental Information

Northville Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Local sources	\$ 10,135,793	\$ 10,342,058	\$ 10,165,817	\$ (176,241)
State sources	45,624,570	49,029,304	49,762,881	733,577
Federal sources	2,900,000	3,230,838	3,233,902	3,064
Interdistrict sources	900,000	952,000	1,242,333	290,333
Total revenue	<u>59,560,363</u>	<u>63,554,200</u>	<u>64,404,933</u>	<u>850,733</u>
Expenditures				
Current:				
Instruction:				
Basic program	33,809,893	36,731,820	36,493,161	(238,659)
Added needs	5,986,458	6,996,990	6,860,523	(136,467)
Support services:				
Pupil	3,937,603	4,027,788	3,985,143	(42,645)
Instructional staff	1,943,345	2,066,892	1,982,046	(84,846)
General administration	767,568	996,849	1,037,623	40,774
School administration	3,595,350	3,830,944	3,619,260	(211,684)
Business	783,035	870,160	813,746	(56,414)
Operations and maintenance	6,903,030	7,113,321	6,870,980	(242,341)
Transportation and maintenance	1,980,140	2,161,344	2,252,101	90,757
Central staff	972,559	1,084,409	1,059,558	(24,851)
Athletics	-	725,000	673,360	(51,640)
Community services	-	68,350	62,858	(5,492)
Other	50,000	-	-	-
Capital outlay	-	23,060	40,222	17,162
Total expenditures	<u>60,728,981</u>	<u>66,696,927</u>	<u>65,750,581</u>	<u>(946,346)</u>
Other Financing Sources (Uses)				
Transfers in	1,598,000	1,593,000	757,891	(835,109)
Transfers out	(328,000)	-	-	-
Total other financing sources	<u>1,270,000</u>	<u>1,593,000</u>	<u>757,891</u>	<u>(835,109)</u>
Net Change in Fund Balance	101,382	(1,549,727)	(587,757)	961,970
Fund Balance - Beginning of year	<u>3,000,010</u>	<u>3,000,010</u>	<u>3,000,010</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,101,392</u></u>	<u><u>\$ 1,450,283</u></u>	<u><u>\$ 2,412,253</u></u>	<u><u>\$ 961,970</u></u>

Northville Public Schools

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Special Education Center Program Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
State sources	\$ 4,010,224	\$ 4,010,224	\$ 3,894,394	\$ (115,830)
Interdistrict sources	10,312,006	10,312,006	9,812,767	(499,239)
Total revenue	14,322,230	14,322,230	13,707,161	(615,069)
Expenditures - Current - Special education	14,322,230	13,022,230	12,985,039	(37,191)
Other Financing Uses - Transfers out	-	(1,260,000)	(634,805)	625,195
Net Change in Fund Balance	-	40,000	87,317	47,317
Fund Balance (Deficit) - Beginning of year	(39,843)	(39,843)	(39,843)	-
Fund Balance (Deficit) - End of year	<u>\$ (39,843)</u>	<u>\$ 157</u>	<u>\$ 47,474</u>	<u>\$ 47,317</u>

Other Supplemental Information

Northville Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Special Revenue Funds		Debt Service Funds				Total Nonmajor Governmental Funds
	Food Service	Early Childhood Development Center	2001 Building and Site	2004	2005 Refunding	2005 Refunding B	
Assets							
Cash and investments	\$ 12,884	\$ 4,326	\$ 121,616	\$ 69,333	\$ 112,257	\$ 38,843	\$ 359,259
Receivables	67,725	-	41,454	69,272	122,180	12,545	313,176
Due from other funds	165,927	683,767	-	-	-	-	849,694
Inventories	46,797	-	-	-	-	-	46,797
Total assets	\$ 293,333	\$ 688,093	\$ 163,070	\$ 138,605	\$ 234,437	\$ 51,388	\$ 1,568,926
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 14,820	\$ 2,368	\$ 5,261	\$ -	\$ -	\$ -	\$ 22,449
Due to other funds	-	-	94,859	17,172	37,102	10,333	159,466
Deferred revenue	61,500	-	-	-	-	-	61,500
Total liabilities	76,320	2,368	100,120	17,172	37,102	10,333	243,415
Fund Balances							
Nonspendable - Inventory	46,797	-	-	-	-	-	46,797
Restricted:							
Debt service	-	-	62,950	121,433	197,335	41,055	422,773
Food service	170,216	-	-	-	-	-	170,216
Committed	-	685,725	-	-	-	-	685,725
Total fund balances	217,013	685,725	62,950	121,433	197,335	41,055	1,325,511
Total liabilities and fund balances	\$ 293,333	\$ 688,093	\$ 163,070	\$ 138,605	\$ 234,437	\$ 51,388	\$ 1,568,926

