



**CITY OF NORTON SHORES, MICHIGAN**

**FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED JUNE 30, 2017*



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF NORTON SHORES

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### INDEPENDENT AUDITORS' REPORT

November 21, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton Shores, Michigan, as of June 30, 2017, 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2017, on our consideration of the City of Norton Shores, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Norton Shores, Michigan's internal control over financial reporting and compliance.

*Urodeuxeld 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, 2017.

## Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2017 fiscal year as follows:

- State of Michigan eliminated personal property tax on equipment under \$80,000 of true cash value, resulting in a decrease in anticipated property tax revenue.
- The City and Spring Lake Township purchased 46 acres to add to Black Park and applied for a grant to provide a kayak launch on the recently purchased land.
- Building permit revenue has remained at pre-housing market crash levels.
- The City contributed an additional \$500,000 into the pension plan to help offset the increase in the net pension liability due to changes in the valuation assumptions made by the actuary.

## Overview of the Financial Statements

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

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

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

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

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

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

**Fund financial statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

**Fiduciary funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the 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 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 \$24,636,087 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>	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 8,391,701	\$ 8,976,672	\$13,568,891	\$13,820,464	\$21,960,592	\$ 22,797,136
Capital assets	33,014,774	31,862,895	30,712,575	30,450,717	63,727,349	62,313,612
<b>Total assets</b>	<b>41,406,475</b>	<b>40,839,567</b>	<b>44,281,466</b>	<b>44,271,181</b>	<b>85,687,941</b>	<b>85,110,748</b>
<b>Deferred outflows</b>	<b>2,661,732</b>	<b>4,298,601</b>	<b>313,933</b>	<b>506,990</b>	<b>2,975,665</b>	<b>4,805,591</b>
<b>Liabilities</b>						
Current liabilities	446,045	790,264	815,961	843,543	1,262,006	1,633,807
Long-term liabilities	44,619,598	34,921,153	5,764,953	3,979,082	50,384,551	38,900,235
<b>Total liabilities</b>	<b>45,065,643</b>	<b>35,711,417</b>	<b>6,580,914</b>	<b>4,822,625</b>	<b>51,646,557</b>	<b>40,534,042</b>
<b>Deferred inflows</b>	<b>11,074,771</b>	<b>-</b>	<b>1,306,191</b>	<b>-</b>	<b>12,380,962</b>	<b>-</b>
<b>Net position</b>						
Net investment in capital assets	32,325,010	31,096,345	30,064,527	29,535,327	62,389,537	60,631,672
Restricted	1,913,234	3,286,963	950	950	1,914,184	3,287,913
Unrestricted (deficit)	(46,310,451)	(24,956,557)	6,642,817	10,419,269	(39,667,634)	(14,537,288)
<b>Total net position</b>	<b>\$(12,072,207)</b>	<b>\$ 9,426,751</b>	<b>\$36,708,294</b>	<b>\$39,955,546</b>	<b>\$24,636,087</b>	<b>\$ 49,382,297</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; by far 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 \$1,914,184 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, 2017, was \$26,029,923 while total cost of all programs and services was \$21,632,117. This results in an increase in net position of \$4,397,806. 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>	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues						
Charges for services	\$3,433,520	\$3,039,248	\$7,805,082	\$7,355,059	\$11,238,602	\$10,394,307
Operating grants and contributions	2,276,873	2,279,235	216,308	210,230	2,493,181	2,489,465
Capital grants and contributions	495,021	1,425,249	327,521	609,776	822,542	2,035,025
General revenues						
Property taxes	9,332,145	9,172,291	-	-	9,332,145	9,172,291
State shared revenues	2,012,098	1,906,311	-	-	2,012,098	1,906,311
Investment earnings	7,562	636,929	(67,126)	830,404	(59,564)	1,467,333
Other	140,679	215,577	50,240	104,671	190,919	320,248
<b>Total revenues</b>	<b>17,697,898</b>	<b>18,674,840</b>	<b>8,332,025</b>	<b>9,110,140</b>	<b>26,029,923</b>	<b>27,784,980</b>
<b>Expenses</b>						
General government	1,954,049	4,163,959	-	-	1,954,049	4,163,959
Public safety	6,823,916	8,464,800	-	-	6,823,916	8,464,800
Highways and streets	2,796,302	3,322,948	-	-	2,796,302	3,322,948
Sanitation	738,616	727,782	-	-	738,616	727,782
Culture and recreation	847,852	894,098	-	-	847,852	894,098
Administration	677,006	659,325	-	-	677,006	659,325
Community development	71,555	200,835	-	-	71,555	200,835
Interest on long-term debt	19,700	21,624	-	-	19,700	21,624
Water and sewer	-	-	7,703,121	7,941,780	7,703,121	7,941,780
<b>Total expenses</b>	<b>13,928,996</b>	<b>18,455,371</b>	<b>7,703,121</b>	<b>7,941,780</b>	<b>21,632,117</b>	<b>26,397,151</b>
<b>Increase (decrease) in net position</b>	<b>3,768,902</b>	<b>219,469</b>	<b>628,904</b>	<b>1,168,360</b>	<b>4,397,806</b>	<b>1,387,829</b>
<b>Net position – beginning</b>	<b>(15,841,109)</b>	<b>9,207,282</b>	<b>36,079,390</b>	<b>38,787,186</b>	<b>20,238,281</b>	<b>47,994,468</b>
<b>Net position – ending</b>	<b>\$(12,072,207)</b>	<b>\$9,426,751</b>	<b>\$36,708,294</b>	<b>\$39,955,546</b>	<b>\$24,636,087</b>	<b>\$49,382,297</b>

Beginning net position of governmental and business-type activities were reduced by \$25,267,860 and \$3,876,156 respectively for 2017 to recognize the net other post-employment benefits liability at the beginning of the year in accordance with the implementation of GASB Statement No. 75.

