



# Internal Memo

November 20, 2019

TO: Mark C. Meyers, City Administrator

FROM: Michael D. Huston, Finance Director 

SUBJECT: FY-2019 Audit Report

Representatives of Vredeveld Haefner, LLC will formally present the FY-2019 audited financial statements at the November work session.

The Comprehensive Financial Report has been prepared in compliance with provisions of GASB Statement 34 and the new GASB 68, 74, & 75 (Unfunded Liabilities). Significant improvements have been made to the financial statements, including full accrual accounting, provision for depreciation on general fixed assets, and the inclusion of a narrative Management’s Discussion and Analysis. Footnotes have been included or revised, and reconciliation between financial statements has been provided, along with other minor revisions.

Illustrated below are the results of FY-2019 activity by operating fund:

<u>Fund</u>	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Change to Fund Balance/Retained Earnings</u>
General	\$11,842,855	\$11,259,644	\$ 583,211
Major Street Fund	2,647,244	2,198,195	449,049
Local Street Fund	779,855	472,579	307,276
Municipal Roads	1,366,544	1,354,324	12,220
Solid Waste	1,007,044	742,742	264,302
Building	593,255	603,540	(10,285)
CDBG	134,533	123,924	10,609
Public Safety	1,216,390	1,216,390	-----
TIFA	1,733,969	1,955,044	(221,075)
Brownfield	119,168	130,910	(11,742)
Capital Improvement	2,567,932	2,468,910	99,022
Water & Sewer	8,838,206	9,145,076	(306,870)
Equipment Revolving	1,796,931	1,345,228	451,703
<b>Totals</b>	<b>\$34,634,926</b>	<b>\$33,016,506</b>	<b>1,627,420</b>

Memo to Mark C. Meyers  
November 20, 2019

To summarize, the City again ended the year in sound financial condition. A few funds ended the year with additions to Fund Balance/Retained Earnings, with no fund having a deficit condition. Those funds with a reduction in Fund Balance/Retained Earnings have adequate reserves and the FY-2019 results will have little impact on the current fiscal year.

Generally, use of fund balances was budgeted for specific purposes or expected decline in revenues. This year we had an increase in revenues due to increased sales tax payments from the State of Michigan and increase income from our investments.

It should be noted that the General Fund's amended budget was estimated to add \$389,786 in fund balance, but because of lower benefit costs and an increase in the revenue sharing from the State of Michigan and investments earnings were above expectations, the City added \$583,211 to Fund Balance. The current fund balance in the General Fund is at \$2,736,484 or 24.30% of total General Fund expenditures. Also, the General Fund unassigned fund balance is at \$2,345,660 or 20.8% of total General Fund expenditures.

I would like to thank the entire Finance Department for their assistance in the preparation and conduct of the audit. The City has again received a "clean" audit opinion that reflects favorably upon both the staff and your support of the department. If you have any questions or desire further information concerning this matter, feel free to contact me at any time.



## Vredeveld Haefner LLC

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November 14, 2019

To the City Council  
City of Norton Shores, Michigan

We have audited the 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 (the City) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Results

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets and the uncollectible balance of outstanding receivables is based on previous history and future expectations. The estimate of pension plan and other post-employment benefit plan obligations are based on an actuarial valuation of the plan. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We provided assistance with recording the pension and OPEB liability adjustments in accordance with actuarial calculations.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 14, 2019.

*Specializing in services to governmental and nonprofit entities*

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We also noted the following items:

#### **Utility Billing Adjustments**

During our review of internal controls over the utility billing process we noted that adjustments to customer accounts are not reviewed and authorized. We recommend the City develop and implement a policy for monthly review, by someone independent of the Public Works department, of a system generated report itemizing all utility adjustments made to customer accounts. We further recommend that the review be evidenced in writing.

### Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the Board and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Urodeuxeld Haefner LLC*



**CITY OF NORTON SHORES, MICHIGAN**  
**FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED JUNE 30, 2019*



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF NORTON SHORES

## TABLE OF CONTENTS

---

<b>FINANCIAL SECTION</b>	<b><u>PAGE</u></b>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	9
Statement of Activities	10-11
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Net Position - Fiduciary Funds	19
Statement of Changes in Net Position - Other Post-employment Benefits Trust Fund	20
<b>Notes to Financial Statements</b>	21-43
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	45
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets Fund	46
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	47
Schedule of Employer Contributions	48
Retiree Health Other Post-Employment Benefits Plan	
Schedule of Changes in Employers Net OPEB Liability and Other Ratios	49
Schedules of Employer Contributions and Investment Return	50
Notes to Required Supplementary Information	50
Combining and Individual Fund Statements and Schedules	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54-55
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Municipal Road Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Solid Waste Fund	58
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Building Fund	59

# CITY OF NORTON SHORES

## TABLE OF CONTENTS

---

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Program Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Public Safety Fund	61
<b>Fiduciary Funds</b>	
Combining Statement of Assets and Liabilities - Agency Funds	62
<b>Component Units</b>	
Tax Increment Financing Authority	
Balance Sheet/Statement of Net Position	63
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	64
Brownfield Redevelopment Authority	
Balance Sheet/Statement of Net Position	65
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	66



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### INDEPENDENT AUDITORS' REPORT

November 14, 2019

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, 2019, 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. 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, 2019, 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 45 through 50 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 were derived from and relate 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.

*Uredaxeld Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# 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, 2019.

## Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2019 fiscal year as follows:

- State of Michigan continued the payment from the Local Community Stabilization Fund to fund the lost property tax revenue.
- The City had a ribbon cutting ceremony in the spring of 2019 opening a Federally funded kayak launch at Black Lake Park.
- The City applied for a DNR Grant to demo the old pavilion at Ross Park and replace it with a 7000 square foot deck overlooking Mona Lake.
- The City contributed an additional \$400,000 into the pension plan to help offset the increase in the net pension liability.
- The City contributed an additional \$260,000 into the OPEB trust to continue funding the trust and lower the OPEB liability.

## 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, administration, 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 Streets and Capital Improvement funds which are considered to be 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 resources 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 to the financial statements 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 post-employment benefits information and major fund budget and actual presentations. Supplemental information follows the required supplementary 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 \$29,661,761 at the close of the most recent fiscal year. The following chart illustrates the composition of net position at June 30:

### Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 11,409,887	\$ 9,282,907	\$12,000,451	\$12,528,331	\$23,410,338	\$21,811,238
Capital assets	35,730,534	34,023,048	29,540,824	30,252,116	65,271,358	64,275,164
<b>Total assets</b>	<b>47,140,421</b>	<b>43,305,955</b>	<b>41,541,275</b>	<b>42,780,447</b>	<b>88,681,696</b>	<b>86,086,402</b>
<b>Deferred outflows</b>	<b>3,102,076</b>	<b>1,972,193</b>	<b>365,870</b>	<b>232,608</b>	<b>3,467,946</b>	<b>2,204,801</b>
<b>Liabilities</b>						
Current liabilities	951,462	475,115	1,228,568	6,312,939	2,180,030	6,788,054
Long-term liabilities	43,015,106	44,148,553	9,881,943	5,437,027	52,897,049	49,585,580
<b>Total liabilities</b>	<b>43,966,568</b>	<b>44,623,668</b>	<b>11,110,511</b>	<b>11,749,966</b>	<b>55,077,079</b>	<b>56,373,634</b>
<b>Deferred inflows</b>	<b>6,628,962</b>	<b>7,982,032</b>	<b>781,840</b>	<b>941,425</b>	<b>7,410,802</b>	<b>8,923,457</b>
<b>Net position</b>						
Net investment in capital assets	34,820,314	33,412,044	24,879,852	29,891,595	59,700,166	63,303,639
Restricted	4,985,699	4,115,170	-	-	4,985,699	4,115,170
Unrestricted (deficit)	(40,159,046)	(44,854,766)	5,134,942	430,069	(35,024,104)	(44,424,697)
<b>Total net position</b>	<b>\$(353,033)</b>	<b>\$(7,327,552)</b>	<b>\$30,014,794</b>	<b>\$30,321,664</b>	<b>\$29,661,761</b>	<b>\$22,994,112</b>

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension liability and the net other post-employment benefits liability as required by current accounting standards.

A portion of the City's net position reflects an unrestricted deficit which is not available for future operations; the largest portion of the City's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related outstanding debt used to acquire those assets. 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 \$4,985,699 represents resources that are subject to external restrictions on how they may be used.

