



CITY OF NORTON SHORES, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF NORTON SHORES

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INDEPENDENT AUDITORS' REPORT

November XX, 2014

Honorable Mayor and Members of the City Council
City of Norton Shores, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements 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 City of Norton Shores, Michigan, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton Shores, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 39 through 42 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 who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Management's Discussion and Analysis

As management of the City of Norton Shores (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2014 fiscal year as follows:

- Constitutional Revenue Sharing continued to increase by approximately \$40,000 due to increased sales tax collections by the State of Michigan.
- Public safety millage and the Safer Federal Grant allowed the City to maintain current Public Safety levels of service.
- Water and Sewer rates were increased again due to increase rates from the City suppliers, thus increasing revenues by \$620,000.
- Investment losses occurred on fixed income securities due to increasing interest rates.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, culture and recreation, community development, and debt service. The business-type activities of the City include the water and sewer utility.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Tax Increment Financing Authority (TIFA) and Brownfield Redevelopment Authority for which the City is financially accountable. Information for these component units are reported separately from the financial information presented for the primary government itself.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related

legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, major and local streets, and capital improvements funds which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate legal compliance.

Proprietary funds The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operation. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for its equipment maintenance and replacement services. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund, which is considered to be a major fund of the City.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resource of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and other postemployment benefits information and major fund budget and actual presentations. Supplemental information follows the required pension information and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$68,126,243 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

City of Norton Shores Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$10,957,993	\$10,919,442	\$12,401,040	\$12,847,224	\$23,359,033	\$23,766,666
Capital assets	26,257,376	25,611,846	29,830,739	30,381,053	56,088,115	55,992,899
Total assets	37,215,369	36,531,288	42,231,779	43,228,277	79,447,148	79,759,565
Liabilities						
Current liabilities	566,783	535,908	350,844	328,124	917,627	864,032
Long-term liabilities	8,801,443	7,586,941	1,601,835	1,849,313	10,403,278	9,436,254
Total liabilities	9,368,226	8,122,849	1,952,679	2,177,437	11,320,905	10,300,286
Net position						
Net investment in, Capital assets	26,257,376	25,611,846	28,416,967	28,732,973	54,674,343	54,344,819
Restricted	5,015,466	5,165,136	950	12,528,242	5,016,416	17,693,378
Unrestricted (deficit)	(3,425,699)	(2,368,543)	11,861,183	(210,375)	8,435,484	(2,578,918)
Total net position	\$27,847,143	\$28,408,439	\$40,279,100	\$41,050,840	\$68,126,243	\$69,459,279

By far the largest portion of the City's net position in the amount of 80% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of 7% represents resources that are subject to external restrictions on how they may be used. The City's remaining balance of unrestricted net position in the amount of \$8,435,484 may be used to meet the City's ongoing financial obligations.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2014, was \$23,236,681 while total cost of all programs and services was \$24,569,717. This results in a decrease in net position of \$1,333,036. The following table presents a summary of the changes in net position for the years ended June 30.

City of Norton Shores Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$3,071,165	\$2,626,159	\$7,458,327	\$7,204,423	\$10,529,492	\$9,830,582
Operating grants and contributions	1,965,133	2,160,710	164,108	-	2,129,241	2,160,710
Capital grants and contributions	430,960	6,572,663	-	175,248	430,960	6,747,911
General revenues						
Property taxes	8,351,959	7,890,043	-	-	8,351,959	7,890,043
State shared revenues	1,847,935	1,805,785	-	-	1,847,935	1,805,785
Investment earnings (loss)	(34,523)	(48,380)	(200,871)	(458,756)	(235,394)	(507,136)
Other	160,271	104,015	22,217	28,519	182,488	132,534
Total revenues	15,792,900	21,110,995	7,443,781	6,949,434	23,236,681	28,060,429
Expenses						
General government	3,394,610	3,555,708	-	-	3,394,610	3,555,708
Public safety	7,618,872	7,188,413	-	-	7,618,872	7,188,413
Highways and streets	3,161,242	2,843,805	-	-	3,161,242	2,843,805
Sanitation	679,973	611,629	-	-	679,973	611,629
Culture and recreation	762,759	673,468	-	-	762,759	673,468
Administration	616,339	595,687	-	-	616,339	595,687
Community development	120,401	192,943	-	-	120,401	192,943
Water and sewer	-	-	8,215,521	7,916,767	8,215,521	7,916,767
Total expenses	16,354,196	15,661,653	8,215,521	7,916,767	24,569,717	23,578,420
Increase (decrease) in net position	(561,296)	5,449,342	(771,740)	(967,333)	(1,333,036)	4,482,009
Net position – beginning	28,408,439	22,959,097	41,050,840	42,018,173	69,459,279	64,977,270
Net position – ending	\$27,847,143	\$28,408,439	\$40,279,100	\$41,050,840	\$68,126,243	\$69,459,279

Governmental Activities The preceding table shows that the governmental activities decreased the City's net position by \$561,296 during this fiscal year. The decrease is primarily the result of an increase in the City's OPEB liability.

Business-type Activities Business-type activities decreased the City's net position by \$771,740 during the year. This decrease is primarily the result of charges being inadequate to cover depreciation expense as well as negative investment returns during the year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,328,739, a decrease of \$79,015 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$2,381,135, an increase of \$121,681. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance totaled \$1,427,369 or 15% of total general fund expenditures.

The Major and Local Streets Fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The fund balance at the end of the year amounted to \$837,299, a decrease of \$20,178 from the previous year. The State Department of Transportation has reversed a previous decision and will require the major and local streets to be accounted for in separate funds next fiscal year.

The Capital Improvement Fund is used to account for the resources of a tax millage that are to be used for improvements. The fund balance at the end of the year amounted to \$2,235,515, an increase of \$22,660 from the previous year. The increase is due to the tax levy and other revenues exceeding the current year capital improvement expenditures.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operation consists of the water and sewer fund which provides services to most residents and businesses of the City. This fund experienced a decrease in net position of \$771,740.

Budgetary Highlights

- Tax revenue was below final budget due to MTT decisions and settlements.
- State Revenue Sharing increased more than 10% due to increase sales tax collections.
- Routine maintenance decrease more than 10% due to less maintenance from improving roads funded through the Municipal Road Fund.
- Did not receive anticipated grant for softball lights.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$56,088,115 (net of accumulated depreciation). Of this amount, \$26,257,376 was for its governmental type activities and \$29,830,739 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions consisted of work on the city's public works building and various infrastructure projects. Additional information on the City's capital assets can be found in Note 5 to these financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term debt, including compensated absences and Other Post-Employment Benefits Obligations, outstanding of \$10,403,278. Of this amount, \$8,801,443 was for governmental activities while \$1,601,835 was for business-type activities. Additional information on the City's long-term debt can be found in Note 8 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2014-2015 fiscal year:

- Property values in the residential sector is expected to increase for the 1st year in a long time.
- Public Safety millage was raised to 1.35 from .75 mills to cover loss of the Safer Grant.
- State Revenue Sharing is expected to increase 4% according to the State of Michigan.
- City applied for a Grant to purchase 13 acres for Black Lake Park.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Norton Shores, 4814 Henry Street, Norton Shores, MI 49441.