**Governmental Activities** The preceding table shows that the governmental activities increased the City's net position by \$3,768,902 during this fiscal year. The increase is primarily the result of a decrease in the OPEB liability.

**Business-type Activities** Business-type activities increased the City's net position by \$628,904 during the year. This increase is primarily the result of capital grants received to cover a portion of construction activities, a decrease in interest expense, as well as positive investment returns during the year.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,288,835, an increase of \$108,910 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 \$1,774,975, a decrease of \$112,737 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 \$1,527,855 or 14% 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 \$395,617, an increase of \$8,564 from the previous year.

**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 an increase in net position of \$628,904 during the year.

## Budgetary Highlights

- The State of Michigan replaced lost revenue from personal property tax by sending local governments collections of use tax.
- The State of Michigan increased funding to offset the cost of snow and ice removal.

## 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, 2017, amounted to \$63,727,349 (net of accumulated depreciation). Of this amount, \$33,014,774 was for its governmental type activities and \$30,712,575 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions consisted of 8 new vehicles, a backhoe, a dump truck, completion of a new fire engine and various infrastructure projects. Additional information on the City's capital assets can be found in Note 6 to these financial statements.

**Long-term debt** At the end of the current fiscal year, the City had total long-term debt, including compensated absences, other post-employment benefits obligations, and net pension liability, outstanding of \$50,384,551. Of this amount, \$44,619,598 was for governmental activities while \$5,764,953 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 2017-2018 fiscal year:

- Property values increased for the 5th year in a row.
- Statutory revenue sharing is expected to increase next fiscal year according to the State of Michigan.
- 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, 2017**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Tax	Brownfield
	Activities	Activities		Increment	Redevelopment
				Finance	Authority
<b>Assets</b>					
Cash and pooled investments	\$ 6,539,098	\$ 10,687,813	\$ 17,226,911	\$ 4,830,419	\$ 234,216
Accounts receivable	500,105	1,812,295	2,312,400	-	-
Due from other governments	805,547	439,826	1,245,373	-	-
Special assessments receivable	44,731	304,630	349,361	-	-
Taxes receivable	75	-	75	-	-
Prepaid and other assets	323,373	52,566	375,939	20	-
Inventory	178,772	270,811	449,583	-	-
Restricted assets					
Cash and pooled investments	-	950	950	-	-
Capital assets					
Land	2,394,899	250	2,395,149	456,627	-
Depreciable capital assets, net	30,619,875	30,712,325	61,332,200	741,160	-
<b>Total assets</b>	<b>41,406,475</b>	<b>44,281,466</b>	<b>85,687,941</b>	<b>6,028,226</b>	<b>234,216</b>
<b>Deferred outflows</b>					
Deferred outflows - pension	2,661,732	313,933	2,975,665	-	-
<b>Liabilities</b>					
Accounts payable	293,068	805,228	1,098,296	23,021	-
Accrued liabilities	108,372	10,733	119,105	-	-
Unearned revenue	44,605	-	44,605	-	-
Noncurrent liabilities					
Compensated absences	842,477	35,053	877,530	-	-
Net other post-employment benefits	21,504,175	2,536,267	24,040,442	-	-
Net pension liability	21,583,182	2,545,585	24,128,767	-	-
Due within one year	78,760	245,731	324,491	-	-
Due in more than one year	611,004	402,317	1,013,321	-	-
<b>Total liabilities</b>	<b>45,065,643</b>	<b>6,580,914</b>	<b>51,646,557</b>	<b>23,021</b>	<b>-</b>
<b>Deferred inflows</b>					
Deferred inflows - post-employment benefits	11,074,771	1,306,191	12,380,962	-	-
<b>Net position</b>					
Net investment in capital assets	32,325,010	30,064,527	62,389,537	1,197,787	-
Restricted for					
Major/local streets	395,617	-	395,617	-	-
Local streets	270,081	-	270,081	-	-
Municipal roads	177,870	-	177,870	-	-
Building	386,785	-	386,785	-	-
Community development program	9,653	-	9,653	-	-
Perpetual care	673,228	-	673,228	-	-
Capital improvements	-	950	950	-	-
Unrestricted (deficit)	(46,310,451)	6,642,817	(39,667,634)	4,807,418	234,216
<b>Total net position</b>	<b>\$ (12,072,207)</b>	<b>\$ 36,708,294</b>	<b>\$ 24,636,087</b>	<b>\$ 6,005,205</b>	<b>\$ 234,216</b>

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

**CITY OF NORTON SHORES**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities					
General government	\$ 1,954,049	\$ 2,177,608	\$ -	\$ -	\$ 223,559
Public safety	6,823,916	985,944	10,197	8,423	(5,819,352)
Highways and streets	2,796,302	503	2,266,676	428,573	(100,550)
Sanitation	738,616	-	-	-	(738,616)
Culture and recreation	847,852	269,465	-	-	(578,387)
Administration	677,006	-	-	-	(677,006)
Community development	71,555	-	-	58,025	(13,530)
Interest on long-term debt	19,700	-	-	-	(19,700)
<b>Total governmental activities</b>	<b>13,928,996</b>	<b>3,433,520</b>	<b>2,276,873</b>	<b>495,021</b>	<b>(7,723,582)</b>
Business-type activities					
Water and Sewer	7,703,121	7,805,082	216,308	327,521	645,790
<b>Total primary government</b>	<b>\$ 21,632,117</b>	<b>\$ 11,238,602</b>	<b>\$ 2,493,181</b>	<b>\$ 822,542</b>	<b>\$ (7,077,792)</b>
<b>Component units</b>					
Tax Increment Finance Authority	\$ 561,475	\$ -	\$ -	\$ -	\$ (561,475)
Brownfield Redevelopment Authority	121,277	-	-	-	(121,277)
<b>Total component units</b>	<b>\$ 682,752</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (682,752)</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, 2017**