**Statement of Activities** The City's total revenue for the fiscal year ended June 30, 2019, was \$29,600,642 while total cost of all programs and services was \$22,932,993. This results in an increase in net position of \$6,667,649. The following table presents a summary of the changes in net position for the years ended June 30:

### Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Charges for services	\$3,335,795	\$3,211,304	\$7,754,520	\$7,862,904	\$11,090,315	\$11,074,208
Operating grants and contributions	3,245,039	2,929,329	129,723	130,347	3,374,762	3,059,676
Capital grants and contributions	291,814	173,171	-	-	291,814	173,171
General revenues						
Property taxes	10,734,979	10,480,320	-	-	10,734,979	10,480,320
State shared revenues	2,173,651	2,083,074	-	-	2,173,651	2,083,074
Investment earnings	721,739	35,328	898,180	(32,637)	1,619,919	2,691
Other	262,051	168,665	53,151	38,035	315,202	206,700
<b>Total revenues</b>	<b>20,765,068</b>	<b>19,081,191</b>	<b>8,835,574</b>	<b>7,998,649</b>	<b>29,600,642</b>	<b>27,079,840</b>
<b>Expenses</b>						
General government	2,504,144	2,136,578	-	-	2,504,144	2,136,578
Public safety	5,853,144	6,846,180	-	-	5,853,144	6,846,180
Highways and streets	3,005,842	3,009,093	-	-	3,005,842	3,009,093
Sanitation	732,307	679,792	-	-	732,307	679,792
Culture and recreation	853,770	879,711	-	-	853,770	879,711
Administration	693,385	688,941	-	-	693,385	688,941
Community development	122,719	78,514	-	-	122,719	78,514
Interest on long-term debt	25,238	17,727	-	-	25,238	17,727
Water and sewer	-	-	9,142,444	8,580,075	9,142,444	8,580,075
<b>Total expenses</b>	<b>13,790,549</b>	<b>14,336,536</b>	<b>9,142,444</b>	<b>8,580,075</b>	<b>22,932,993</b>	<b>22,916,611</b>
<b>Special Item</b>						
Settlement agreement	-	-	-	(5,805,204)	-	(5,805,204)
<b>Increase (decrease) in net position</b>	<b>6,974,519</b>	<b>4,744,655</b>	<b>(306,870)</b>	<b>(6,386,630)</b>	<b>6,667,649</b>	<b>(1,641,975)</b>
<b>Net position – beginning</b>	<b>(7,327,552)</b>	<b>(12,072,207)</b>	<b>30,321,664</b>	<b>36,708,294</b>	<b>22,994,112</b>	<b>24,636,087</b>
<b>Net position – ending</b>	<b>\$(353,033)</b>	<b>\$(7,327,552)</b>	<b>\$30,014,794</b>	<b>\$30,321,664</b>	<b>\$29,661,761</b>	<b>\$22,994,112</b>

**Governmental Activities** The preceding table shows that the governmental activities increased the City's net position by \$6,974,519 during this fiscal year. The increase is primarily the result of a decrease in the OPEB liability and related inflows of resources, along with controlled spending in the governmental funds.

**Business-type Activities** Business-type activities decreased the City's net position by \$306,870 during the year. This decrease is primarily the result of after the fact capital rate adjustments.

## 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 \$9,919,433, an increase of \$1,369,377 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 \$2,736,484, an increase of \$583,211 from the prior year. 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 \$2,345,660 or 21% of total general fund expenditures.

The major streets fund is used to account for the receipt and expenditure 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 \$1,191,744, an increase of \$499,049 from the previous year.

The capital improvement fund is used to account for the collection of dedicated millage revenues and the related expenditure for capital improvements. The fund balance at the end of the year amounted to \$1,721,292, an increase of \$99,022 from the previous year. \$2,080,763 was spent during the year on various capital items including sidewalks, an HVAC system, and park improvements.

**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 \$306,870 during the year.

## Budgetary Highlights

- The State of Michigan collected more than estimated sales tax revenue thus increasing the City's share.
- The City's investment portfolio increased by more than a \$1,000,000 which resulted in an unexpected increase in revenues.

## 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, 2019, amounted to \$65,271,358 (net of accumulated depreciation). Of this amount, \$35,730,534 was for its governmental type activities and \$29,540,824 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions consisted of Broadway Street improvements, an HVAC system for the library, several new vehicles and other equipment, construction of several streets and sidewalks, and various other infrastructure projects. Additional information on the City's capital assets can be found in Note 6 to these financial statements.

**Long-term obligations** At the end of the current fiscal year, the City had obligations outstanding including long-term debt, compensated absences, other post-employment benefits obligations, and the net pension liability totaling \$52,897,049. Of this amount, \$43,015,106 was for governmental activities while \$9,881,943 was for business-type activities. Additional information on the City's long-term debt can be found in Note 9 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 2019-2020 fiscal year:

- Property values increased for the 7th year in a row.
- The City continues with an agreement with Mona Shores Schools and County Mental Health Department (CMH) to provide the high school and middle school a full-time officer at each location. The school and CMH will fund the cost of both officers.
- The State of Michigan will continue to replace the lost revenue from personal property tax by sending local governments a portion of the use tax.

## **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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF NORTON SHORES**

**STATEMENT OF NET POSITION**

**JUNE 30, 2019**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Tax	Brownfield
	Activities	Activities		Increment	
				Finance	Authority
<b>Assets</b>					
Cash and pooled investments	\$ 9,760,303	\$ 9,757,466	\$ 19,517,769	\$ 4,289,339	\$ 214,629
Accounts receivable	317,905	1,517,698	1,835,603	-	-
Due from other governments	641,608	150,000	791,608	-	-
Special assessments receivable	22,648	252,650	275,298	-	-
Prepaid and other assets	519,196	74,249	593,445	43	-
Inventory	148,227	248,388	396,615	-	-
Capital assets					
Land	2,577,172	250	2,577,422	456,627	-
Depreciable capital assets, net	33,153,362	29,540,574	62,693,936	585,788	-
<b>Total assets</b>	<u>47,140,421</u>	<u>41,541,275</u>	<u>88,681,696</u>	<u>5,331,797</u>	<u>214,629</u>
<b>Deferred outflows</b>					
Deferred outflows - post-employment benefits	225,141	26,554	251,695	-	-
Deferred outflows - pension	2,876,935	339,316	3,216,251	-	-
<b>Total deferred inflows</b>	<u>3,102,076</u>	<u>365,870</u>	<u>3,467,946</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
Accounts payable	747,338	1,215,447	1,962,785	27,150	-
Accrued liabilities	125,723	13,121	138,844	-	-
Unearned revenue	78,401	-	78,401	-	-
Noncurrent liabilities					
Compensated absences	834,028	48,953	882,981	-	-
Net other post-employment benefits	18,886,587	2,227,541	21,114,128	-	-
Net pension liability	22,384,271	2,640,066	25,024,337	-	-
Premium on bonds	-	304,411	304,411	-	-
Due within one year	122,860	355,972	478,832	-	-
Due in more than one year	787,360	4,305,000	5,092,360	-	-
<b>Total liabilities</b>	<u>43,966,568</u>	<u>11,110,511</u>	<u>55,077,079</u>	<u>27,150</u>	<u>-</u>
<b>Deferred inflows</b>					
Deferred inflows - post-employment benefits	6,083,617	717,519	6,801,136	-	-
Deferred inflows - pension	545,345	64,321	609,666	-	-
<b>Total deferred inflows</b>	<u>6,628,962</u>	<u>781,840</u>	<u>7,410,802</u>	<u>-</u>	<u>-</u>
<b>Net position</b>					
Net investment in capital assets	34,820,314	24,879,852	59,700,166	1,042,415	-
Restricted for					
Major streets	1,191,744	-	1,191,744	-	-
Local streets	770,825	-	770,825	-	-
Municipal roads	387,959	-	387,959	-	-
Building	259,418	-	259,418	-	-
Community development program	28,778	-	28,778	-	-
Perpetual care	625,683	-	625,683	-	-
Capital improvements	1,721,292	-	1,721,292	-	-
Unrestricted (deficit)	(40,159,046)	5,134,942	(35,024,104)	4,262,232	214,629
<b>Total net position</b>	<u>\$ (353,033)</u>	<u>\$ 30,014,794</u>	<u>\$ 29,661,761</u>	<u>\$ 5,304,647</u>	<u>\$ 214,629</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, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 2,504,144	\$ 1,984,537	\$ -	\$ 72,640	\$ (446,967)
Public safety	5,853,144	1,131,381	6,830	-	(4,714,933)
Highways and streets	3,005,842	-	3,238,209	96,885	329,252
Sanitation	732,307	-	-	-	(732,307)
Culture and recreation	853,770	219,877	-	-	(633,893)
Administration	693,385	-	-	-	(693,385)
Community development	122,719	-	-	122,289	(430)
Interest on long-term debt	25,238	-	-	-	(25,238)
<b>Total governmental activities</b>	<b>13,790,549</b>	<b>3,335,795</b>	<b>3,245,039</b>	<b>291,814</b>	<b>(6,917,901)</b>
Business-type activities					
Water and Sewer	9,142,444	7,754,520	129,723	-	(1,258,201)
<b>Total primary government</b>	<b>\$ 22,932,993</b>	<b>\$ 11,090,315</b>	<b>\$ 3,374,762</b>	<b>\$ 291,814</b>	<b>\$ (8,176,102)</b>
<b>Component units</b>					
Tax Increment Finance Authority	\$ 1,955,044	\$ -	\$ -	\$ -	\$ (1,955,044)
Brownfield Redevelopment Authority	130,910	-	-	-	(130,910)
<b>Total component units</b>	<b>\$ 2,085,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,085,954)</b>

(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, 2019**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Tax	
				Increment Finance Authority	Brownfield Redevelopment Authority
<b>Changes in net position</b>					
<b>Net (expense) revenue</b>	\$ (6,917,901)	\$ (1,258,201)	\$ (8,176,102)	\$ (1,955,044)	\$ (130,910)
General revenues					
Property taxes					
General	6,590,227	-	6,590,227	1,410,736	119,168
Sanitation	991,149	-	991,149	-	-
Road improvements	1,351,544	-	1,351,544	-	-
Capital projects	1,802,059	-	1,802,059	-	-
State shared revenues	2,173,651	-	2,173,651	-	-
Unrestricted investment earnings (loss)	721,739	898,180	1,619,919	323,233	-
Other general revenues	262,051	53,151	315,202	-	-
Total general revenues	13,892,420	951,331	14,843,751	1,733,969	119,168
Change in net position	6,974,519	(306,870)	6,667,649	(221,075)	(11,742)
<b>Net position, beginning of year</b>	<u>(7,327,552)</u>	<u>30,321,664</u>	<u>22,994,112</u>	<u>5,525,722</u>	<u>226,371</u>
<b>Net position, end of year</b>	<u>\$ (353,033)</u>	<u>\$ 30,014,794</u>	<u>\$ 29,661,761</u>	<u>\$ 5,304,647</u>	<u>\$ 214,629</u>