CITY OF NORTON SHORES

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Tax	Brownfield
	Activities	Activities		Increment Finance Authority	Redevelopment Authority
Assets					
Cash and pooled investments	\$ 9,025,236	\$ 9,383,930	\$ 18,409,166	\$ 2,434,724	\$ 245,003
Accounts receivable	249,100	1,537,402	1,786,502	-	-
Due from other governments	942,225	665,647	1,607,872	-	-
Special assessments receivable	55,398	450,844	506,242	-	-
Prepaid and other assets	539,959	58,265	598,224	-	-
Inventory	146,075	304,002	450,077	-	-
Restricted assets					
Cash and pooled investments	-	950	950	-	-
Capital assets					
Land	2,013,798	250	2,014,048	456,627	-
Depreciable capital assets, net	<u>24,243,578</u>	<u>29,830,489</u>	<u>54,074,067</u>	<u>808,636</u>	<u>-</u>
Total assets	<u>37,215,369</u>	<u>42,231,779</u>	<u>79,447,148</u>	<u>3,699,987</u>	<u>245,003</u>
Liabilities					
Accounts payable	295,601	320,567	616,168	318	-
Accrued liabilities	234,170	21,943	256,113	79	-
Accrued interest	-	8,334	8,334	-	-
Unearned revenue	37,012	-	37,012	-	-
Noncurrent liabilities					
Compensated absences	751,416	58,713	810,129	-	-
Net other post-employment benefits	8,050,027	129,350	8,179,377	-	-
Due within one year	-	224,607	224,607	-	-
Due in more than one year	-	1,189,165	1,189,165	-	-
Total liabilities	<u>9,368,226</u>	<u>1,952,679</u>	<u>11,320,905</u>	<u>397</u>	<u>-</u>
Net Position					
Net investment in capital assets	26,257,376	28,416,967	54,674,343	1,265,263	-
Restricted for					
Major and local streets	837,299	-	837,299	-	-
Municipal roads	853,616	-	853,616	-	-
Solid waste	106,502	-	106,502	-	-
Building	321,496	-	321,496	-	-
Community development program	2,532	-	2,532	-	-
Perpetual care	658,506	-	658,506	-	-
Capital improvements	2,235,515	950	2,236,465	-	-
Unrestricted (deficit)	<u>(3,425,699)</u>	<u>11,861,183</u>	<u>8,435,484</u>	<u>2,434,327</u>	<u>245,003</u>
Total net position	<u>\$ 27,847,143</u>	<u>\$ 40,279,100</u>	<u>\$ 68,126,243</u>	<u>\$ 3,699,590</u>	<u>\$ 245,003</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government					
Governmental activities					
General government	\$ 3,394,610	\$ 1,968,498	\$ -	\$ -	\$ (1,426,112)
Public safety	7,618,872	880,600	20,504	5,242	(6,712,526)
Highways and streets	3,161,242	13,444	1,944,629	82,192	(1,120,977)
Sanitation	679,973	-	-	238,966	(441,007)
Culture and recreation	762,759	208,623	-	-	(554,136)
Administration	616,339	-	-	-	(616,339)
Community development	120,401	-	-	104,560	(15,841)
Total governmental activities	16,354,196	3,071,165	1,965,133	430,960	(10,886,938)
Business-type activities					
Water and Sewer	8,215,521	7,458,327	164,108	-	(593,086)
Total primary government	\$ 24,569,717	\$ 10,529,492	\$ 2,129,241	\$ 430,960	\$ (11,480,024)
Component units					
Tax Increment Finance Authority	\$ 428,526	\$ -	\$ -	\$ -	\$ (428,526)
Brownfield Redevelopment Authority	166,814	-	-	-	(166,814)
Total component units	\$ 595,340	\$ -	\$ -	\$ -	\$ (595,340)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Tax</u>	<u>Brownfield</u>
	<u>Activities</u>	<u>Activities</u>		<u>Increment</u>	<u>Redevelopment</u>
				<u>Finance</u>	<u>Authority</u>
				<u>Authority</u>	<u>Authority</u>
Changes in net position					
Net (expense) revenue	\$ (10,886,938)	\$ (593,086)	\$ (11,480,024)	\$ (428,526)	\$ (166,814)
General revenues					
Property taxes					
General	5,173,009	-	5,173,009	1,468,212	131,017
Sanitation	531,656	-	531,656	-	-
Road improvements	1,128,277	-	1,128,277	-	-
Capital projects	1,519,017	-	1,519,017	-	-
State shared revenues	1,847,935	-	1,847,935	-	-
Unrestricted investment earnings (loss)	(34,523)	(200,871)	(235,394)	(88,233)	-
Other general revenues	160,271	22,217	182,488	-	-
Total general revenues and transfers	<u>10,325,642</u>	<u>(178,654)</u>	<u>10,146,988</u>	<u>1,379,979</u>	<u>131,017</u>
Change in net position	(561,296)	(771,740)	(1,333,036)	951,453	(35,797)
Net position, beginning of year	<u>28,408,439</u>	<u>41,050,840</u>	<u>69,459,279</u>	<u>2,748,137</u>	<u>280,800</u>
Net position, end of year	<u>\$ 27,847,143</u>	<u>\$ 40,279,100</u>	<u>\$ 68,126,243</u>	<u>\$ 3,699,590</u>	<u>\$ 245,003</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	<u>General</u>	<u>Major/Local Streets Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,512,056	\$ 435,997	\$ 2,232,790	\$ 3,896,958	\$ 8,077,801
Accounts receivable	220,227	1,649	24,000	2,073	247,949
Special assessments receivable	-	-	-	55,398	55,398
Prepaid items	438,134	48,742	-	20,390	507,266
Due from other funds	18,155	-	-	-	18,155
Due from other governments	617,339	301,481	-	23,405	942,225
Inventory	11,204	92,375	-	-	103,579
Total assets	\$ 2,817,115	\$ 880,244	\$ 2,256,790	\$ 3,998,224	\$ 9,952,373
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 203,052	\$ 22,996	\$ 18,599	\$ 41,128	\$ 285,775
Accrued liabilities	198,592	19,949	-	8,753	227,294
Due to other funds	-	-	-	18,155	18,155
Unearned revenue	34,336	-	2,676	-	37,012
Total liabilities	435,980	42,945	21,275	68,036	568,236
Deferred inflows					
Unavailable revenues	-	-	-	55,398	55,398
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	658,506	658,506
Inventory	11,204	92,375	-	-	103,579
Prepaid items	438,134	48,742	-	20,390	507,266
Restricted					
Streets	-	696,182	-	853,616	1,549,798
Solid waste	-	-	-	106,502	106,502
Building	-	-	-	306,728	306,728
Community development	-	-	-	2,532	2,532
Capital improvements	-	-	2,235,515	-	2,235,515
Assigned					
Subsequent years expenditures	504,428	-	-	-	504,428
Capital projects	-	-	-	1,926,516	1,926,516
Unassigned	1,427,369	-	-	-	1,427,369
Total fund balances	2,381,135	837,299	2,235,515	3,874,790	9,328,739
Total liabilities, deferred inflows, and fund balances	\$ 2,817,115	\$ 880,244	\$ 2,256,790	\$ 3,998,224	\$ 9,952,373