	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>	\$ (7,723,582)	\$ 645,790	\$ (7,077,792)	\$ (561,475)	\$ (121,277)
General revenues					
Property taxes					
General	5,671,422	-	5,671,422	1,395,547	119,285
Sanitation	876,119	-	876,119	-	-
Road improvements	1,189,533	-	1,189,533	-	-
Capital projects	1,595,071	-	1,595,071	-	-
State shared revenues	2,012,098	-	2,012,098	-	-
Unrestricted investment earnings (loss)	7,562	(67,126)	(59,564)	-	-
Other general revenues	140,679	50,240	190,919	-	-
Total general revenues	11,492,484	(16,886)	11,475,598	1,395,547	119,285
Change in net position	3,768,902	628,904	4,397,806	834,072	(1,992)
<b>Net position, beginning of year, as restated</b>	(15,841,109)	36,079,390	20,238,281	5,171,133	236,208
<b>Net position, end of year</b>	<u>\$ (12,072,207)</u>	<u>\$ 36,708,294</u>	<u>\$ 24,636,087</u>	<u>\$ 6,005,205</u>	<u>\$ 234,216</u>

(Concluded)

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

**CITY OF NORTON SHORES**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2017**

	<u>General</u>	<u>Major Streets Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 913,920	\$ -	\$ 5,071,026	\$ 5,984,946
Accounts receivable	429,220	28,626	34,224	492,070
Special assessments receivable	-	-	44,731	44,731
Taxes receivable	75	-	-	75
Prepaid items	237,177	40,619	18,090	295,886
Due from other funds	99,324	-	-	99,324
Due from other governments	343,571	323,913	138,063	805,547
Inventory	9,943	116,554	15,069	141,566
<b>Total assets</b>	<b>\$ 2,033,230</b>	<b>\$ 509,712</b>	<b>\$ 5,321,203</b>	<b>\$ 7,864,145</b>
<b>Liabilities, deferred inflows, and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 123,885	\$ 8,500	\$ 148,961	\$ 281,346
Accrued liabilities	92,441	9,131	3,732	105,304
Due to other funds	-	96,464	2,860	99,324
Unearned revenue	41,929	-	2,676	44,605
<b>Total liabilities</b>	<b>258,255</b>	<b>114,095</b>	<b>158,229</b>	<b>530,579</b>
<b>Deferred inflows</b>				
Unavailable revenues	-	-	44,731	44,731
<b>Fund balances</b>				
Nonspendable				
Permanent fund corpus	-	-	673,228	673,228
Inventory	9,943	116,554	15,069	141,566
Prepaid items	237,177	40,619	18,090	295,886
Restricted				
Streets	-	238,444	447,951	686,395
Solid waste	-	-	305,563	305,563
Building	-	-	384,160	384,160
Community development	-	-	9,653	9,653
Capital improvements	-	-	1,434,295	1,434,295
Assigned				
Capital projects	-	-	1,830,234	1,830,234
Unassigned	1,527,855	-	-	1,527,855
<b>Total fund balances</b>	<b>1,774,975</b>	<b>395,617</b>	<b>5,118,243</b>	<b>7,288,835</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 2,033,230</b>	<b>\$ 509,712</b>	<b>\$ 5,321,203</b>	<b>\$ 7,864,145</b>

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, 2017**

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<b>Fund balances - governmental funds</b>	\$ 7,288,835
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,394,899
Add - capital assets (net of accumulated depreciation)	29,453,289
Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenues in the funds.	
Add - deferred inflows	44,731
An internal service fund is used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.	
Add (deduct) - net position (deficit) of governmental activities accounted for in the internal service fund	(617,572)
Certain items are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(824,056)
Deduct - net pension liability	(20,586,663)
Add - deferred outflows related to pensions	2,538,836
Deduct - bonds and notes payable	(689,764)
Deduct - other post-employment benefits payable	(20,511,305)
Deduct - deferred inflows related to post-employment benefits	<u>(10,563,437)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (12,072,207)</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, 2017**

	<u>General</u>	<u>Major Streets Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 4,600,843	\$ -	\$ 4,731,302	\$ 9,332,145
Intergovernmental revenues				
Federal	10,197	-	66,448	76,645
State	2,012,098	1,770,429	592,174	4,374,701
Licenses and permits	416,544	-	625,698	1,042,242
Charges for services	2,305,674	-	25,125	2,330,799
Fines	59,976	-	-	59,976
Special assessments	-	-	503	503
Investment earnings	3,747	(746)	5,527	8,528
Miscellaneous	49,686	40,167	50,826	140,679
<b>Total revenues</b>	<u>9,458,765</u>	<u>1,809,850</u>	<u>6,097,603</u>	<u>17,366,218</u>
<b>Expenditures</b>				
Current				
General government	2,122,431	-	-	2,122,431
Public safety	7,076,718	-	569,778	7,646,496
Highway and streets	523,815	1,025,393	339,089	1,888,297
Sanitation	-	-	727,286	727,286
Culture and recreation	919,117	-	-	919,117
Administration	-	332,746	333,995	666,741
Community development	-	-	68,428	68,428
Debt service				
Principal	-	-	76,786	76,786
Interest	-	-	19,700	19,700
Capital outlay	-	443,147	2,678,879	3,122,026
<b>Total expenditures</b>	<u>10,642,081</u>	<u>1,801,286</u>	<u>4,813,941</u>	<u>17,257,308</u>
Revenues over (under) expenditures	<u>(1,183,316)</u>	<u>8,564</u>	<u>1,283,662</u>	<u>108,910</u>
Other financing sources (uses)				
Transfers in	1,070,579	-	85,845	1,156,424
Transfers out	-	-	(1,156,424)	(1,156,424)
Total other financing sources (uses)	<u>1,070,579</u>	<u>-</u>	<u>(1,070,579)</u>	<u>-</u>
Net changes in fund balances	(112,737)	8,564	213,083	108,910
<b>Fund balances, beginning of year</b>	<u>1,887,712</u>	<u>387,053</u>	<u>4,905,160</u>	<u>7,179,925</u>
<b>Fund balances, end of year</b>	<u>\$ 1,774,975</u>	<u>\$ 395,617</u>	<u>\$ 5,118,243</u>	<u>\$ 7,288,835</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, 2017**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 108,910</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	3,158,044
Deduct - depreciation expense	(2,234,859)
<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	(4,760)
<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	76,786
<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	51,111
Add - decrease in other post-employment benefits liability	14,008,421
Deduct - increase in deferred inflows related to other post-employment benefits	(10,563,437)
Add - decrease in net pension liability	721,302
Deduct - decrease in deferred outflows related to pensions	(1,561,294)
<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	8,678
<b>Change in net position of governmental activities</b>	<b><u>\$ 3,768,902</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, 2017**