(Concluded)

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

**CITY OF NORTON SHORES**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2019**

	<u>General</u>	<u>Major Streets Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 2,301,568	\$ 895,190	\$ 1,784,420	\$ 4,299,506	\$ 9,280,684
Accounts receivable	281,787	4,927	27,819	888	315,421
Special assessments receivable	-	-	-	22,648	22,648
Prepaid items	390,824	53,635	-	33,106	477,565
Due from other governments	374,263	181,468	-	85,877	641,608
Inventory	-	110,552	-	-	110,552
<b>Total assets</b>	<u>\$ 3,348,442</u>	<u>\$ 1,245,772</u>	<u>\$ 1,812,239</u>	<u>\$ 4,442,025</u>	<u>\$ 10,848,478</u>
<b>Liabilities, deferred inflows, and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 434,376	\$ 44,068	\$ 83,271	\$ 144,080	\$ 705,795
Accrued liabilities	106,857	9,960	-	5,384	122,201
Unearned revenue	70,725	-	7,676	-	78,401
<b>Total liabilities</b>	<u>611,958</u>	<u>54,028</u>	<u>90,947</u>	<u>149,464</u>	<u>906,397</u>
<b>Deferred inflows</b>					
Unavailable revenues	-	-	-	22,648	22,648
<b>Fund balances</b>					
Nonspendable					
Permanent fund corpus	-	-	-	625,683	625,683
Inventory	-	110,552	-	-	110,552
Prepaid items	390,824	53,635	-	33,106	477,565
Restricted					
Streets	-	1,027,557	-	1,144,362	2,171,919
Solid waste	-	-	-	860,464	860,464
Building	-	-	-	246,760	246,760
Community development	-	-	-	28,778	28,778
Capital improvements	-	-	1,721,292	-	1,721,292
Assigned					
Capital projects	-	-	-	1,330,760	1,330,760
Unassigned	2,345,660	-	-	-	2,345,660
<b>Total fund balances</b>	<u>2,736,484</u>	<u>1,191,744</u>	<u>1,721,292</u>	<u>4,269,913</u>	<u>9,919,433</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$ 3,348,442</u>	<u>\$ 1,245,772</u>	<u>\$ 1,812,239</u>	<u>\$ 4,442,025</u>	<u>\$ 10,848,478</u>

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, 2019**

<b>Fund balances - governmental funds</b>	\$ 9,919,433
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>	
Add - land	2,577,172
Add - capital assets (net of accumulated depreciation)	31,706,417
<p>Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenues in the funds.</p>	
Add - deferred inflows	22,648
<p>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.</p>	
Add (deduct) - net position (deficit) of governmental activities accounted for in the internal service fund	(123,924)
<p>Certain items are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct - compensated absences payable	(815,175)
Deduct - other post-employment benefits payable	(18,014,573)
Add - deferred outflows related to post-employment benefits	214,746
Deduct - deferred inflows related to post-employment benefits	(5,802,729)
Deduct - net pension liability	(21,350,765)
Add - deferred outflows related to pensions	2,744,103
Deduct - deferred inflows related to pensions	(520,166)
Deduct - bonds and notes payable	<u>(910,220)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (353,033)</u></b>

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, 2019**

	<u>General</u>	<u>Major Streets Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 5,373,837	\$ -	\$ 1,802,059	\$ 3,559,083	\$ 10,734,979
Intergovernmental revenues					
Federal	6,830	-	-	122,289	129,119
State	2,173,651	2,577,974	72,640	757,120	5,581,385
Licenses and permits	419,417	-	-	548,017	967,434
Charges for services	2,262,217	-	-	29,610	2,291,827
Fines	76,534	-	-	-	76,534
Special assessments	-	-	-	22,083	22,083
Investment earnings	203,697	47,890	124,060	114,186	489,833
Miscellaneous	110,282	21,380	112,132	18,257	262,051
<b>Total revenues</b>	<u>10,626,465</u>	<u>2,647,244</u>	<u>2,110,891</u>	<u>5,170,645</u>	<u>20,555,245</u>
<b>Expenditures</b>					
Current					
General government	2,370,957	-	-	-	2,370,957
Public safety	7,293,518	-	-	603,540	7,897,058
Highway and streets	606,303	1,072,729	-	358,029	2,037,061
Sanitation	-	-	-	742,742	742,742
Culture and recreation	988,866	-	-	-	988,866
Administration	-	342,285	247,125	114,550	703,960
Community development	-	-	-	123,924	123,924
Debt service					
Principal	-	-	115,784	-	115,784
Interest	-	-	25,238	-	25,238
Capital outlay	-	783,181	2,080,763	1,731,334	4,595,278
<b>Total expenditures</b>	<u>11,259,644</u>	<u>2,198,195</u>	<u>2,468,910</u>	<u>3,674,119</u>	<u>19,600,868</u>
Revenues over (under) expenditures	<u>(633,179)</u>	<u>449,049</u>	<u>(358,019)</u>	<u>1,496,526</u>	<u>954,377</u>
Other financing sources (uses)					
Issuance of debt	-	-	415,000	-	415,000
Transfers in	1,216,390	-	42,041	-	1,258,431
Transfers out	-	-	-	(1,258,431)	(1,258,431)
Total other financing sources (uses)	<u>1,216,390</u>	<u>-</u>	<u>457,041</u>	<u>(1,258,431)</u>	<u>415,000</u>
Net changes in fund balances	583,211	449,049	99,022	238,095	1,369,377
<b>Fund balances, beginning of year</b>	<u>2,153,273</u>	<u>742,695</u>	<u>1,622,270</u>	<u>4,031,818</u>	<u>8,550,056</u>
<b>Fund balances, end of year</b>	<u>\$ 2,736,484</u>	<u>\$ 1,191,744</u>	<u>\$ 1,721,292</u>	<u>\$ 4,269,913</u>	<u>\$ 9,919,433</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, 2019**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,369,377</b>
<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	4,320,809
Add - net book value of transferred assets	-
Deduct - depreciation expense	(2,571,388)
Deduct - net book value of disposed assets	(10,225)
<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>	
Deduct - special assessment receipts	(22,083)
<p>Issuance of bonds or notes provides current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Add - principal payments on debt	115,784
Deduct - issuance of debt	(415,000)
<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>	
Add - decrease in compensated absences	17,167
Add - decrease in other post-employment benefits liability	3,013,803
Add - increase in deferred outflows related to other post-employment benefits	214,746
Add - decrease in deferred inflows related to other post-employment benefits	1,168,819
Deduct - increase in net pension liability	(1,663,742)
Add - increase in deferred outflows related to pensions	1,246,301
Deduct - increase in deferred inflows related to pensions	(261,552)
<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>	
Add - increase in net position from the internal service funds	451,703
<b>Change in net position of governmental activities</b>	<b>\$ <u>6,974,519</u></b>

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

**CITY OF NORTON SHORES**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION**

**JUNE 30, 2019**

	<b>Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Equipment Revolving Internal Service Fund</b>
<b>Assets</b>		
Current assets		
Cash and pooled investments	\$ 9,757,466	\$ 479,619
Accounts receivable	1,517,698	2,484
Special assessment receivable	252,650	-
Due from other governments	150,000	-
Prepaid and other assets	74,249	41,631
Inventory	248,388	37,675
Total current assets	12,000,451	561,409
Capital assets		
Land	250	-
Depreciable capital assets	68,648,791	5,849,472
Less accumulated depreciation	(39,108,217)	(4,402,527)
Net capital assets	29,540,824	1,446,945
<b>Total assets</b>	41,541,275	2,008,354
<b>Deferred outflows</b>		
Deferred outflows - post-employment benefits	26,554	10,395
Deferred outflows - pension	339,316	132,832
<b>Total deferred outflows</b>	365,870	143,227
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,215,447	41,543
Accrued liabilities	13,121	3,522
Current portion of long-term debt	355,972	-
Total current liabilities	1,584,540	45,065
Long-term liabilities		
Compensated absences	48,953	18,853
Net other post-employment benefits obligation	2,227,541	872,014
Net pension liability	2,640,066	1,033,506
Premium on bonds	304,411	-
Bonds payable, net of current portion	4,305,000	-
Total long-term liabilities	9,525,971	1,924,373
<b>Total liabilities</b>	11,110,511	1,969,438
<b>Deferred inflows</b>		
Deferred inflows - post-employment benefits	717,519	280,888
Deferred inflows - pension	64,321	25,179
<b>Total deferred inflows</b>	781,840	306,067
<b>Net Position</b>		
Net investment in capital assets	24,879,852	1,446,945
Unrestricted	5,134,942	(1,570,869)
<b>Total net position</b>	\$ 30,014,794	\$ (123,924)

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, 2019**

	<b>Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Equipment Revolving Internal Service Fund</b>
<b>Operating revenue</b>		
Charges for services	\$ 7,754,520	\$ 1,486,628
Water service installations and direct sewer connections	132,355	-
Other	53,151	15,466
<b>Total operating revenue</b>	7,940,026	1,502,094
<b>Operating expense</b>		
Personnel services	1,420,217	246,627
Other operating expenses	6,216,426	531,139
Depreciation	1,284,270	567,462
<b>Total operating expense</b>	8,920,913	1,345,228
Operating income (loss)	(980,887)	156,866
Non-operating revenue (expense)		
Gain (loss) on disposal of assets	(2,632)	62,931
Investment earnings (loss)	898,180	231,906
Interest expense	(100,584)	-
Total non-operating revenue (expense)	794,964	294,837
Income (loss) before special items	(185,923)	451,703
Special item		
Settlement agreement	(120,947)	-
Changes in net position	(306,870)	451,703
<b>Net position, beginning of year</b>	30,321,664	(575,627)
<b>Net position, end of year</b>	\$ 30,014,794	\$ (123,924)