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2014

Fund balances - governmental funds	\$ 9,328,739
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,013,798
Add - capital assets (net of accumulated depreciation)	23,354,304
Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenues in the funds.	
Add - deferred inflows	55,398
An internal service fund is used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	1,848,764
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(736,170)
Deduct - post-employment benefits payable	<u>(8,017,690)</u>
Net position of governmental activities	<u>\$ 27,847,143</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Major/Local Streets Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 4,158,382	\$ -	\$ 1,519,017	\$ 2,674,560	\$ 8,351,959
Intergovernmental revenues					
Federal	20,504	-	5,242	104,560	130,306
State	1,847,935	2,026,821	-	-	3,874,756
Local	-	-	238,966	-	238,966
Licenses and permits	360,233	-	-	531,315	891,548
Charges for services	2,064,410	-	-	27,832	2,092,242
Fines	73,931	-	-	-	73,931
Special assessments	-	-	-	11,344	11,344
Investment earnings (loss)	13,382	(3,947)	(22,943)	(9,831)	(23,339)
Miscellaneous	32,715	57,556	55,302	14,698	160,271
Total revenues	<u>8,571,492</u>	<u>2,080,430</u>	<u>1,795,584</u>	<u>3,354,478</u>	<u>15,801,984</u>
Expenditures					
Current					
General government	1,817,665	-	-	-	1,817,665
Public safety	6,414,028	-	-	439,352	6,853,380
Highway and streets	496,799	1,421,504	-	-	1,918,303
Sanitation	-	-	-	657,619	657,619
Culture and recreation	738,146	-	-	-	738,146
Administration	-	387,841	206,728	-	594,569
Community development	-	-	-	113,350	113,350
Capital outlay	-	316,401	1,541,058	1,330,508	3,187,967
Total expenditures	<u>9,466,638</u>	<u>2,125,746</u>	<u>1,747,786</u>	<u>2,540,829</u>	<u>15,880,999</u>
Revenues over (under) expenditures	<u>(895,146)</u>	<u>(45,316)</u>	<u>47,798</u>	<u>813,649</u>	<u>(79,015)</u>
Other financing sources (uses)					
Transfers in	1,016,827	25,138	-	-	1,041,965
Transfers out	-	-	(25,138)	(1,016,827)	(1,041,965)
Total other financing sources (uses)	<u>1,016,827</u>	<u>25,138</u>	<u>(25,138)</u>	<u>(1,016,827)</u>	<u>-</u>
Net changes in fund balances	121,681	(20,178)	22,660	(203,178)	(79,015)
Fund balances, beginning of year	<u>2,259,454</u>	<u>857,477</u>	<u>2,212,855</u>	<u>4,077,968</u>	<u>9,407,754</u>
Fund balances, end of year	<u>\$ 2,381,135</u>	<u>\$ 837,299</u>	<u>\$ 2,235,515</u>	<u>\$ 3,874,790</u>	<u>\$ 9,328,739</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds	\$ (79,015)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add - capital outlay	2,860,650
Deduct - depreciation expense	(1,878,384)
Deduct - net book value of disposed assets	(2,090)
<p>Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.</p>	
Add - long-term receivable addition	2,100
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Deduct - increase in compensated absences	(86,126)
Deduct - increase in post-employment benefits liability	(1,122,176)
<p>Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p>	
Deduct - decrease in net position from the internal service funds	<u>(256,255)</u>
Change in net position of governmental activities	<u>\$ (561,296)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2014

	Enterprise Fund Water and Sewer Fund	Governmental Activities Equipment Revolving Internal Service Fund
Assets		
Current assets		
Cash and pooled investments	\$ 9,383,930	\$ 947,435
Accounts receivable	1,537,402	1,151
Special assessment receivable	450,844	-
Due from other governments	665,647	-
Prepaid and other assets	58,265	32,693
Inventory	304,002	42,496
Restricted cash and pooled investments	950	-
	<hr/>	<hr/>
Total current assets	12,401,040	1,023,775
Capital assets		
Land	250	-
Depreciable capital assets	62,695,670	4,704,743
Less accumulated depreciation	<u>(32,865,181)</u>	<u>(3,815,469)</u>
Net capital assets	<u>29,830,739</u>	<u>889,274</u>
Total assets	<u>42,231,779</u>	<u>1,913,049</u>
Liabilities		
Current liabilities		
Accounts payable	320,567	9,826
Accrued liabilities	21,943	6,876
Accrued interest	8,334	-
Current portion of long-term debt	<u>224,607</u>	<u>-</u>
Total current liabilities	<u>575,451</u>	<u>16,702</u>
Long-term liabilities		
Compensated absences	58,713	15,246
Net other post-employment benefits obligation	129,350	32,337
Bonds payable, net of current portion	<u>1,189,165</u>	<u>-</u>
Total long-term liabilities	<u>1,377,228</u>	<u>47,583</u>
Total liabilities	<u>1,952,679</u>	<u>64,285</u>
Net Position		
Net investment in capital assets	28,416,967	889,274
Restricted for:		
Capital improvements	950	-
Unrestricted	<u>11,861,183</u>	<u>959,490</u>
Total net position	<u>\$ 40,279,100</u>	<u>\$ 1,848,764</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund Water and Sewer Fund	Governmental Activities Equipment Revolving Internal Service Fund
Operating revenue		
Charges for services	\$ 7,458,327	\$ 1,153,123
Water service installations and direct sewer connections	165,320	-
Other	<u>22,217</u>	<u>18,125</u>
Total operating revenue	<u>7,645,864</u>	<u>1,171,248</u>
Operating expense		
Personnel services	1,420,034	344,343
Other operating expenses	5,204,804	560,703
Depreciation	<u>1,197,168</u>	<u>541,601</u>
Total operating expense	<u>7,822,006</u>	<u>1,446,647</u>
Operating income (loss)	<u>(176,142)</u>	<u>(275,399)</u>
Non-operating revenue (expense)		
Loss on disposal of assets	(1,212)	30,328
Investment earnings (loss)	(200,871)	(11,184)
Interest expense	<u>(393,515)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(595,598)</u>	<u>19,144</u>
Changes in net position	(771,740)	(256,255)
Net position, beginning of year	<u>41,050,840</u>	<u>2,105,019</u>
Net position, end of year	<u>\$ 40,279,100</u>	<u>\$ 1,848,764</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund Water and Sewer Fund	Governmental Activities Equipment Revolving Internal Service Fund
Cash flows from operating activities		
Receipts from internal services provided	\$ -	\$ 1,171,134
Receipts from customers and users	7,043,872	-
Payments to employees	(1,432,241)	(335,517)
Payments to suppliers	<u>(5,156,914)</u>	<u>(559,647)</u>
Net cash provided by (used in) operating activities	<u>454,717</u>	<u>275,970</u>
Cash flows from non-capital financing activities		
Repayment of loan from other funds	<u>(2,120,206)</u>	-
Cash flows from capital and related financing activities		
Payments on contract obligations	(234,309)	-
Interest expense	(394,628)	-
Proceeds from sale of capital assets	-	30,328
Acquisitions of capital assets	<u>(648,065)</u>	<u>(206,955)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,277,002)</u>	<u>(176,627)</u>
Cash flows from investing activities		
Investment earnings (loss)	<u>(200,871)</u>	<u>(11,184)</u>
Net increase (decrease) in cash and pooled investments	(3,143,362)	88,159
Cash and pooled investments, beginning of year	<u>12,528,242</u>	<u>859,276</u>
Cash and pooled investments, end of year	<u>\$ 9,384,880</u>	<u>\$ 947,435</u>
Cash flows from operating activities		
Operating income (loss)	\$ (176,142)	\$ (275,399)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,197,168	541,601
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(641,766)	(722)
Assessments receivable	39,774	-
Inventory	12,720	-
Prepaid assets and other items	12,300	4,864
Accounts payable	22,870	(3,808)
Accrued liabilities	963	2,626
Unearned revenue	-	608
Other post-employment benefits	(11,479)	(162)
Compensated absences	<u>(1,691)</u>	<u>6,362</u>
Net cash provided by (used in) operating activities	<u>\$ 454,717</u>	<u>\$ 275,970</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION/BALANCE SHEET**