	<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	\$ 10,687,813	\$ 554,152
Accounts receivable	1,812,295	8,035
Special assessment receivable	304,630	-
Due from other governments	439,826	-
Prepaid and other assets	52,566	27,487
Inventory	270,811	37,206
Restricted cash and pooled investments	950	-
Total current assets	<u>13,568,891</u>	<u>626,880</u>
Capital assets		
Land	250	-
Depreciable capital assets	67,296,416	5,155,474
Less accumulated depreciation	<u>(36,584,091)</u>	<u>(3,988,888)</u>
Net capital assets	<u>30,712,575</u>	<u>1,166,586</u>
<b>Total assets</b>	<u>44,281,466</u>	<u>1,793,466</u>
<b>Deferred outflows</b>		
Deferred outflows - pension	<u>313,933</u>	<u>122,896</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	805,228	11,722
Accrued liabilities	10,733	3,068
Current portion of long-term debt	<u>245,731</u>	<u>-</u>
Total current liabilities	<u>1,061,692</u>	<u>14,790</u>
Long-term liabilities		
Compensated absences	35,053	18,421
Net other post-employment benefits obligation	2,536,267	992,870
Net pension liability	2,545,585	996,519
Bonds payable, net of current portion	<u>402,317</u>	<u>-</u>
Total long-term liabilities	<u>5,519,222</u>	<u>2,007,810</u>
<b>Total liabilities</b>	<u>6,580,914</u>	<u>2,022,600</u>
<b>Deferred inflows</b>		
Deferred inflows - post-employment benefits	<u>1,306,191</u>	<u>511,334</u>
<b>Net Position</b>		
Net investment in capital assets	30,064,527	1,166,586
Restricted for capital improvements	950	-
Unrestricted	<u>6,642,817</u>	<u>(1,784,158)</u>
<b>Total net position</b>	<u>\$ 36,708,294</u>	<u>\$ (617,572)</u>

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

**CITY OF NORTON SHORES**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 7,805,082	\$ 1,062,824
Water service installations and direct sewer connections	216,308	-
Other	50,240	34,328
<b>Total operating revenue</b>	8,071,630	1,097,152
<b>Operating expense</b>		
Personnel services	1,247,207	287,624
Other operating expenses	5,159,125	476,328
Depreciation	1,261,760	432,257
<b>Total operating expense</b>	7,668,092	1,196,209
Operating income (loss)	403,538	(99,057)
Non-operating revenue (expense)		
Gain on disposal of assets	-	108,701
Investment earnings (loss)	(67,126)	(966)
Interest expense	(35,029)	-
Total non-operating revenue (expense)	(102,155)	107,735
Income (loss) before transfers and capital contributions	301,383	8,678
Capital contributions		
State grant	327,521	-
Changes in net position	628,904	8,678
<b>Net position, beginning of year, as restated</b>	36,079,390	(626,250)
<b>Net position, end of year</b>	\$ 36,708,294	\$ (617,572)

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, 2017**

	<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	\$ -	\$ 1,095,040
Receipts from customers and users	8,001,426	-
Payments to employees	(1,588,903)	(418,082)
Payments to suppliers	(5,109,110)	(488,785)
	<u>1,303,413</u>	<u>188,173</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from capital and related financing activities</b>		
Payments made on contract obligations	(267,342)	-
Interest expense	(35,029)	-
Capital grants	327,521	-
Proceeds from sale of capital assets	-	108,701
Acquisitions of capital assets	(1,523,618)	(660,951)
	<u>(1,498,468)</u>	<u>(552,250)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>		
<b>Cash flows from investing activities</b>		
Investment earnings (loss)	(67,126)	(966)
	<u>(67,126)</u>	<u>(966)</u>
<b>Net cash provided by (used in) investing activities</b>		
Net increase (decrease) in cash and pooled investments	(262,181)	(365,043)
<b>Cash and pooled investments, beginning of year</b>	<u>10,950,944</u>	<u>919,195</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 10,688,763</u>	<u>\$ 554,152</u>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ 403,538	\$ (99,057)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,261,760	432,257
Deferred outflows related to pensions	193,057	75,575
Deferred inflows related to other post-employment benefits	1,306,191	511,334
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(52,301)	(2,112)
Assessments receivable	21,923	-
Due from other governments	(39,826)	-
Inventory	64,738	(16,591)
Prepaid assets and other items	(5,142)	(4,559)
Accounts payable	(9,581)	8,693
Accrued liabilities	(18,001)	(5,572)
Other post-employment benefits	(1,732,171)	(678,092)
Net pension liability	(89,191)	(34,914)
Compensated absences	(1,581)	1,211
	<u>(1,581)</u>	<u>1,211</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,303,413</u>	<u>\$ 188,173</u>

Non-cash item: \$64,454 was applied towards the principal of long-term debt from escrow funds held at Muskegon County.