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, 2019**

	<b>Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Equipment Revolving Internal Service Fund</b>
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ -	\$ 1,501,345
Receipts from customers and users	8,088,930	-
Payments to employees	(1,885,241)	(430,593)
Payments to suppliers	(5,524,456)	(528,175)
<b>Net cash provided by (used in) operating activities</b>	<u>679,233</u>	<u>542,577</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from bond issue	4,927,707	-
Payment of settlement	(5,926,151)	-
Amortization of bond premium	(28,296)	-
Payments made on contract obligations	(294,549)	-
Interest paid	(100,584)	-
Proceeds from sale of capital assets	-	62,931
Acquisitions of capital assets	(575,610)	(535,752)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,997,483)</u>	<u>(472,821)</u>
<b>Cash flows from investing activities</b>		
Investment earnings (loss)	<u>898,180</u>	<u>231,906</u>
<b>Net cash provided by (used in) investing activities</b>	898,180	231,906
Net increase (decrease) in cash and pooled investments	(420,070)	301,662
<b>Cash and pooled investments, beginning of year</b>	<u>10,177,536</u>	<u>177,957</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 9,757,466</u>	<u>\$ 479,619</u>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ (980,887)	\$ 156,866
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,284,270	567,462
Deferred outflows related to other post-employment benefits	(26,554)	(10,395)
Deferred outflows related to pensions	(106,708)	(41,773)
Deferred inflows related to other post-employment benefits	(80,206)	(31,398)
Deferred inflows related to pensions	(79,379)	(31,073)
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	101,052	(749)
Assessments receivable	47,852	-
Inventory	12,187	(2,589)
Prepaid assets and other items	(53,281)	(31,876)
Accounts payable	733,064	37,429
Accrued liabilities	(12,231)	(3,892)
Other post-employment benefits	(372,663)	(145,886)
Net pension liability	205,724	80,534
Compensated absences	6,993	(83)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 679,233</u>	<u>\$ 542,577</u>

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

**CITY OF NORTON SHORES**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION**

**JUNE 30, 2019**

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	<b>Other Post- employment Benefits <u>Trust Fund</u></b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and pooled investments	\$ 3,171,776	\$ <u>50,752</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 1,506
Due to other governmental units	-	<u>49,246</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 50,752</u>
<b>Net Position</b>		
Net position - held in trust for post-employment benefits	<u>\$ 3,171,776</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, 2019**

	<b><u>Other Post-employment Benefits Trust Fund</u></b>
<b>Additions</b>	
Contributions	
City contributions	\$ 260,000
City paid insurance premiums	2,244,473
Investment earnings	
Interest	<u>90,473</u>
<b>Total additions</b>	<u>2,594,946</u>
<b>Deductions</b>	
Health insurance premiums paid	2,244,473
Administrative charges	<u>5,991</u>
<b>Total deductions</b>	<u>2,250,464</u>
Changes in net position	344,482
<b>Net position, beginning of year</b>	<u>2,827,294</u>
<b>Net position, end of year</b>	<u>\$ 3,171,776</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, 2019

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### 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 (the Authority) (a joint venture). The purpose of the Authority is to develop and maintain water infrastructure. The City utilizes the Authority for the purchase and transportation of water from the City of Muskegon water system. The City pays for these services based on its share of water flow through the system to cover water costs, debt service, maintenance and administration of the Authority. For the year ended June 30, 2019, the City paid \$2,108,631 to the Authority for water purchases and owes an additional \$210,197 to the Authority. The City received no payments from the Authority for the provision of administrative services during the year. \$150,000 is due to the City from the Authority for a short-term loan. 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, 2019

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### ***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, 2019

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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 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 collection of dedicated millage revenues and the related expenditure for capital improvements.

The City reports the following major enterprise 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 equipment usage 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, 2019

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### ***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 department 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 and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

### ***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, 2019

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- 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 following the consumption method of reporting.

### ***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 following the consumption method of reporting.

### ***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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

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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 acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

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.

#### ***Pensions***

For purposes of measuring then net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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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 expense/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 City has items that qualify for reporting in this category related to the net pension and other post-employment benefits liabilities which are discussed in Notes 7 and 8.

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 City has items which arise only under a modified accrual basis of accounting that qualify 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. The City also has items that qualify for reporting in this category related to the pension and other post-employment benefits liabilities which are discussed in Notes 7 and 8.

### **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. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable 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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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### ***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.

### ***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. DEFICIT NET POSITION/FUND BALANCE**

At June 30, 2019, the governmental activities had an unrestricted net position deficit of \$40,159,046 and the equipment revolving internal service fund had a net position deficit of \$123,924.

## **3. 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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

During the year ended June 30, 2019, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General fund</b>			
Legal services	\$ 153,800	\$ 178,751	\$24,951
Street lighting	365,000	366,399	1,399
<b>Major Streets fund</b>			
Routine maintenance	255,314	259,084	3,770
<b>Municipal Road fund</b>			
Construction	1,313,836	1,354,324	40,488

#### 4. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$19,517,769	\$4,503,968	\$ 50,752	\$24,072,489
Investments	-	-	3,171,776	3,171,776
	<u>\$19,517,769</u>	<u>\$4,503,968</u>	<u>\$3,222,528</u>	<u>\$27,244,265</u>

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

Deposits	\$ 3,537,422
Investments	23,704,193
Petty cash	<u>2,650</u>
<b>Total</b>	<u><u>\$27,244,265</u></u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the 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, \$3,500,533 of the City's bank balance of \$4,245,539 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. 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

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

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 OPEB fund can also invest in corporate debt and equity securities. 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>
MERS total market fund	N/A	\$ 3,171,776	Unrated	
Certificates of deposit	2020-2029	448,150	Unrated	
Municipal bonds:				
Hesperia Mich CMT SCH	2034	233,871	AA	S&P
Smith Cons	2034	144,922	AA+	S&P
Warren Mic OID	2034	507,665	AA	S&P
MI FIN AUTH REV	2035	303,369	AA-	S&P
Marquette	2036	505,525	AA	S&P
WATERFORD MICH SCH DIS	2037	505,910	AA	S&P
Hesperia Mich CMT SCH	2038	330,528	AA	S&P
Kalamazoo Fin Auth	2041	505,555	A2	Moody's
Branch CNTY MI	2045	737,690	AA-	S&P
Lyon TWP	SOLD	503,799	Unrated	
Waterford MICH	SOLD	504,773	Unrated	
MICH FIN A	SOLD	1,658,426	Unrated	
Government securities				
FFCB	2024	500,005	Unrated	
FHLB	2025	298,476	Unrated	
FFCB	2025	437,703	Unrated	
FFCB	2026	274,742	Unrated	
FFCB	2026	427,850	Unrated	
FHLB	2026	509,090	Unrated	
FFCB	2028	500,005	Unrated	
FHLMC 4160	2033	237,824	Unrated	
GNMA POOL MA5109	2033	316,148	Unrated	
GNMA POOL 003441	2034	287	Unrated	
GNMA POOL 566516	2034	326	Unrated	
GNMA POOL 003554	2034	64	Unrated	
GNMA POOL 003594	2035	573	Unrated	
GNMA POOL 003608	2035	35	Unrated	
GNMA POOL 003623	2035	7	Unrated	
GNMA POOL 003651	2035	36	Unrated	
GNMA POOL 003746	2036	34	Unrated	
GNMA POOL 782177	2036	79	Unrated	
GNMA REMIC TRUST	2040	87,597	Unrated	
FNR 2012-38 MB	2042	97,896	Unrated	
FNR 2012-99 GE	2042	158,263	Unrated	
GNMA POOL AB2290	2043	12,659	Unrated	
FNMA REMIC TRUST 2013-20	2043	238,902	Unrated	

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
FHLMC REMIC SERIES 4165	2043	\$ 74,425	Unrated	
GNMA POOL MA0775	2043	23,829	Unrated	
FHLMC REMIC SERIES 4183 GA	2043	12,590	Unrated	
FNMA REMIC TRUST 2013-73	2043	158,824	Unrated	
GNMA POOL MA1004	2043	91,389	Unrated	
FNR 2013-58 CB	2043	257,575	Unrated	
FHLMC 30 YR GOLD	2044	118,872	Unrated	
FHR 4480 EP	2045	2,451	Unrated	
FHLMC 4480 CB	2045	199,197	Unrated	
FHR 4445 WD	2045	177,404	Unrated	
FHLMC 4494 CB	2045	191,572	Unrated	
GNMA REMIC TRUST	2045	415,883	Unrated	
FNMA 15-48 HD	2046	11,898	Unrated	
GNR 2015-157 NA	2046	87,924	Unrated	
GNMA 15-162 BJ	2046	278,221	Unrated	
GNR 2015-179 BD	2046	62,295	Unrated	
GNR 2016-19 CE	2046	99,837	Unrated	
GNMA 16-19 CE	2046	518,790	Unrated	
FHR 4604 CA	2046	1,011,464	Unrated	
FHLMC REMIC SERIES 4621	2047	480,270	Unrated	
GNR 2016-153 CE	2047	91,057	Unrated	
GNMA 17-38 CD	2047	390,580	Unrated	
GNMA POOL 635162	2047	247,829	Unrated	
GNMA POOL MA4195	2047	74,780	Unrated	
FNR 2017-31 CH	2047	506,122	Unrated	
FHR 4716 CA	2048	809,214	Unrated	
FNR 2018-11 CB	2048	1,811,396	Unrated	
GNR 2018-103 DA	2049	378,772	Unrated	
FNR 2012-99 GH	SOLD	898,067		
Accrued interest	var	61,106		
		<u><b>\$23,704,193</b></u>		

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- FNMA, FHLB, and corporate bonds and notes are valued using quoted market prices (Level 1 inputs).
- Money markets, MERS total market fund, municipal bonds, government pools, and certificate of deposit investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

*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 \$23,704,193 of investments, the City has custodial credit risk of \$20,532,417 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, \$3,171,776 is invested in the MERS total market fund for which the City's custodial credit risk exposure cannot be determined because the fund does 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. All investments are identified above.