JUNE 30, 2014

	Other Post- employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
Assets		
Cash and pooled investments	\$ 1,688,564	\$ 1
Accounts receivable	-	15,660
Total assets	<u>1,688,564</u>	<u>\$ 15,661</u>
Liabilities		
Due to other governmental units	-	\$ 15,661
Net Position		
Net position - held in trust for post-employment benefits	<u>\$ 1,688,564</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Other Post- employment Benefits <u>Trust Fund</u>
Additions	
Contributions	
City contributions	\$ 902,793
Investment earnings	
Interest	<u>202,411</u>
Total additions	1,105,204
Deductions	
Health insurance premiums paid	<u>729,465</u>
Changes in net position	375,739
Net position, beginning of year	<u>1,312,825</u>
Net position, end of year	<u><u>\$ 1,688,564</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Norton Shores, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Tax Increment Financing Authority (the "TIFA") and the Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The TIFA was created to correct and prevent deterioration and to promote economic growth within the downtown area. The TIFA governing body consists of individuals that are approved by the City's Council. The City Council approves the TIFA's budget and the TIFA is fiscally dependent on the City. Financial statements are not separately issued for the TIFA.

The Brownfield Redevelopment Authority accounts for captured tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenditures incurred for brownfield cleanup. The City Council approves the governing body of the Brownfield Redevelopment Authority. The Brownfield Redevelopment Authority is fiscally dependent on the City since the City approves the Brownfield Redevelopment Authority's budget. Financial statements are not separately issued for the Brownfield Redevelopment Authority.

Joint Venture

The City of Norton Shores is a participant in the West Michigan Regional Water Authority (Authority) (a joint venture). The purpose of the Authority is to develop and maintain water infrastructure. The City utilizes the Authority for its water supply. The City pays for these services based on its share of water flow through the system to cover debt service, maintenance and administration of the Authority. For the year ended June 30, 2014, the City paid \$112,381 to the Authority for engineering of system infrastructure. The City received no payments from the Authority for the provision of administrative services during the year. The Authority owes the City \$665,647 which was advanced to the Authority to cover construction costs until the Authority issues Bonds. Subsequent to year end the Authority issued \$15,700,000 of Water Supply Bonds. The City has pledged its limited faith and credit for the bonds based on City water flow through the system. Financial statements of the Authority can be obtained by contacting the Treasurer c/o City of Norton Shores, 4814 Henry Street, Norton Shores, MI 49441.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants 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 revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants, state shared revenue and interest which use a one year collection 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, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service fund is charges to City departments for repairs and equipment utilization. Operating expenses for the enterprise fund includes depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major and Local Streets Fund* is used to account for the construction and maintenance of streets. Financing is provided by the City's share of the State's fuel and weight taxes.

The *Capital Improvement Fund* is used to account for the City Charter authorized two (2) mill property tax levy and related restricted revenues for the acquisition of land, equipment, facilities, improvements and similar items for general governmental use.

The City reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the City's sewer and water department that provides sewer and water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Internal Service Fund* is used to account for shared services, equipment usage, and insurance coverage provided to the City departments and funds on a cost reimbursement basis.

The *Other Post-employment Benefits Trust Fund* is used to account for the operations of the Other Post-employment Benefits Plan which provides post-employment benefits to the City's employees.

The *Agency Funds* are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted at the program level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash on hand, demand deposits, and short term investments with a maturity of three months or less when acquired.

Investments

Investments are stated at fair value at the balance sheet date.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

Receivables/Due from Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Special Assessments Receivable

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects. Special assessments in governmental funds are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue in governmental funds. Special assessments are billed annually. Special assessments are recorded when levied on the government-wide and proprietary fund financial statements

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Inventory represents parts, materials, and supplies utilized in the various City operations.

Restricted Cash and Pooled Investments

Restricted balances represent fees collected for future repairs and maintenance of the water and sewer systems.

Capital Assets

Capital assets, which include land, construction in progress, buildings, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20-50
Infrastructure	20
Equipment	10
Vehicles	4-8

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received, but not yet earned.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has no items that qualify for reporting in this category.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments which are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position/Fund Balance

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the non-spendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Council. The City has not delegated the authority to assign Fund Balance.