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

**CITY OF NORTON SHORES**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION**

**JUNE 30, 2017**

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	<b>Other Post- employment Benefits <u>Trust Fund</u></b>	<b>Agency <u>Funds</u></b>
<b>Assets</b>		
Cash and pooled investments	\$ 2,149,662	\$ 72,044
<b>Liabilities</b>		
Accounts payable	-	\$ 1
Due to other governmental units	-	72,043
<b>Total liabilities</b>	-	\$ 72,044
<b>Net Position</b>		
Net position - held in trust for post-employment benefits	\$ 2,149,662	

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, 2017**

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	<b><u>Other Post-employment Benefits Trust Fund</u></b>
<b>Additions</b>	
Contributions	
City contributions	\$ 1,191,795
Investment earnings	
Interest	<u>244,613</u>
<b>Total additions</b>	1,436,408
<b>Deductions</b>	
Health insurance premiums paid	1,030,108
Administrative charges	<u>4,977</u>
<b>Total deductions</b>	<u>1,035,085</u>
Changes in net position	401,323
<b>Net position, beginning of year</b>	<u>1,748,339</u>
<b>Net position, end of year</b>	<u>\$ 2,149,662</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, 2017

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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 transportation of water from the Muskegon water system. The City pays for these services based on its share of water flow through the system to cover debt service, maintenance and administration of the Authority. For the year ended June 30, 2017, the City paid \$1,334,666 to the Authority for water purchases and owes an additional \$420,559 for water purchases. The City received no payments from the Authority for the provision of administrative services during the year. \$400,000 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, 2017

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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, 2017

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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 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.

### ***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:

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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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.
- 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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

#### ***Receivables/Due from Other Governments***

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

#### ***Special Assessments Receivable***

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

#### ***Prepaid Items***

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

#### ***Inventory***

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

#### ***Restricted Cash and Pooled Investments***

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

#### ***Capital Assets***

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

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

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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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. 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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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### ***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 liability which are discussed in Note 7.

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 other post-employment benefits liability which are discussed in Note 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.

### ***Net Position and Fund Balance Flow Assumptions***

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

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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### ***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, 2017, the Governmental activities had an unrestricted net position deficit of \$46,310,451 and the equipment revolving internal service fund had an unrestricted net position deficit of \$1,784,158.

## **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, 2017

During the year ended June 30, 2017, 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>
General fund			
Cemetery	\$ 83,129	\$ 93,811	\$10,682
Engineering	3,000	34,570	31,570
Library	132,732	134,974	2,242
Local streets fund			
Routine maintenance	252,660	257,571	4,911
Municipal road fund			
Construction	1,433,975	1,498,816	64,841
Building fund			
Building	512,911	569,778	56,867

#### 4. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$17,226,911	\$5,064,635	\$2,221,706	\$24,513,252
Restricted cash and pooled investments	950	-	-	950
	<u>\$17,227,861</u>	<u>\$5,064,635</u>	<u>\$2,221,706</u>	<u>\$24,514,202</u>

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

Deposits	\$ 542,328
Investments	23,968,274
Petty cash	3,600
Total	<u>\$24,514,202</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, \$767,004 of the City's bank balance of \$1,017,004 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2017**

***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 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>
Money market accounts	N/A	\$ 2,509,454	Unrated	
MERS total market fund	N/A	2,149,662	Unrated	
Certificates of deposit	2018-2029	1,392,875	Unrated	
Municipal bonds:				
Jackson County MIC OID	2030	74,416	AA-	S&P
MI FIN Auth RE OID	2033	918,110	A	S&P
Shepherd	2034	169,521	AA-	S&P
Smith Cons	2034	132,794	AA+	S&P
Warren Mic OID	2034	473,910	AA	S&P
MI ST HSG DEV Auth	2034	157,504	AA+	S&P
Marquette	2036	455,595	AA	S&P
MI FIN Auth Re OID	2036	588,296	AAA	S&P
Kalamazoo Fin Auth	2036	464,690	A2	Moody
MI Fin Auth Re OID	2042	625,617	A	S&P
Branch County MI	2044	679,654	AA-	S&P
Martin MI Public School OID	2046	399,294	AA-	S&P
Government securities				
GNMA pools	2016-2036	2,311	Unrated	
FHLB note	2024	292,224	AA+	S&P
FFCB note	2024	483,855	AA+	S&P
FFCB note	2025	427,372	AA+	S&P
FFCB note	2025	267,136	AA+	S&P
FFCB note	2025	411,196	AA+	S&P
FHLB note	2026	488,580	AA+	S&P
FFCB note	2027	494,745	AA+	S&P
FHLMC 4160 HB	2032	225,668	Unrated	
GNMA REMIC trust	2040	184,853	Unrated	
GNMA REMIC trust	2041	486,990	Unrated	
FNMA REMIC trust	2041	92,498	Unrated	
FNR 2012-99	2042	240,939	Unrated	
FNR 2012-134	2042	71,525	Unrated	
FNR 2012-99	2042	1,036,380	Unrated	
GNMA REMIC trust	2043	364,166	Unrated	

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
FHLMC REMIC trust	2043	\$ 71,539	Unrated	
FNMA REMIC trust	2043	184,691	Unrated	
FHLMC pool	2043	655,856	Unrated	
FNMA REMIC trust	2043	329,387	Unrated	
FHLMC REMIC series	2044	1,026,650	Unrated	
FHLMC pool	2045	133,845	Unrated	
FHLMC pool	2045	296,110	Unrated	
FHLMC pool	2045	339,961	Unrated	
FHLMC pool	2045	302,919	Unrated	
GNR pool	2045	224,056	Unrated	
GNMA pool	2045	822,745	Unrated	
FNMA pool	2045	375,177	Unrated	
GNMA pool	2046	261,529	Unrated	
GNMA pool	2046	475,855	Unrated	
FHLMC pool	2046	417,129	Unrated	
FHLMC pool	2046	1,212,313	Unrated	
Accrued interest	var	76,682		
		<u><u>\$23,968,274</u></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).