#### 5. INTERFUND TRANSACTIONS

Transfers in and out for the year are as follows:

	<b>Transfers in</b>		
<b>Transfers out</b>	General fund	Capital Improvement fund	Total
Nonmajor governmental funds	\$1,216,390	\$42,041	\$1,258,431

Transfers are used to move allocated cost of general operations to applicable funds.

#### 6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,584,172	\$ -	\$ 7,000	\$ 2,577,172
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	2,584,172	-	7,000	2,577,172
<b>Capital assets, being depreciated</b>				
Buildings	10,709,513	946,401	-	11,655,914
Land improvements	3,486,733	207,281	-	3,694,014
Equipment	11,187,990	821,939	565,007	11,444,922
Infrastructure	44,241,795	2,880,940	-	47,122,735
Total capital assets, being depreciated	69,626,031	4,856,561	565,007	73,917,585

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Less accumulated depreciation for				
Buildings	\$ 4,059,558	\$ 429,162	\$ -	\$ 4,488,720
Land improvements	1,597,571	178,245	-	1,775,816
Equipment	7,480,450	1,003,297	561,782	7,921,965
Infrastructure	25,049,576	1,528,146	-	26,577,722
Total accumulated depreciation	38,187,155	3,138,850	561,782	40,764,223
<b>Net capital assets, being depreciated</b>	<b>31,438,876</b>	<b>1,717,711</b>	<b>3,225</b>	<b>33,153,362</b>
<b>Governmental Activities capital assets, net</b>	<b>\$34,023,048</b>	<b>\$1,717,711</b>	<b>\$ 10,225</b>	<b>\$35,730,534</b>

### Business-type Activities

#### Capital assets, not being depreciated

Land	\$ 250	\$ -	\$ -	\$ 250
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	250	-	-	250

#### Capital assets being depreciated

Regional water system				
water mains and hydrants	21,876,339	542,319	-	22,418,658
Building	1,527,203	-	-	1,527,203
Sewers and lift stations	38,817,843	24,717	-	38,842,560
Machinery and equipment	491,285	8,574	40,097	459,762
Wastewater treatment	5,400,608	-	-	5,400,608
Total capital assets, being depreciated	68,113,278	575,610	40,097	68,648,791
Less accumulated depreciation for				
Regional water system				
water mains and hydrants	7,111,176	324,482	-	7,435,658
Building	229,080	38,180	-	267,260
Sewers and lift stations	25,478,313	771,112	-	26,249,425
Machinery and equipment	319,542	42,484	37,465	324,561
Wastewater treatment	4,723,301	108,012	-	4,831,313
Total accumulated depreciation	37,861,412	1,284,270	37,465	39,108,217
<b>Net capital assets, being depreciated</b>	<b>30,251,866</b>	<b>(708,660)</b>	<b>2,632</b>	<b>29,540,574</b>
<b>Business-type Activities capital assets, net</b>	<b>\$30,252,116</b>	<b>\$ (708,660)</b>	<b>\$ 2,632</b>	<b>\$29,540,824</b>

### Component Units

#### Capital assets, not being depreciated

Land	\$ 456,627	\$ -	\$ -	\$ 456,627
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#### Capital assets being depreciated

Buildings and infrastructure	920,526	33,378	-	953,904
Less accumulated depreciation for				
Buildings and infrastructure	182,389	185,727	-	368,116
<b>Net capital assets, being depreciated</b>	<b>738,137</b>	<b>(152,349)</b>	<b>-</b>	<b>585,788</b>
<b>Component Units capital assets, net</b>	<b>\$1,194,764</b>	<b>\$(152,349)</b>	<b>\$ -</b>	<b>\$1,042,415</b>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

<b>Governmental Activities</b>	
General government	\$ 783,076
Public safety	260,166
Public works and streets	1,528,146
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>567,462</u>
<b>Total depreciation expense - governmental activities</b>	<u><u>\$3,138,850</u></u>

### 7. PENSION PLANS

#### Defined Contribution Plan

The City of Norton Shores provides pension benefits to substantially all of its full-time employees not participating in the defined benefit plan through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes from 7.0% to 8.0% of eligible earnings for participating employee's dependent on bargaining unit. Non-union, police sergeant, police rank and file, and public works employees may contribute any amount up to a maximum of 10%; full-time fire employees must contribute at a rate of 4% and may contribute a maximum of 10% as defined in the plan document which may be amended by the City Council. Employee contributions plus investment earnings are fully vested after five years of service. In accordance with these requirements, the City contributed \$86,028 during the year ended June 30, 2019. In addition, employee contributions amounted to \$70,045 during the year ended June 30, 2019.

#### Defined Benefit Plan

##### *Plan Description*

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

##### *Benefits provided*

Benefits provided include plans with multipliers ranging from 2.25 to 2.5. Vesting period of 10 years. Normal retirement age is 60 with early retirement dependent on years of service final average compensation is calculated based on 3 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2018):

Active plan members	85
Inactive employees entitled but not yet receiving benefits	19
Inactive employees or beneficiaries currently receiving benefits	<u>111</u>
Total	<u><u>215</u></u>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

**Contributions**

The City is required to contribute at an actuarially determined rate. The employer makes monthly employer contributions of approximately \$181,000. Participating employees are required to contribute from 0.0% to 4.0% percent of gross wages to the Plan based on position and classification. 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 labor agreements.

**Net Pension Liability**

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation
- Mortality rates used were based on the RP-2014 Annuity Mortality Table with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent (2015) actuarial experience study.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return</u>
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			<u>8.00%</u>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

Discount rate. The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$46,408,720	\$23,334,383	\$23,074,337
Changes for the Year:			
Service cost	699,955	-	699,955
Interest	3,627,198	-	3,627,198
Change in benefits	-	-	-
Differences between expected and actual experience	(543,457)	-	(543,457)
Change in assumptions	-	-	-
Contributions: employer	-	2,626,820	(2,626,820)
Contributions: employee	-	176,810	(176,810)
Net investment income	-	(924,629)	924,629
Benefit payments, including refunds	(2,837,440)	(2,837,440)	-
Administrative expense	-	(45,305)	45,305
Other changes	-	-	-
Net changes	946,256	(1,003,744)	1,950,000
Balance at December 31, 2018	\$47,354,976	\$22,330,639	\$25,024,337

#### Sensitivity of the Net Pension Liability to changes in the discount rate.

The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$52,485,530	\$47,354,976	\$42,994,503
Fiduciary Net Position	22,330,639	22,330,639	22,330,639
Net Pension Liability	\$30,154,891	\$25,024,337	\$20,663,864

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019 the City recognized pension expense of \$3,365,040. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ 45,434	\$609,666
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	1,686,419	-
Contributions subsequent to the Measurement date*	1,484,398	-
<b>Total</b>	<b>\$3,216,251</b>	<b>\$609,666</b>

\* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2020.

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding subsequent contributions) will be recognized in pension expense as follows:

2020	\$ 388,149
2021	(25,904)
2022	202,299
2023	557,643
<b>Total</b>	<b>\$1,122,187</b>

## 8. OTHER POST-EMPLOYMENT BENEFITS

***Plan Description***

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. The Plan is included as an other post-employment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

***Benefits provided***

The City provides various benefits to retirees based on year of employment and classification. The City generally pays the monthly premium cost in effect at the date of retirement through the date of eligibility for Medicare at which time the City pays for the cost of a Medicare supplement program. Participants selecting a stipend payment in lieu of insurance receive a portion of the insurance premium based on years of service. Benefit provisions are established through policy and available to all qualifying fulltime employees. The Plan is closed to new participants.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2019):

Active plan members	110
Retirees and beneficiaries receiving benefits	101
<b>Total</b>	<b>211</b>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

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#### **Contributions**

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, 2019 the City contributed \$260,000 to the Plan in addition to insurance premiums of \$2,244,473.