City Council has adopted a minimum fund balance policy which requires fund balance of the general fund to equal at least 10% of subsequent years budgeted expenditures and transfers out.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Changes between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2014, the City did not incur expenditures in budgetary funds which were in excess of the amounts appropriated.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and pooled investments	\$18,409,166	\$2,679,727	\$1,688,565	\$22,777,458
Restricted cash and pooled investments	950	-	-	950
	\$18,410,116	\$2,679,727	\$1,688,565	\$22,778,408

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The cash and pooled investments making up the above balances are as follows:

Deposits	\$ 705,390
Investments	22,069,418
Petty cash	3,600
 Total	 \$22,778,408

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City minimizes this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$1,125,827 of the City's bank balance of \$1,375,827 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investment and deposit risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. It is the City's policy to reduce 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 City's cash requirements.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk.

The ratings and maturity for investments held at year-end are summarized as follows:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money market accounts	N/A	\$2,069,862	Unrated	
MERS total market fund	N/A	1,688,564		
Certificates of Deposit	2018-2029	1,383,210	Unrated	
Municipal Bonds:				
Grand Blanc Comm Schools Municipal	2028	222,974	AA-	S&P
Hudsonville Public Schools	2029	232,742	AA-	S&P
Allegan District Schools	2042	483,758	AA-	S&P
Michigan TOB Settlement Fin Authority	2048	385,743	B-	S&P
Government Securities				
GNMA Pools	2015-2036	5,089	Unrated	
FHLMC Note	2019	983,744	AA+	S&P
FHLB Bond	2024	976,094	AA+	S&P

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
FHLB Step Bond	2028	\$ 930,926	AAA	S&P
FNMA Bond	2032	516,215	AA+	S&P
FHR	2032	437,627	Unrated	
FHLB Bond	2032	1,172,757	AA+	S&P
FHLB Step Bond	2033	877,096	AA+	S&P
FHLB Bond	2034	449,834	AA+	S&P
FHR	2040	519,478	Unrated	
FHR	2040	999,132	Unrated	
FHLMC Note	2041	521,201	Unrated	
FHLMC Note	2042	961,029	Unrated	
FHLMC Note	2042	440,411	Unrated	
FNR	2042	642,443	Unrated	
FNR	2042	909,327	Unrated	
GNR	2042	701,576	Unrated	
FHLMC Note	2043	969,949	Unrated	
GNMA Bond	2043	828,624	Unrated	
FHLMC	2043	921,166	Unrated	
GNR	2044	838,847	Unrated	
		<u><u>\$22,069,418</u></u>		

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the City's investment policy. Of the \$22,069,418 of investments, the City has custodial credit risk of \$16,927,782 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments, \$3,758,426 is invested in mutual funds for which the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2014 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>		
	<u>Capital improvement fund</u>	<u>Nonmajor governmental</u>	<u>Total</u>
General fund	\$ -	\$1,016,827	\$1,016,827
Major Streets fund	25,138	-	25,138
Total	<u>\$25,138</u>	<u>\$1,016,827</u>	<u>\$1,041,965</u>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Interfund receivables and payables of individual funds at June 30, 2014 were as follows:

<u>Receivable Fund</u>	<u>Payable</u>
General fund	Nonmajor governmental \$18,155

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,971,830	\$ 41,968	\$ -	\$ 2,013,798
Construction in progress	5,716,630	-	5,716,630	-
Total capital assets, not being depreciated	7,688,460	41,968	5,716,630	2,013,798
Capital assets, being depreciated				
Buildings	3,320,732	5,954,189	-	9,274,921
Land improvements	1,712,850	29,120	-	1,741,970
Equipment	8,163,770	902,810	202,079	8,864,501
Infrastructure	31,622,506	1,856,148	-	33,478,654
Total capital assets, being depreciated	44,819,858	8,742,267	202,079	53,360,046
Less accumulated depreciation for				
Buildings	2,242,531	316,000	-	2,558,531
Land improvements	909,609	87,069	-	996,678
Equipment	5,003,999	899,767	199,989	5,703,777
Infrastructure	18,740,333	1,117,149	-	19,857,482
Total accumulated depreciation	26,896,472	2,419,985	199,989	29,116,468
Net capital assets, being depreciated	17,923,386	6,322,282	2,090	24,243,578
Governmental Activities capital assets, net	\$ 25,611,846	\$6,364,250	\$5,718,720	\$26,257,376

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2014</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 250	\$ -	\$ -	\$ 250
Construction in progress	313,477	-	313,477	-
Total capital assets, not being depreciated	313,727	-	313,477	250
Capital assets being depreciated				
Regional water system				
water mains and hydrants	\$17,096,945	\$ 853,793	\$ -	\$17,950,738
Building	1,527,203	-	-	1,527,203
Sewers and lift stations	37,445,822	63,842	-	37,509,664
Machinery and equipment	264,865	43,646	1,054	307,457
Wastewater treatment	5,400,608	-	-	5,400,608
Total capital assets, being depreciated	61,735,443	961,281	1,054	62,695,670
Less accumulated depreciation for				
Regional water system				
water mains and hydrants	5,621,543	269,162	-	5,890,705
Building	38,180	38,180	-	76,360
Sewers and lift stations	21,692,088	745,146	-	22,437,234
Machinery and equipment	132,452	36,669	104	169,017
Wastewater treatment	4,183,854	108,011	-	4,291,865
Total accumulated depreciation	31,668,117	1,197,168	104	32,865,181
Net capital assets, being depreciated	30,067,326	(235,887)	950	29,830,489
Business-type Activities capital assets, net	\$30,381,053	\$(235,887)	\$314,427	\$29,830,739
Component Units				
Capital assets, not being depreciated				
Land	\$ 456,627	\$ -	\$ -	\$ 456,627
Capital assets being depreciated				
Buildings and infrastructure	899,666	-	-	899,666
Less accumulated depreciation for				
Buildings and infrastructure	68,538	22,492	-	91,030
Net capital assets, being depreciated	831,128	(22,492)	-	808,636
Business-type Activities capital assets, net	\$1,287,755	\$(22,492)	\$ -	\$1,265,263

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

Governmental Activities

General government	\$ 236,601
Public safety	502,776
Public works and streets	1,139,007
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	541,601

Total depreciation expense - governmental activities **\$2,419,985**

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

6. PENSION PLANS

MERS Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The Plan is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The City is required to contribute at an actuarially determined rate based on annual covered payroll and dependent on division within MERS. The City is required to contribute from 5.91 to 90.97 percent of annual covered payroll. Participating employees are required to contribute from 0 to 3.5 percent of annual covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by employment and labor agreements.

For the year ended June 30, 2014, the City's annual pension cost of \$1,498,099 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8%; and (b) projected salary increases of 4.5% per year (1% for 2014, 2% for 2015 and 3% for 2016), plus from 0% to 13% based on an age-related scale to reflect merit, longevity and promotional salary increases, (c) projected withdrawal rates of 2.4% to 20.0% depending on age and years of service, and (d) inflation rate of 3-4%. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a ten year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/12	\$1,197,501	100%	\$ -
6/30/13	1,565,931	100%	-
6/30/14	1,498,099	100%	-

Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>Total</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/13	\$20,247,136	\$39,356,507	\$19,109,371	51%	\$5,453,171	350%

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. In accordance with the City's policy, the City provides an annual payment until the retiree is eligible for full social security benefits. As of June 30, 2013, the date of the last plan valuation, the Plan covered 178 members. The Plan does not issue a publically available financial report.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2013):

Retirees and beneficiaries receiving benefits	88
Active plan members	<u>90</u>
Total	<u><u>178</u></u>

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2014 the City contributed \$902,793 to the Plan.