*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 \$23,968,274 of investments, the City has custodial credit risk of \$21,458,820 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, \$2,509,454 is invested in mutual funds for which the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

*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 ended June 30, 2017, consist of \$1,070,579 transferred into the general fund from nonmajor governmental funds and \$85,845 transferred between various nonmajor governmental funds.

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

Interfund receivables and payables at June 30, 2017 consist of \$99,324 receivable in the general fund which is made up of \$96,464 from the major streets fund and \$2,860 from nonmajor governmental funds. These balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

#### 6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,394,899	\$ -	\$ -	\$ 2,394,899
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,394,899</u>	<u>-</u>	<u>-</u>	<u>2,394,899</u>
<b>Capital assets, being depreciated</b>				
Buildings	10,439,056	111,849	-	10,550,905
Land improvements	3,032,907	176,228	-	3,209,135
Equipment	9,734,633	1,042,366	445,735	10,331,264
Infrastructure	39,589,459	2,488,552	-	42,078,011
Total capital assets, being depreciated	<u>62,796,055</u>	<u>3,818,995</u>	<u>445,735</u>	<u>66,169,315</u>
Less accumulated depreciation for				
Buildings	3,296,707	377,495	-	3,674,202
Land improvements	1,255,430	164,130	-	1,419,560
Equipment	6,505,871	776,217	445,735	6,836,353
Infrastructure	22,270,051	1,349,274	-	23,619,325
Total accumulated depreciation	<u>33,328,059</u>	<u>2,667,116</u>	<u>445,735</u>	<u>35,549,440</u>
<b>Net capital assets, being depreciated</b>	<u>29,467,996</u>	<u>1,151,879</u>	<u>-</u>	<u>30,619,875</u>
<b>Governmental Activities capital assets, net</b>	<u><b>\$31,862,895</b></u>	<u><b>\$1,151,879</b></u>	<u><b>\$ -</b></u>	<u><b>\$33,014,774</b></u>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 250	\$ -	\$ -	\$ 250
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	250	-	-	250
<b>Capital assets being depreciated</b>				
Regional water system				
water mains and hydrants	20,457,047	1,043,764	-	21,500,811
Building	1,527,203	-	-	1,527,203
Sewers and lift stations	37,948,690	435,199	-	38,383,889
Machinery and equipment	439,250	44,655	-	483,905
Wastewater treatment	5,400,608	-	-	5,400,608
Total capital assets, being depreciated	65,772,798	1,523,618	-	67,296,416
Less accumulated depreciation for				
Regional water system				
water mains and hydrants	6,483,953	310,875	-	6,794,828
Building	152,720	38,180	-	190,900
Sewers and lift stations	23,944,360	762,637	-	24,706,997
Machinery and equipment	234,021	42,056	-	276,077
Wastewater treatment	4,507,277	108,012	-	4,615,289
Total accumulated depreciation	35,322,331	1,261,760	-	36,584,091
<b>Net capital assets, being depreciated</b>	30,450,467	261,858	-	30,712,325
<b>Business-type Activities capital assets, net</b>	<b>\$30,450,717</b>	<b>\$ 261,858</b>	<b>\$ -</b>	<b>\$30,712,575</b>
 <b>Component Units</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 456,627	\$ -	\$ -	\$ 456,627
<b>Capital assets being depreciated</b>				
Buildings and infrastructure	899,666	-	-	899,666
Less accumulated depreciation for				
Buildings and infrastructure	136,014	22,492	-	158,506
<b>Net capital assets, being depreciated</b>	763,652	(22,492)	-	741,160
<b>Component Units capital assets, net</b>	<b>\$1,220,279</b>	<b>\$(22,492)</b>	<b>\$ -</b>	<b>\$1,197,787</b>

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

<b>Governmental Activities</b>	
General government	\$ 281,503
Public safety	598,191
Public works and streets	1,355,165
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	432,257
<b>Total depreciation expense - governmental activities</b>	<b>\$2,667,116</b>

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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### 7. PENSION PLANS

#### 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, 2016):

Active plan members	94
Inactive employees entitled but not yet receiving benefits	12
Inactive employees or beneficiaries currently receiving benefits	<u>107</u>
Total	<u>213</u>

##### *Contributions*

The City is required to contribute at an actuarially determined rate. The employer makes monthly employer contributions of approximately \$160,000. 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, 2016, 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, 2016 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

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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			8.00%

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, 2015	\$43,720,679	\$18,746,505	\$24,974,174
Changes for the Year:			
Service cost	725,772	-	725,772
Interest	3,419,748	-	3,419,748
Change in benefits	(2,210)	-	(2,210)
Differences between expected and actual experience	181,742	-	181,742
Change in assumptions	-	-	-
Contributions: employer	-	2,868,773	(2,868,773)
Contributions: employee	-	194,613	(194,613)
Net investment income	-	2,149,456	(2,149,456)
Benefit payments, including refunds	(2,673,428)	(2,673,428)	-
Administrative expense	-	(42,383)	42,383
Other changes	-	-	-
Net changes	1,651,624	2,497,031	(845,407)
Balance at December 31, 2016	\$45,372,303	\$21,243,536	\$24,128,767