#### **Net OPEB Liability**

The total OPEB liability in the June 30, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 4.0%

Salary Increases: 4.0%

Investment rate of return: 4.0%

Healthcare cost trend rates: 7.0% trending to 4.5% per year by 2029

20-year Aa Municipal bond yield: 3.1%

Mortality rates used RP-2014 health annuitant mortality tables with a 50% male / 50% female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
U.S stocks	28.6%	5.0%
International stocks	12.3	5.5
Emerging market stocks	11.9	6.0
U.S. bonds	10.0	3.0
Global bonds	2.3	3.0
Real assets	10.3	4.0
Private equity	4.6	7.0
Cash	10.4	0.1
Other	9.6	1.0
Total	100.0%	

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability is 4.0%. For projected benefits that are expected to be covered by projected assets, the long-term expected rate was used to discount the projected benefits.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

#### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2018	\$27,254,227	\$2,827,294	\$24,426,933
Changes for the Year:			
Service cost	259,004	-	259,004
Interest	1,068,487	-	1,068,487
Change in benefits	15,838	-	15,838
Differences between expected and actual experience	(1,851,041)	-	(1,851,041)
Change in assumptions and other inputs	(1,255,890)	-	(1,255,890)
Contributions: employer	-	260,000	(260,000)
Contributions: employee	-	-	-
Net investment income	-	90,473	(90,473)
Benefit payments, including implicit rate subsidy	(1,084,105)	-	(1,084,105)
Administrative expense	-	(5,991)	5,991
Other changes	(120,616)	-	(120,616)
Net changes	(2,968,323)	344,482	(3,312,805)
Balance at June 30, 2019	\$24,285,904	\$3,171,776	\$21,114,128

**Sensitivity of the Net OPEB Liability to changes in the discount rate.**

The following presents the net OPEB liability of the employer, calculated using the discount rate of 4.0%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current discount rate	1% Increase
Total OPEB liability	\$27,851,273	\$24,285,904	\$21,419,591
Fiduciary net position	3,171,776	3,171,776	3,171,776
Net OPEB liability	\$24,679,497	\$21,114,128	\$18,247,715
Plan fiduciary position as a percentage of the total OPEB liability		13.1%	

**Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.**

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$21,301,252	\$24,285,904	\$27,991,531
Fiduciary net position	3,171,776	3,171,776	3,171,776
Net OBEB liability	\$18,129,476	\$21,114,128	\$24,819,755

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan**

For the year ended June 30, 2019 the employer recognized OPEB expense of \$5,274,809. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$2,378,836
Changes in assumptions	228,806	4,304,087
Excess (deficit) investment returns	22,889	118,812
Total	\$251,695	\$6,801,136

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$(4,895,025)
2021	(870,643)
2022	(789,495)
2023	5,722
Thereafter	-
Total	\$(6,549,441)

#### 9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Private Placement Debt</b>					
\$926,587 installment purchase with payments due in annual installments of \$74,862 to \$94,069 through May 2025, plus interest at 2.57%	\$ 611,004	\$ -	\$ 80,784	\$ 530,220	\$ 82,860
\$415,000 Act 99 installment purchase, due in annual installments of \$35,000 to \$45,000 through June 2028, plus interest at 3.92%	-	415,000	35,000	380,000	40,000
<b>Total Private Placement Debt</b>	611,004	415,000	115,784	910,220	122,860
Compensated absences	851,278	-	17,250	834,028	83,403
<b>Total Governmental Activities</b>	<b>\$1,462,282</b>	<b>\$415,000</b>	<b>\$133,034</b>	<b>\$1,744,248</b>	<b>\$206,263</b>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2019</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
<b>Business-type Activities</b>					
<b>Private Placement Debt</b>					
Obligations under contract with the County of Muskegon	\$360,521	\$ -	\$294,549	\$ 65,972	\$ 65,972
<b>Public Offering Debt</b>					
\$4,595,000 Limited Tax General Obligation Judgement Bonds, Series 2018, due in annual installments of \$290,000 to \$470,000 through November 2030, plus interest at 4.00%	-	4,595,000	-	4,595,000	290,000
	360,521	4,595,000	294,549	4,660,972	355,972
Premium on bonds	-	332,707	28,296	304,411	-
Compensated absences	41,960	6,993	-	48,953	4,895
<b>Total Business-type Activities</b>	<b>\$402,481</b>	<b>\$4,934,700</b>	<b>\$322,845</b>	<b>\$5,014,336</b>	<b>\$360,867</b>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2019 are as follows:

	<u>Governmental activities</u>		<u>Business-type Activities</u>			
	<u>Private Placement Debt</u>		<u>Private Placement Debt</u>		<u>Public Offering Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<b>Year</b> <b>Ending</b> <b>June 30</b>						
2020	\$122,860	\$ 28,523	\$65,972	\$7,828	\$ 290,000	\$ 178,000
2021	124,990	24,825	-	-	320,000	165,800
2022	127,174	21,073	-	-	330,000	152,800
2023	129,414	17,265	-	-	345,000	139,300
2024	131,712	13,399	-	-	360,000	125,200
2025-2029	274,070	20,058	-	-	2,025,000	393,500
2030-2031	-	-			925,000	37,300
<b>Total</b>	<b>\$910,220</b>	<b>\$125,143</b>	<b>\$65,972</b>	<b>\$7,828</b>	<b>\$4,595,000</b>	<b>\$1,191,900</b>

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, 2019

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In 2014, the West Michigan Regional Water Authority issued its bonds totaling \$15,700,000 and made improvements to the water system and completed an inter-connect pipeline to the City of Muskegon water system. Under contractual agreements as wholesale users of the system, the City of Norton Shores and the Charter Township of Fruitport have agreed to pay a portion of the debt service on these bonds based on actual water usage pursuant to the Regional Water System Agreement between the entities. Based on contractual obligation, the City's share of the debt outstanding on June 30, 2019 was approximately 70% of the outstanding balance, or \$10,465,000. The City has not recorded a liability for any portion of the West Michigan Water Resources Authority debt.

#### 10. 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 reported at June 30, 2019 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 \$100,000 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, 2019

The change in the claims liability for the year ended June 30, 2018 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>
2017	\$ -	\$4,371,032	\$4,317,032	\$ -
2018	-	3,890,026	3,890,026	-

#### 11. 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.

#### 12. TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFTE) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The IFTE is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement.

For the year ended June 30, 2019 the City abated property tax revenues of approximately \$64,900.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year ended June 30, 2019 the City abated property tax revenues of approximately \$25,700.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF NORTON SHORES

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

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,354,817	\$ 5,368,503	\$ 5,373,837	\$ 5,334
Intergovernmental revenues				
Federal	30,000	30,000	6,830	(23,170)
State	1,985,226	2,065,696	2,173,651	107,955
Licenses and permits	432,300	431,360	419,417	(11,943)
Charges for services	2,374,062	2,477,584	2,262,217	(215,367)
Fines	74,000	74,000	76,534	2,534
Investment earnings	75,000	75,000	203,697	128,697
Miscellaneous	60,000	110,282	110,282	-
<b>Total revenues</b>	<u>10,385,405</u>	<u>10,632,425</u>	<u>10,626,465</u>	<u>(5,960)</u>
<b>Expenditures</b>				
Current				
General government	2,398,664	2,424,532	2,370,957	53,575
Public safety	7,222,133	7,395,324	7,293,518	101,806
Highway and streets	580,244	620,265	606,303	13,962
Culture and recreation	1,004,455	1,012,243	988,866	23,377
<b>Total expenditures</b>	<u>11,205,496</u>	<u>11,452,364</u>	<u>11,259,644</u>	<u>192,720</u>
<b>Revenues over (under) expenditures</b>	(820,091)	(819,939)	(633,179)	186,760
Other financing sources (uses)				
Transfers in	1,099,290	1,209,725	1,216,390	6,665
Net changes in fund balance	279,199	389,786	583,211	193,425
<b>Fund balance, beginning of year</b>	<u>2,153,273</u>	<u>2,153,273</u>	<u>2,153,273</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,432,472</u>	<u>\$ 2,543,059</u>	<u>\$ 2,736,484</u>	<u>\$ 193,425</u>

# CITY OF NORTON SHORES

## MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 2,310,106	\$ 2,650,444	\$ 2,577,974	\$ (72,470)
Investment earnings	19,000	19,000	47,890	28,890
Miscellaneous	38,000	38,000	21,380	(16,620)
<b>Total revenues</b>	<u>2,367,106</u>	<u>2,707,444</u>	<u>2,647,244</u>	<u>(60,200)</u>
<b>Expenditures</b>				
Current				
Highway and streets	1,114,000	1,080,200	1,072,729	7,471
Administration	342,285	342,285	342,285	-
Capital outlay	932,300	1,248,578	783,181	465,397
<b>Total expenditures</b>	<u>2,388,585</u>	<u>2,671,063</u>	<u>2,198,195</u>	<u>472,868</u>
Net changes in fund balance	(21,479)	36,381	449,049	412,668
<b>Fund balance, beginning of year</b>	<u>742,695</u>	<u>742,695</u>	<u>742,695</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 721,216</u>	<u>\$ 779,076</u>	<u>\$ 1,191,744</u>	<u>\$ 412,668</u>

**CITY OF NORTON SHORES**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION  
LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Total pension liability</b>					
Service cost	\$ 661,697	686,657	725,772	687,266	699,955
Interest	3,133,296	3,134,512	3,419,748	3,545,859	3,627,198
Changes in benefit terms	-	(1,214)	(2,210)	(7,154)	-
Difference between expected and actual experience	-	158,618	181,742	(404,148)	(543,457)
Changes in assumptions	-	2,129,130	-	-	-
Benefit payments including employee refunds	(2,575,661)	(2,635,186)	(2,673,428)	(2,785,406)	(2,837,440)
Other	-	92,501	-	-	-
<b>Net change in total pension liability</b>	<u>1,219,332</u>	<u>3,565,018</u>	<u>1,651,624</u>	<u>1,036,417</u>	<u>946,256</u>
<b>Total pension liability, beginning of year</b>	<u>38,936,329</u>	<u>40,155,661</u>	<u>43,720,679</u>	<u>45,372,303</u>	<u>46,408,720</u>
<b>Total pension liability, end of year</b>	<u>\$ 40,155,661</u>	<u>\$ 43,720,679</u>	<u>\$ 45,372,303</u>	<u>\$ 46,408,720</u>	<u>\$ 47,354,976</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 2,082,734	\$ 1,775,335	\$ 2,868,773	\$ 1,994,604	\$ 2,626,820
Contributions-employee	99,216	116,683	194,613	155,792	176,810
Net investment income	1,190,601	(288,838)	2,149,456	2,769,731	(924,629)
Benefit payments including employee refunds	(2,575,661)	(2,635,186)	(2,673,428)	(2,785,406)	(2,837,440)
Administrative expense	(43,648)	(42,701)	(42,383)	(43,874)	(45,305)
<b>Net change in plan fiduciary net position</b>	<u>753,242</u>	<u>(1,074,707)</u>	<u>2,497,031</u>	<u>2,090,847</u>	<u>(1,003,744)</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>19,067,970</u>	<u>19,821,212</u>	<u>18,746,505</u>	<u>21,243,536</u>	<u>23,334,383</u>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 19,821,212</u>	<u>\$ 18,746,505</u>	<u>\$ 21,243,536</u>	<u>\$ 23,334,383</u>	<u>\$ 22,330,639</u>
<b>Employer net pension liability</b>	<u>\$ 20,334,449</u>	<u>\$ 24,974,174</u>	<u>\$ 24,128,767</u>	<u>\$ 23,074,337</u>	<u>\$ 25,024,337</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	49%	43%	47%	50%	47%
<b>Covered employee payroll</b>	\$ 5,685,103	\$ 5,943,127	\$ 6,267,719	\$ 5,957,511	\$ 6,031,441
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	358%	420%	385%	387%	415%