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The projection of future benefit payments for an ongoing plan involves 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 as required supplementary information 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 calculation.

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

In the June 30, 2013 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative costs) and an inflationary rate of 4.0% for employee benefits. Amortization of the Unfunded Actuarial Accrued Liability was Level Dollar - Open method since retiree benefits are not related to salary level. The remaining amortization period at June 30, 2013 is 30 years.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City OPEB obligation to the plan.

Annual required contribution	\$2,133,589
Interest on Net OPEB obligation	308,244
Adjustment to annual required contribution	<u>(428,504)</u>
Annual OPEB cost (expense)	2,013,329
Contribution made	<u>902,793</u>
Increase in net OPEB obligation	1,110,536
Net OPEB obligation, beginning of year	<u>7,068,841</u>
Net OPEB obligation, end of year	<u>\$8,179,377</u>

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/12	\$2,610,052	38%	\$5,985,540
6/30/13	2,033,031	47%	7,068,842
6/30/14	2,013,328	45%	8,179,377

Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/13	\$1,313,598	\$33,759,069	\$32,445,471	4%	Not available	n/a

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

8. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Governmental Activities					
Compensated absences	\$ 658,928	\$ 92,488	\$ -	\$ 751,416	\$75,142
Other post-employment benefits	6,928,013	1,122,014	-	8,050,027	-
Total Governmental Activities	\$7,586,941	\$1,214,502	\$ -	\$8,801,443	\$75,142
Business-type Activities					
Obligations under contract with the County of Muskegon	\$1,648,080	\$ -	\$234,309	\$1,413,771	\$224,607
Compensated absences	60,404	-	1,691	58,713	5,871
Other post-employment benefits	140,829	129,350	140,829	129,350	-
Total Business-type Activities	\$1,849,313	\$129,350	\$376,829	\$1,601,834	\$230,478

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2014 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 224,607	\$ 50,006
2016	231,418	36,892
2017	238,478	29,950
2018	245,731	22,796
2019	253,205	15,424
2020-2023	220,332	7,828
Total	\$1,413,771	\$162,896

The 2000 Muskegon County Water Supply System No. 1, Series II contract was entered into with the County for the construction of a regional transmission water main, enhancements for water supply storage, and construction of distribution water mains in the City. This contractual agreement is treated as a capital lease with approximately 60% of the constructed asset recorded within the sewer/water fund. The City of Norton Shores is responsible for annual debt service in the amount equal to its share of system construction costs, currently estimated at 60% of the total. The City has pledged its limited full faith and credit toward the retirement of its share of the \$6,500,000 bond issue. The interest rate ranges from 4.75 to 6.75 percent over the life of the contract. In compliance with constitutional limitations, the City is utilizing water service revenue for this debt.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

In 1997, the City of Muskegon Heights made improvements and expanded the capacity of its water filtration plant. The project was funded with \$18,400,000 in revenue bonds. Under contractual agreements as wholesale users of the system, the City of Norton Shores and the Charter Township of Fruitport agreed to pay a portion of the debt service on these bonds based on actual water usage pursuant to the Water Service Agreement between the three communities. Based on usage, the City's share of the debt outstanding on June 30, 2014 was approximately 54% of the outstanding balance or \$7,746,300. The City has not recorded a liability for any portion of the City of Muskegon Heights water filtration plant debt. Terms of the contractual agreement require the City and the Charter Township of Fruitport to pay debt service on these bonds regardless of water usage.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance and participates in the Michigan Municipal Liability and Property Pool (the Pool). The City is covered for property and liability coverage through the pool. The City's contributions to the Pool are combined with other member contributions to provide members with coverage for property and liability claims. Funds not needed to pay claims or maintain reserves are either distributed to the members or credited toward future contributions. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year.

The City manages its workers compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its member by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The City is self-funded for medical, dental, and optical insurance. The claims liability of \$0 reported at June 30, 2014 is based on the requirements of accounting standards which require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in each fund based on payroll. An independent administrator is contracted to process the daily claims. An excess coverage (reinsurance) insurance policy covers individual claims in excess of \$70,000 per family. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in the funds. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The change in the claims liability for the year ended June 30, 2014 was as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2013	\$ -	\$1,830,063	\$1,830,063	\$ -
2014	\$ -	\$1,639,681	\$1,639,681	\$ -

10. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

11. SUBSEQUENT EVENTS

Subsequent to year-end, the City entered into various construction contracts totaling approximately \$3,500,000.

CITY OF NORTON SHORES

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,211,833	\$ 4,206,855	\$ 4,158,382	\$ (48,473)
Intergovernmental revenues				
Federal	81,585	77,997	20,504	(57,493)
State	1,839,999	1,839,999	1,847,935	7,936
Licenses and permits	327,300	343,918	360,233	16,315
Charges for services	2,000,650	2,010,650	2,064,410	53,760
Fines	53,000	65,000	73,931	8,931
Investment earnings	172,095	172,095	13,382	(158,713)
Miscellaneous	60,000	33,215	32,715	(500)
Total revenues	<u>8,746,462</u>	<u>8,749,729</u>	<u>8,571,492</u>	<u>(178,237)</u>
Expenditures				
Current				
General government	1,928,978	1,943,761	1,817,665	126,096
Public safety	6,672,101	6,692,983	6,414,028	278,955
Highway and streets	528,159	521,811	496,799	25,012
Culture and recreation	759,049	772,077	738,146	33,931
Total expenditures	<u>9,888,287</u>	<u>9,930,632</u>	<u>9,466,638</u>	<u>463,994</u>
Revenues over (under) expenditures	(1,141,825)	(1,180,903)	(895,146)	(285,757)
Other financing sources (uses)				
Transfers in	1,004,163	1,020,950	1,016,827	(4,123)
Net changes in fund balance	(137,662)	(159,953)	121,681	281,634
Fund balance, beginning of year	<u>2,259,454</u>	<u>2,259,454</u>	<u>2,259,454</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,121,792</u>	<u>\$ 2,099,501</u>	<u>\$ 2,381,135</u>	<u>\$ 281,634</u>