Northville Public Schools

	Special Revenue Funds		Debt Service Funds	
	Food Service	Early Childhood Development Center	2001	2004
Revenue				
Local sources	\$ 2,066,991	\$ 2,681,840	\$ 1,832,714	\$ 3,061,187
State sources	85,947	-	-	-
Federal sources	336,064	-	-	-
Interdistrict	-	4,600	-	-
Total revenue	2,489,002	2,686,440	1,832,714	3,061,187
Expenditures				
Current:				
Instruction:				
Support services:				
Food services	2,300,865	-	-	-
Community services	-	2,168,446	-	-
Debt service:				
Principal	-	-	1,600,000	1,575,000
Interest	-	-	329,469	1,326,388
Other	-	-	47,861	65,799
Capital outlay	1,901	-	-	-
Total expenditures	2,302,766	2,168,446	1,977,330	2,967,187
Excess of Revenue Over (Under) Expenditures	186,236	517,994	(144,616)	94,000
Other Financing Uses -				
Transfers out	(43,000)	(80,086)	-	-
Net Change in Fund Balances	143,236	437,908	(144,616)	94,000
Fund Balances - Beginning of year	73,777	247,817	207,566	27,433
Fund Balances - End of year	<u>\$ 217,013</u>	<u>\$ 685,725</u>	<u>\$ 62,950</u>	<u>\$ 121,433</u>

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011**

Debt Service Funds		Total Nonmajor Governmental Funds
2005 Refunding	2005 Refunding B	
\$ 5,400,471	\$ 554,461	\$ 15,597,664
-	-	85,947
-	-	336,064
-	-	4,600
<u>5,400,471</u>	<u>554,461</u>	<u>16,024,275</u>
-	-	2,300,865
-	-	2,168,446
3,700,000	50,000	6,925,000
1,433,750	471,275	3,560,882
121,857	12,151	247,668
-	-	1,901
<u>5,255,607</u>	<u>533,426</u>	<u>15,204,762</u>
144,864	21,035	819,513
-	-	(123,086)
<u>144,864</u>	<u>21,035</u>	<u>696,427</u>
<u>52,471</u>	<u>20,020</u>	<u>629,084</u>
<u>\$ 197,335</u>	<u>\$ 41,055</u>	<u>\$ 1,325,511</u>

Northville Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2011

June 30	2001 Principal	2004 Principal	2005 Refunding Principal	2005B Refunding Principal
2012	\$ 1,625,000	\$ 1,650,000	\$ 3,700,000	\$ 50,000
2013	675,000	1,725,000	3,700,000	890,000
2014	-	1,775,000	3,700,000	1,500,000
2015	-	1,850,000	3,700,000	1,525,000
2016	-	1,925,000	3,700,000	1,525,000
2017	-	2,000,000	3,700,000	1,525,000
2018	-	2,075,000	3,700,000	1,525,000
2019	-	2,150,000	-	1,525,000
2020	1,625,000	2,225,000	-	-
2021	1,625,000	2,300,000	-	-
2022	-	2,375,000	-	-
2023	-	2,475,000	-	-
2024	-	2,500,000	-	-
Total	\$ 5,550,000	\$ 27,025,000	\$ 25,900,000	\$ 10,065,000
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	2.9% to 5.375%	2.25% to 5.25%	2.5% to 5%	3% to 5%
Original issue	\$ 27,510,000	\$ 34,740,000	\$ 40,550,000	\$ 11,215,000