**CITY OF NORTON SHORES**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2015	2016	2017	2018	2019
Actuarially determined contributions	\$ 1,629,528	\$ 1,793,736	\$ 1,924,658	\$ 2,084,096	\$ 2,169,222
Contributions in relation to the actuarially determined contribution	2,129,528	2,293,736	2,424,658	2,584,096	2,569,222
Contribution excess (deficiency)	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 400,000</u>
Covered employee payroll	\$ 5,685,103	\$ 5,943,127	\$ 6,267,719	\$ 5,957,511	\$ 6,031,441
Contributions as a percentage of covered employee payroll	37%	39%	39%	43%	43%

**Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5 year smoothed (10 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.75% (4.5 for 2014)
Investment rate of return	7.75% (8.25 for 2014)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

# CITY OF NORTON SHORES

## OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

**FOR THE YEAR ENDED JUNE 30, 2019**

	2017	2018	2019
<b>Total OPEB liability</b>			
Service cost	\$ 231,437	\$ 242,694	\$ 259,004
Interest	1,688,299	1,040,976	1,068,487
Changes in benefit terms	(3,387,784)	-	15,838
Difference between expected and actual experience	(4,221,063)	-	(1,851,041)
Changes in assumptions	(5,691,578)	-	(1,255,890)
Benefit payments including implicit rate subsidy	(1,030,108)	-	(1,084,105)
Other	(3,606,564)	(219,547)	(120,616)
<b>Net change in total OPEB liability</b>	<u>(16,017,361)</u>	<u>1,064,123</u>	<u>(2,968,323)</u>
<b>Total OPEB liability, beginning of year</b>	<u>42,207,465</u>	<u>26,190,104</u>	<u>27,254,227</u>
<b>Total OPEB liability, end of year</b>	<u>\$ 26,190,104</u>	<u>\$ 27,254,227</u>	<u>\$ 24,285,904</u>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 173,328	\$ 490,352	\$ 260,000
Contributions-employee	-	-	-
Net investment income	227,995	193,680	90,473
Benefit payments including employee refunds	-	-	-
Administrative expense	-	(6,400)	(5,991)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>401,323</u>	<u>677,632</u>	<u>344,482</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,748,339</u>	<u>2,149,662</u>	<u>2,827,294</u>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 2,149,662</u>	<u>\$ 2,827,294</u>	<u>\$ 3,171,776</u>
<b>Employer net OPEB liability</b>	<u>\$ 24,040,442</u>	<u>\$ 24,426,933</u>	<u>\$ 21,114,128</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	8.2%	10.4%	13.1%
<b>Covered employee payroll</b>	\$ 5,433,300	\$ 5,766,233	\$ 6,452,426
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	442.5%	423.6%	327.2%

**CITY OF NORTON SHORES**

**OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contributions	\$ -	\$ -	\$ 1,480,036
Contributions in relation to the actuarially determined contribution	<u>173,328</u>	<u>490,352</u>	<u>260,000</u>
Contribution excess (deficiency)	<u>\$ 173,328</u>	<u>\$ 490,352</u>	<u>\$ (1,220,036)</u>
Covered employee payroll	\$ 5,433,300	\$ 5,766,233	\$ 6,452,426
Contributions as a percentage of covered employee payroll	3.2%	8.5%	4.0%
<b>Notes to schedule</b>			
Actuarial cost method	Entry Age Normal (level percent)		
Amortization method	Level percent, closed		
Remaining amortization period	15 years (average future service)		
Asset valuation method	Market value		
Inflation	4.00% (2.5% for 2018)		
Salary increases	4.00%		
Investment rate of return	4.00%		
20-year Aa Municipal bond yield	3.10%		
Healthcare cost trend rates	7.0% for 2019 graded down to rate of 4.5%		
Retirement age	Varies depending on plan adoption		
Mortality	RP-2014 health annuitant mortality tables with a 50% male / 50% female blend.		

**SCHEDULE OF INVESTMENT RETURNS**

Annual money-weighted rate of return net of investment expense	11.7%	7.8%	2.9%
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**State of Michigan PA 202 information**

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 1,391,072
Minimum required contribution under PA 202	-
Actual contribution	260,000
Contribution for employees hired after June 30, 2018	n/a

State of Michigan PA 202 assumptions, if different from GASB  
Investment rate of return - 7.0%  
Mortality - PRH 2014 at 2006 with improvement scale MP-2016  
Healthcare cost trend  
Pre-65 - 8.5% graded .25% per year to 4.5% ultimate rate  
Medicare - 7.0% graded .25% per year to  
Salary scale - 3.5%

**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).

**Pension and OPEB data**

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**CITY OF NORTON SHORES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2019

	Special Revenue				Community Development Program
	Local Streets	Municipal Road	Solid Waste	Building	
<b>Assets</b>					
Cash and pooled investments	\$ 734,575	\$ 388,428	\$ 914,640	\$ 277,069	\$ 27,566
Accounts receivable	-	-	-	888	-
Special assessments receivable	-	-	-	-	-
Prepaid items	14,422	-	762	12,658	-
Due from other governments	64,155	-	-	-	21,722
<b>Total assets</b>	<b>\$ 813,152</b>	<b>\$ 388,428</b>	<b>\$ 915,402</b>	<b>\$ 290,615</b>	<b>\$ 49,288</b>
<b>Liabilities, deferred inflows, and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 40,114	\$ 469	\$ 53,983	\$ 28,219	\$ 20,510
Accrued liabilities	2,213	-	193	2,978	-
<b>Total liabilities</b>	<b>42,327</b>	<b>469</b>	<b>54,176</b>	<b>31,197</b>	<b>20,510</b>
<b>Deferred inflows</b>					
Unavailable revenues	-	-	-	-	-
<b>Fund balances</b>					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Prepaid items	14,422	-	762	12,658	-
Restricted					
Streets	756,403	387,959	-	-	-
Solid waste	-	-	860,464	-	-
Building	-	-	-	246,760	-
Community development	-	-	-	-	28,778
Assigned					
Capital Projects	-	-	-	-	-
<b>Total fund balances</b>	<b>770,825</b>	<b>387,959</b>	<b>861,226</b>	<b>259,418</b>	<b>28,778</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 813,152</b>	<b>\$ 388,428</b>	<b>\$ 915,402</b>	<b>\$ 290,615</b>	<b>\$ 49,288</b>

	Capital Projects			Permanent	Total
	Public Safety	Local Improvement	Industrial Improvement	Cemetery Care	
\$	-	\$ 836,250	\$ 495,295	\$ 625,683	\$ 4,299,506
	-	-	-	-	888
	-	22,648	-	-	22,648
	-	5,264	-	-	33,106
	-	-	-	-	85,877
<u>\$</u>	<u>-</u>	<u>\$ 864,162</u>	<u>\$ 495,295</u>	<u>\$ 625,683</u>	<u>\$ 4,442,025</u>
\$	-	\$ 785	\$ -	\$ -	\$ 144,080
	-	-	-	-	5,384
	-	785	-	-	149,464
	-	22,648	-	-	22,648
	-	-	-	625,683	625,683
	-	5,264	-	-	33,106
	-	-	-	-	1,144,362
	-	-	-	-	860,464
	-	-	-	-	246,760
	-	-	-	-	28,778
	-	835,465	495,295	-	1,330,760
	-	840,729	495,295	625,683	4,269,913
<u>\$</u>	<u>-</u>	<u>\$ 864,162</u>	<u>\$ 495,295</u>	<u>\$ 625,683</u>	<u>\$ 4,442,025</u>

**CITY OF NORTON SHORES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Special Revenue</b>				
	<b>Local Streets</b>	<b>Municipal Road</b>	<b>Solid Waste</b>	<b>Building</b>	<b>Community Development Program</b>
<b>Revenues</b>					
Taxes	\$ -	\$ 1,351,544	\$ 991,149	\$ -	\$ -
Intergovernmental revenues					
Federal	-	-	-	-	122,289
State	757,120	-	-	-	-
Licenses and permits	-	-	-	548,017	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	22,332	15,000	15,895	39,628	-
Miscellaneous	403	-	-	5,610	12,244
<b>Total revenues</b>	<b>779,855</b>	<b>1,366,544</b>	<b>1,007,044</b>	<b>593,255</b>	<b>134,533</b>
<b>Expenditures</b>					
Current					
Public safety	-	-	-	603,540	-
Highway and streets	358,029	-	-	-	-
Sanitation	-	-	742,742	-	-
Administration	114,550	-	-	-	-
Community development	-	-	-	-	123,924
Capital outlay	-	1,354,324	-	-	-
<b>Total expenditures</b>	<b>472,579</b>	<b>1,354,324</b>	<b>742,742</b>	<b>603,540</b>	<b>123,924</b>
Revenues over (under) expenditures	307,276	12,220	264,302	(10,285)	10,609
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Net changes in fund balances	307,276	12,220	264,302	(10,285)	10,609
<b>Fund balances, beginning of year</b>	<b>463,549</b>	<b>375,739</b>	<b>596,924</b>	<b>269,703</b>	<b>18,169</b>
<b>Fund balances, end of year</b>	<b>\$ 770,825</b>	<b>\$ 387,959</b>	<b>\$ 861,226</b>	<b>\$ 259,418</b>	<b>\$ 28,778</b>