CITY OF NORTON SHORES

**MAJOR/LOCAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 1,735,574	\$ 1,989,294	\$ 2,026,821	\$ 37,527
Investment earnings (loss)	18,188	19,000	(3,947)	(22,947)
Miscellaneous	43,000	43,000	57,556	14,556
Total revenues	<u>1,796,762</u>	<u>2,051,294</u>	<u>2,080,430</u>	<u>29,136</u>
Expenditures				
Current				
Highway and streets	1,342,300	1,475,520	1,421,504	54,016
Administration	389,410	389,410	387,841	1,569
Capital outlay	580,978	913,916	316,401	597,515
Total expenditures	<u>2,312,688</u>	<u>2,778,846</u>	<u>2,125,746</u>	<u>653,100</u>
Revenues over (under) expenditures	(515,926)	(727,552)	(45,316)	682,236
Other financing source (uses)				
Transfers in	515,926	25,138	25,138	-
Net changes in fund balance	-	(702,414)	(20,178)	682,236
Fund balance, beginning of year	<u>857,477</u>	<u>857,477</u>	<u>857,477</u>	<u>-</u>
Fund balance, end of year	<u>\$ 857,477</u>	<u>\$ 155,063</u>	<u>\$ 837,299</u>	<u>\$ 682,236</u>

CITY OF NORTON SHORES

REQUIRED SUPPLEMENTARY INFORMATION

**MERS DEFINED BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 20,092,491	\$ 35,228,494	\$ 15,136,003	57.03%	\$ 5,307,190	285.20%
12/31/2012	19,986,019	37,117,385	17,131,366	53.85%	5,418,601	316.16%
12/31/2013	20,247,136	39,356,507	19,109,371	51.45%	5,453,171	350.43%

CITY OF NORTON SHORES

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2007	\$ -	\$ 31,335,989	\$ 31,335,989	0.00%	not available	not available
6/30/2011	632,445	38,406,428	37,773,983	1.65%	not available	not available
6/30/2013	1,313,598	33,759,069	32,445,471	3.89%	not available	not available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2009	\$ 2,245,644	\$ 949,575	42%
2010	2,346,697	1,068,057	46%
2011	2,539,731	748,109	29%
2012	2,610,051	990,843	38%
2013	2,033,031	949,729	47%
2014	2,013,328	902,793	45%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF NORTON SHORES

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	Special Revenue				
	<u>Municipal Road</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Community Development Program</u>	<u>Public Safety</u>
Assets					
Cash and pooled investments	\$ 853,616	\$ 133,716	\$ 312,471	\$ 7,583	\$ -
Accounts receivable	-	2,073	-	-	-
Special assessments receivable	-	-	-	-	-
Prepaid items	-	-	14,768	-	-
Due from other governments	-	-	-	23,405	-
Total assets	<u>\$ 853,616</u>	<u>\$ 135,789</u>	<u>\$ 327,239</u>	<u>\$ 30,988</u>	<u>\$ -</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 23,161	\$ 3,116	\$ 10,301	\$ -
Accrued liabilities	-	6,126	2,627	-	-
Due to other funds	-	-	-	18,155	-
Total liabilities	<u>-</u>	<u>29,287</u>	<u>5,743</u>	<u>28,456</u>	<u>-</u>
Deferred inflows					
Unavailable revenues	-	-	-	-	-
Fund balances					
NonSpendable					
Permanent fund corpus	-	-	-	-	-
Prepaid items	-	-	14,768	-	-
Restricted					
Streets	853,616	-	-	-	-
Solid waste	-	106,502	-	-	-
Building	-	-	306,728	-	-
Community development	-	-	-	2,532	-
Assigned					
Capital Projects	-	-	-	-	-
Total fund balances	<u>853,616</u>	<u>106,502</u>	<u>321,496</u>	<u>2,532</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 853,616</u>	<u>\$ 135,789</u>	<u>\$ 327,239</u>	<u>\$ 30,988</u>	<u>\$ -</u>

Capital Projects		Permanent	
Local Improvement	Industrial Improvement	Cemetery Care	Total
\$ 1,430,189	\$ 500,877	\$ 658,506	\$ 3,896,958
-	-	-	2,073
55,398	-	-	55,398
5,622	-	-	20,390
-	-	-	23,405
<u>\$ 1,491,209</u>	<u>\$ 500,877</u>	<u>\$ 658,506</u>	<u>\$ 3,998,224</u>
\$ -	\$ 4,550	\$ -	\$ 41,128
-	-	-	8,753
-	-	-	18,155
-	4,550	-	68,036
55,398	-	-	55,398
-	-	658,506	658,506
5,622	-	-	20,390
-	-	-	853,616
-	-	-	106,502
-	-	-	306,728
-	-	-	2,532
<u>1,430,189</u>	<u>496,327</u>	<u>-</u>	<u>1,926,516</u>
<u>1,435,811</u>	<u>496,327</u>	<u>658,506</u>	<u>3,874,790</u>
<u>\$ 1,491,209</u>	<u>\$ 500,877</u>	<u>\$ 658,506</u>	<u>\$ 3,998,224</u>

CITY OF NORTON SHORES

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue				
	<u>Municipal Road</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Community Development Program</u>	<u>Public Safety</u>
Revenues					
Taxes	\$ 1,128,277	\$ 531,656	\$ -	\$ -	\$ 1,014,627
Intergovernmental revenues					
Federal	-	-	-	104,560	-
Licenses and permits	-	-	531,315	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings (loss)	(10,760)	(7,552)	(2,636)	-	-
Miscellaneous	-	2,073	1,303	11,322	-
Total revenues	<u>1,117,517</u>	<u>526,177</u>	<u>529,982</u>	<u>115,882</u>	<u>1,014,627</u>
Expenditures					
Current					
Public safety	-	-	439,352	-	-
Sanitation	-	657,619	-	-	-
Community development	-	-	-	113,350	-
Capital outlay	1,259,221	-	-	-	-
Total expenditures	<u>1,259,221</u>	<u>657,619</u>	<u>439,352</u>	<u>113,350</u>	<u>-</u>
Revenues over (under) expenditures	<u>(141,704)</u>	<u>(131,442)</u>	<u>90,630</u>	<u>2,532</u>	<u>1,014,627</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	(1,014,627)
Net changes in fund balances	(141,704)	(131,442)	90,630	2,532	-
Fund balances, beginning of year	<u>995,320</u>	<u>237,944</u>	<u>230,866</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 853,616</u>	<u>\$ 106,502</u>	<u>\$ 321,496</u>	<u>\$ 2,532</u>	<u>\$ -</u>