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

**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.

	<b>1% Decrease</b>	<b>Current Discount rate</b>	<b>1% increase</b>
Total Pension Liability	\$50,410,869	\$45,372,303	\$41,097,284
Fiduciary Net Position	21,243,536	21,243,536	21,243,536
Net Pension Liability	\$29,167,333	\$24,128,767	\$19,853,748

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

For the year ended June 30, 2017 the City recognized pension expense of \$3,409,177. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences in experience	\$ 215,614
Differences in assumptions	1,064,564
Excess(Deficit) Investment Returns	742,981
Contributions subsequent to the Measurement date*	952,506
Total	\$2,975,665

\* 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 2017.

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

2018	\$ 931,720
2019	931,719
2020	286,888
2021	(127,168)
2022	-
Total	\$2,023,159

**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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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#### **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.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2017):

Active plan members	92
Retirees and beneficiaries receiving benefits	<u>84</u>
Total	<u>176</u>

#### **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, 2017 the City contributed \$1,191,795 to the Plan.

#### **Net OPEB Liability**

The total OPEB liability in the June 30, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 4.0%

Investment rate of return: 4.0%

Healthcare cost trend rates: 8.5% trending to 5% per year by 2027

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.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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
<b>Total</b>	100.0%	

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.

#### 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, 2016	\$42,207,465	\$1,748,339	\$40,459,126
Changes for the Year:			
Service cost	231,437	-	231,437
Interest	1,688,299	-	1,688,299
Change in benefits	(3,387,784)	-	(3,387,784)
Differences between expected and actual experience	(4,221,063)	-	(4,221,063)
Change in assumptions and other inputs	(5,691,578)	-	(5,691,578)
Contributions: employer	-	173,328	(173,328)
Contributions: employee	-	-	-
Net investment income	-	227,995	(227,995)
Benefit payments, including refunds	(1,030,108)	-	(1,030,108)
Administrative expense	-	-	-
Other changes	(3,606,564)	-	(3,606,564)
Net changes	(16,017,361)	401,323	(16,418,684)
Balance at June 30, 2017	\$26,190,104	\$2149,662	\$24,040,442

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

**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	\$22,872,918	\$26,190,104	\$30,351,514
Fiduciary net position	2,149,662	2,149,662	2,149,662
Net OPEB liability	\$20,723,256	\$24,040,442	\$28,201,852
Plan fiduciary position as a percentage of the total OPEB liability	8.2%		

**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 of 5.0%, 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	\$30,461,400	\$26,190,104	\$22,767,894
Fiduciary net position	2,149,662	2,149,662	2,149,662
Net OBEB liability	\$28,311,738	\$24,040,442	\$20,618,232

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

For the year ended June 30, 2017 the employer recognized OPEB expense of \$1,191,795. 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	\$ -	\$3,034,083
Changes in assumptions	-	9,473,329
Excess (deficit) investment returns	-	(126,450)
Total	\$ -	\$12,380,692

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

2018	\$ 4,209,903
2019	4,209,903
2020	3,992,768
2021	(31,612)
2022	-
Thereafter	-
Total	\$12,380,962

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

#### 9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2017:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
<b>Governmental Activities</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%	\$ 766,550	\$ -	\$76,786	\$ 689,764	\$78,760
Compensated absences	892,377	-	49,900	842,477	84,248
<b>Total Governmental Activities</b>	<b>\$1,658,927</b>	<b>\$ -</b>	<b>\$126,686</b>	<b>\$1,532,241</b>	<b>\$163,008</b>
<b>Business-type Activities</b>					
Obligations under contract with the County of Muskegon	\$915,390	\$ -	\$267,342	\$648,048	\$245,731
Compensated absences	36,634	-	1,581	35,053	3,505
<b>Total Business-type Activities</b>	<b>\$952,024</b>	<b>\$ -</b>	<b>\$268,923</b>	<b>\$683,101</b>	<b>\$249,236</b>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2017 are as follows:

Year Ending <b>June 30</b>	<b>Governmental activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 78,760	\$17,727	\$245,732	\$22,796
2019	80,784	15,703	253,205	15,424
2020	82,860	13,627	149,111	7,828
2021	84,990	11,497	-	-
2022	87,174	9,313	-	-
2023-2027	275,196	14,266	-	-
<b>Total</b>	<b>\$689,764</b>	<b>\$82,133</b>	<b>\$648,048</b>	<b>\$46,048</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.

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

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 was approximately 70% of the outstanding balance, or \$10,850,000. 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 of \$0 reported at June 30, 2017 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.

The change in the claims liability for the year ended June 30, 2017 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>
2016	\$ -	\$1,417,098	\$1,417,098	\$ -
2017	-	1,370,985	1,370,985	-

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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### 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.

In 1997, the City of Muskegon Heights made improvements and expanded the capacity of its water filtration plant. The project was funded with \$18,400,000 in revenue bonds. Under contractual agreements as wholesale users of the system, the City of Norton Shores and the Charter Township of Fruitport agreed to pay a portion of the debt service on these bonds pursuant to the Water Service Agreement between the three communities. The City no longer utilizes water processed through the City of Muskegon Heights water filtration plant and believes payments made to date have fulfilled their obligation to pay their portion of the related debt.

### 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, 2017 the City abated property tax revenues of approximately \$86,750.

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, 2017 the City abated property tax revenues of approximately \$27,950.