	Capital Projects			Permanent	
	Public Safety	Local Improvement	Industrial Improvement	Cemetery Care	Total
\$	1,216,390	\$ -	\$ -	\$ -	\$ 3,559,083
	-	-	-	-	122,289
	-	-	-	-	757,120
	-	-	-	-	548,017
	-	-	-	29,610	29,610
	-	22,083	-	-	22,083
	-	(2,681)	24,012	-	114,186
	-	-	-	-	18,257
	<u>1,216,390</u>	<u>19,402</u>	<u>24,012</u>	<u>29,610</u>	<u>5,170,645</u>
	-	-	-	-	603,540
	-	-	-	-	358,029
	-	-	-	-	742,742
	-	-	-	-	114,550
	-	-	-	-	123,924
	-	<u>365,562</u>	<u>11,448</u>	-	<u>1,731,334</u>
	-	<u>365,562</u>	<u>11,448</u>	-	<u>3,674,119</u>
	<u>1,216,390</u>	<u>(346,160)</u>	<u>12,564</u>	<u>29,610</u>	<u>1,496,526</u>
	<u>(1,216,390)</u>	<u>-</u>	<u>-</u>	<u>(42,041)</u>	<u>(1,258,431)</u>
	-	(346,160)	12,564	(12,431)	238,095
	-	<u>1,186,889</u>	<u>482,731</u>	<u>638,114</u>	<u>4,031,818</u>
\$	<u>-</u>	<u>\$ 840,729</u>	<u>\$ 495,295</u>	<u>\$ 625,683</u>	<u>\$ 4,269,913</u>

**CITY OF NORTON SHORES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 594,125	\$ 594,125	\$ 757,120	\$ 162,995
Investment earnings	1,000	1,000	22,332	21,332
Miscellaneous	-	-	403	403
<b>Total revenues</b>	<u>595,125</u>	<u>595,125</u>	<u>779,855</u>	<u>184,730</u>
<b>Expenditures</b>				
Current				
Highway and streets	438,200	356,314	358,029	(1,715)
Administration	111,500	114,550	114,550	-
<b>Total expenditures</b>	<u>549,700</u>	<u>470,864</u>	<u>472,579</u>	<u>(1,715)</u>
Net changes in fund balance	45,425	124,261	307,276	183,015
<b>Fund balance, beginning of year</b>	<u>463,549</u>	<u>463,549</u>	<u>463,549</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 508,974</u>	<u>\$ 587,810</u>	<u>\$ 770,825</u>	<u>\$ 183,015</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,234,887	\$ 1,342,982	\$ 1,351,544	\$ 8,562
Investment earnings	49,407	15,000	15,000	-
<b>Total revenues</b>	1,284,294	1,357,982	1,366,544	8,562
<b>Expenditures</b>				
Capital outlay	1,517,000	1,313,836	1,354,324	(40,488)
Net changes in fund balance	(232,706)	44,146	12,220	(31,926)
<b>Fund balance, beginning of year</b>	375,739	375,739	375,739	-
<b>Fund balance, end of year</b>	<u>\$ 143,033</u>	<u>\$ 419,885</u>	<u>\$ 387,959</u>	<u>\$ (31,926)</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 903,287	\$ 979,022	\$ 991,149	\$ 12,127
Investment earnings	35,000	35,000	15,895	(19,105)
Miscellaneous	3,500	3,500	-	(3,500)
<b>Total revenues</b>	941,787	1,017,522	1,007,044	(10,478)
<b>Expenditures</b>				
Current				
Sanitation	712,568	745,024	742,742	2,282
Net changes in fund balance	229,219	272,498	264,302	(8,196)
<b>Fund balance, beginning of year</b>	596,924	596,924	596,924	-
<b>Fund balance, end of year</b>	<u>\$ 826,143</u>	<u>\$ 869,422</u>	<u>\$ 861,226</u>	<u>\$ (8,196)</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 471,910	\$ 508,690	\$ 548,017	\$ 39,327
Investment earnings	5,000	5,000	39,628	34,628
Miscellaneous	2,000	2,000	5,610	3,610
<b>Total revenues</b>	478,910	515,690	593,255	77,565
<b>Expenditures</b>				
Current				
Public safety	617,291	610,357	603,540	6,817
Net changes in fund balance	(138,381)	(94,667)	(10,285)	84,382
<b>Fund balance, beginning of year</b>	269,703	269,703	269,703	-
<b>Fund balance, end of year</b>	<u>\$ 131,322</u>	<u>\$ 175,036</u>	<u>\$ 259,418</u>	<u>\$ 84,382</u>

**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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ 117,500	\$ 117,500	\$ 122,289	\$ 4,789
Miscellaneous	-	-	12,244	12,244
<b>Total revenues</b>	117,500	117,500	134,533	17,033
<b>Expenditures</b>				
Current				
Community development	117,500	135,669	123,924	11,745
Net changes in fund balance	-	(18,169)	10,609	28,778
<b>Fund balance, beginning of year</b>	18,169	18,169	18,169	-
<b>Fund balance, end of year</b>	<u>\$ 18,169</u>	<u>\$ -</u>	<u>\$ 28,778</u>	<u>\$ 28,778</u>

**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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,116,847	\$ 1,208,846	\$ 1,216,390	\$ 7,544
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Revenues over (under) expenditures	1,116,847	1,208,846	1,216,390	7,544
Other financing source (uses)				
Transfers out	<u>(1,116,847)</u>	<u>(1,208,846)</u>	<u>(1,216,390)</u>	<u>(7,544)</u>
Net changes in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTON SHORES**

**AGENCY FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2019**

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	<b><u>Current Tax Fund</u></b>	<b><u>Trust and Agency</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Cash and pooled investments	\$ <u>1</u>	\$ <u>50,751</u>	\$ <u>50,752</u>
<b>Liabilities</b>			
Accounts payable	\$ 1	\$ 1,505	\$ 1,506
Due to other governmental units	<u>-</u>	<u>49,246</u>	<u>49,246</u>
<b>Total liabilities</b>	\$ <u>1</u>	\$ <u>50,751</u>	\$ <u>50,752</u>

**CITY OF NORTON SHORES**

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

**JUNE 30, 2019**

	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and pooled investments	\$ 4,289,339	\$ -	\$ 4,289,339
Prepaid items	43	-	43
Capital assets			
Land	-	456,627	456,627
Depreciable capital assets, net	-	585,788	585,788
<b>Total assets</b>	<b><u>\$ 4,289,382</u></b>	<b>1,042,415</b>	<b><u>5,331,797</u></b>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ 27,150</u>	-	<u>27,150</u>
<b>Fund balance</b>			
Nonspendable			
Prepaid items	43	(43)	-
Unassigned	<u>4,262,189</u>	<u>(4,262,189)</u>	<u>-</u>
	<u>4,262,232</u>	<u>(4,262,232)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,289,382</u></b>		
<b>Net position</b>			
Net investment in capital assets			1,042,415
Unrestricted			<u>4,262,232</u>
<b>Total net position</b>			<b><u>\$ 5,304,647</u></b>

# 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, 2019**

	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Taxes	\$ 1,410,736	\$ -	\$ 1,410,736
Intergovernmental revenues			
Investment earnings (loss)	<u>323,233</u>	<u>-</u>	<u>323,233</u>
	1,733,969	-	1,733,969
<b>Expenditures/expenses</b>			
Current			
General government	<u>1,802,695</u>	<u>152,349</u>	<u>1,955,044</u>
Net changes in fund balance	(68,726)	68,726	
Change in net position		221,075	(221,075)
<b>Fund balance/net position, beginning of year</b>	<u>4,330,958</u>		<u>5,525,722</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 4,262,232</u>		<u>\$ 5,304,647</u>

**CITY OF NORTON SHORES**

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

**JUNE 30, 2019**

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	<b>Governmental</b>		<b>Statement</b>
	<b><u>Fund Type</u></b>		<b>of</b>
	<b>General</b>		<b>Net Position</b>
	<b><u>Fund</u></b>	<b><u>Adjustments</u></b>	
<b>Assets</b>			
Cash and pooled investments	<u>\$ 214,629</u>	\$ -	\$ 214,629
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ -</u>	-	<u>-</u>
<b>Fund balance</b>			
Unassigned	<u>214,629</u>	(214,629)	-
<b>Total liabilities and fund balances</b>	<u>\$ 214,629</u>		
<b>Net position</b>			
Unrestricted			<u>\$ 214,629</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, 2019**

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	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Taxes	\$ 119,168	\$ -	\$ 119,168
<b>Expenditures/expenses</b>			
Current			
General government	130,910	-	130,910
Net changes in fund balance	(11,742)	11,742	
Change in net position		11,742	(11,742)
<b>Fund balance/net position, beginning of year</b>	<u>226,371</u>		<u>226,371</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 214,629</u>		<u>\$ 214,629</u>