<u>Capital Projects</u>		<u>Permanent</u>		
<u>Local Improvement</u>	<u>Industrial Improvement</u>	<u>Cemetery Care</u>		<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,674,560
-	-	-	-	104,560
-	-	-	-	531,315
-	-	27,832	-	27,832
11,344	-	-	-	11,344
8,917	-	2,200	-	(9,831)
-	-	-	-	14,698
<u>20,261</u>	<u>-</u>	<u>30,032</u>	<u>-</u>	<u>3,354,478</u>
-	-	-	-	439,352
-	-	-	-	657,619
-	-	-	-	113,350
<u>66,737</u>	<u>4,550</u>	<u>-</u>	<u>-</u>	<u>1,330,508</u>
<u>66,737</u>	<u>4,550</u>	<u>-</u>	<u>-</u>	<u>2,540,829</u>
<u>(46,476)</u>	<u>(4,550)</u>	<u>30,032</u>	<u>-</u>	<u>813,649</u>
<u>-</u>	<u>-</u>	<u>(2,200)</u>	<u>-</u>	<u>(1,016,827)</u>
<u>(46,476)</u>	<u>(4,550)</u>	<u>27,832</u>	<u>-</u>	<u>(203,178)</u>
<u>1,482,287</u>	<u>500,877</u>	<u>630,674</u>	<u>-</u>	<u>4,077,968</u>
<u>\$ 1,435,811</u>	<u>\$ 496,327</u>	<u>\$ 658,506</u>	<u>\$ -</u>	<u>\$ 3,874,790</u>

CITY OF NORTON SHORES

**MUNICIPAL ROAD FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,078,347	\$ 1,101,427	\$ 1,128,277	\$ 26,850
Investment earnings (loss)	45,000	25,000	(10,760)	(35,760)
Total revenues	1,123,347	1,126,427	1,117,517	(8,910)
Expenditures				
Capital outlay	1,895,000	1,281,132	1,259,221	21,911
Net changes in fund balance	(771,653)	(154,705)	(141,704)	13,001
Fund balance, beginning of year	995,320	995,320	995,320	-
Fund balance, end of year	<u>\$ 223,667</u>	<u>\$ 840,615</u>	<u>\$ 853,616</u>	<u>\$ 13,001</u>

CITY OF NORTON SHORES

SOLID WASTE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 523,506	\$ 523,506	\$ 531,656	\$ 8,150
Investment earnings (loss)	35,000	35,000	(7,552)	(42,552)
Miscellaneous	3,000	3,000	2,073	(927)
Total revenues	561,506	561,506	526,177	(35,329)
Expenditures				
Current				
Sanitation	692,872	662,629	657,619	5,010
Net changes in fund balance	(131,366)	(101,123)	(131,442)	(30,319)
Fund balance, beginning of year	237,944	237,944	237,944	-
Fund balance, end of year	<u>\$ 106,578</u>	<u>\$ 136,821</u>	<u>\$ 106,502</u>	<u>\$ (30,319)</u>

CITY OF NORTON SHORES

**BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	357,000	596,579	531,315	(65,264)
Investment earnings (loss)	7,000	7,000	(2,636)	(9,636)
Miscellaneous	2,000	2,000	1,303	(697)
Total revenues	366,000	605,579	529,982	(75,597)
Expenditures				
Current				
Public safety	375,752	457,857	439,352	18,505
Net changes in fund balance	(9,752)	147,722	90,630	(57,092)
Fund balance, beginning of year	230,866	230,866	230,866	-
Fund balance, end of year	\$ 221,114	\$ 378,588	\$ 321,496	\$ (57,092)

CITY OF NORTON SHORES

**COMMUNITY DEVELOPMENT PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 110,000	\$ 110,000	\$ 104,560	\$ (5,440)
Miscellaneous	-	-	11,322	11,322
Total revenues	110,000	110,000	115,882	5,882
Expenditures				
Current				
Community development	110,000	110,000	113,350	(3,350)
Net changes in fund balance	-	-	2,532	2,532
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 2,532	\$ 2,532

CITY OF NORTON SHORES

**PUBLIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 985,663	\$ 1,012,350	\$ 1,014,627	\$ 2,277
Expenditures				
Current				
Public safety	-	-	-	-
Revenues over (under) expenditures	985,663	1,012,350	1,014,627	2,277
Other financing source (uses)				
Transfers out	(985,663)	(1,012,350)	(1,014,627)	(2,277)
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF NORTON SHORES

**AGENCY FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1	\$ -	\$ 1
Accounts receivable	-	15,660	15,660
Total assets	<u>\$ 1</u>	<u>\$ 15,660</u>	<u>\$ 15,661</u>
Liabilities			
Due to other governmental units	<u>\$ 1</u>	<u>\$ 15,660</u>	<u>\$ 15,661</u>

CITY OF NORTON SHORES

**TAX INCREMENT FINANCING AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2014

	Governmental Fund Type General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 2,434,724	\$ -	\$ 2,434,724
Capital assets			
Land	-	456,627	456,627
Depreciable capital assets, net	-	<u>808,636</u>	<u>808,636</u>
Total assets	<u>\$ 2,434,724</u>	1,265,263	<u>3,699,987</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 318	-	318
Accrued liabilities	<u>79</u>	<u>-</u>	<u>79</u>
Total liabilities	<u>397</u>	-	<u>397</u>
Fund balance			
Unassigned	<u>2,434,327</u>		
Total liabilities and fund balances	<u>\$ 2,434,724</u>		
Net position			
Net investment in capital assets			1,265,263
Unrestricted			<u>2,434,327</u>
Total net position			<u>\$ 3,699,590</u>

CITY OF NORTON SHORES

**TAX INCREMENT FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Revenues			
Taxes	\$ 1,468,212	\$ -	\$ 1,468,212
Investment earnings (loss)	(88,233)	-	(88,233)
	<u>1,379,979</u>	-	<u>1,379,979</u>
Expenditures/expenses			
Current			
General government	<u>406,034</u>	<u>22,492</u>	<u>428,526</u>
Net changes in fund balance	973,945	(973,945)	
Change in net position		(951,453)	951,453
Fund balance/net position, beginning of year	<u>1,460,382</u>		<u>2,748,137</u>
Fund balance/net position, end of year	<u>\$ 2,434,327</u>		<u>\$ 3,699,590</u>

CITY OF NORTON SHORES

**BROWNFIELD REDEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2014

	Governmental Fund Type		Statement of
	General Fund	Adjustments	Net Position
Assets			
Cash and pooled investments	\$ <u>245,003</u>	\$ -	\$ 245,003
 Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	-	-
 Fund balance			
Unassigned	<u>245,003</u>		
 Total liabilities and fund balances	\$ <u>245,003</u>		
 Net position			
Unrestricted			\$ <u>245,003</u>

CITY OF NORTON SHORES

**BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Fund Type</u> General Fund	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 131,017	\$ -	\$ 131,017
Expenditures/expenses			
Current			
General government	<u>166,814</u>	<u>-</u>	<u>166,814</u>
Net changes in fund balance	(35,797)	35,797	
Change in net position		35,797	(35,797)
Fund balance/net position, beginning of year	<u>280,800</u>		<u>280,800</u>
Fund balance/net position, end of year	<u>\$ 245,003</u>		<u>\$ 245,003</u>