# CITY OF NORTON SHORES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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### 13. PRIOR PERIOD ADJUSTMENTS

Beginning net position of governmental activities and business-type activities were decreased by \$25,267,860 and \$3,876,156, respectively, to record the net post-employment benefits liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

Beginning net position of the water and sewer enterprise fund and the equipment revolving internal service fund were decreased by \$3,876,156 and \$1,572,892, respectively, to record the net post-employment benefits liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

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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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,585,404	\$ 4,619,074	\$ 4,600,843	\$ (18,231)
Intergovernmental revenues				
Federal	60,000	60,000	10,197	(49,803)
State	2,310,007	1,905,316	2,012,098	106,782
Licenses and permits	409,300	409,300	416,544	7,244
Charges for services	2,205,960	2,244,367	2,305,674	61,307
Fines	74,000	74,000	59,976	(14,024)
Investment earnings	115,000	265,000	3,747	(261,253)
Miscellaneous	60,000	60,000	49,686	(10,314)
<b>Total revenues</b>	<u>9,819,671</u>	<u>9,637,057</u>	<u>9,458,765</u>	<u>(178,292)</u>
<b>Expenditures</b>				
Current				
General government	2,369,561	2,185,893	2,122,431	63,462
Public safety	7,298,479	7,460,836	7,076,718	384,118
Highway and streets	553,639	529,916	523,815	6,101
Culture and recreation	932,439	937,451	919,117	18,334
<b>Total expenditures</b>	<u>11,154,118</u>	<u>11,114,096</u>	<u>10,642,081</u>	<u>472,015</u>
<b>Revenues over (under) expenditures</b>	(1,334,447)	(1,477,039)	(1,183,316)	293,723
Other financing sources (uses)				
Transfers in	1,084,447	1,071,044	1,070,579	(465)
Net changes in fund balance	(250,000)	(405,995)	(112,737)	293,258
<b>Fund balance, beginning of year</b>	<u>1,887,712</u>	<u>1,887,712</u>	<u>1,887,712</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,637,712</u>	<u>\$ 1,481,717</u>	<u>\$ 1,774,975</u>	<u>\$ 293,258</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, 2017

	<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	\$ 1,809,034	\$ 1,809,034	\$ 1,770,429	\$ (38,605)
Investment earnings	19,000	19,000	(746)	(19,746)
Miscellaneous	43,000	43,000	40,167	(2,833)
<b>Total revenues</b>	<u>1,871,034</u>	<u>1,871,034</u>	<u>1,809,850</u>	<u>(61,184)</u>
<b>Expenditures</b>				
Current				
Highway and streets	1,112,800	1,031,300	1,025,393	5,907
Administration	332,747	332,747	332,746	1
Capital outlay	881,880	711,214	443,147	268,067
<b>Total expenditures</b>	<u>2,327,427</u>	<u>2,075,261</u>	<u>1,801,286</u>	<u>273,975</u>
Revenues over (under) expenditures	(456,393)	(204,227)	8,564	212,791
Other financing source (uses)				
Transfers in	377,097	377,097	-	(377,097)
Net changes in fund balance	(79,296)	172,870	8,564	(164,306)
<b>Fund balance, beginning of year</b>	<u>387,053</u>	<u>387,053</u>	<u>387,053</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 307,757</u>	<u>\$ 559,923</u>	<u>\$ 395,617</u>	<u>\$ (164,306)</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, 2017**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total pension liability</b>			
Service cost	\$ 661,697	686,657	725,772
Interest	3,133,296	3,134,512	3,419,748
Changes in benefit terms	-	(1,214)	(2,210)
Difference between expected and actual experience	-	158,618	181,742
Changes in assumptions	-	2,129,130	-
Benefit payments including employee refunds	(2,575,661)	(2,635,186)	(2,673,428)
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>
<b>Total pension liability, beginning of year</b>	<u>38,936,329</u>	<u>40,155,661</u>	<u>43,720,679</u>
<b>Total pension liability, end of year</b>	<u>\$ 40,155,661</u>	<u>\$ 43,720,679</u>	<u>\$ 45,372,303</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 2,082,734	\$ 1,775,335	\$ 2,868,773
Contributions-employee	99,216	116,683	194,613
Net investment income	1,190,601	(288,838)	2,149,456
Benefit payments including employee refunds	(2,575,661)	(2,635,186)	(2,673,428)
Administrative expense	(43,648)	(42,701)	(42,383)
<b>Net change in plan fiduciary net position</b>	<u>753,242</u>	<u>(1,074,707)</u>	<u>2,497,031</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>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 19,821,212</u>	<u>\$ 18,746,505</u>	<u>\$ 21,243,536</u>
 <b>Employer net pension liability</b>	 <u>\$ 20,334,449</u>	 <u>\$ 24,974,174</u>	 <u>\$ 24,128,767</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 49%	 43%	 47%
 <b>Covered employee payroll</b>	 \$ 5,685,103	 \$ 5,943,127	 \$ 6,267,719
 <b>Employer's net pension liability as a percentage of covered employee payroll</b>	 358%	 420%	 385%

# CITY OF NORTON SHORES

## **DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2017**

	2015	2016	2017
Actuarial determined contributions	\$ 1,629,528	\$ 1,793,736	\$ 1,793,736
Contributions in relation to the actuarially determined contribution	2,129,528	2,293,736	2,293,736
Contribution excess (deficiency)	\$ 500,000	\$ 500,000	\$ 500,000
 Covered employee payroll	 \$ 5,685,103	 \$ 5,943,127	 \$ 6,267,719
 Contributions as a percentage of covered employee payroll	 37%	 39%	 37%

**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, 2017

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	<u>2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 231,437
Interest	1,688,299
Changes in benefit terms	(3,387,784)
Difference between expected and actual experience	(4,221,063)
Changes in assumptions	(5,691,578)
Benefit payments including employee refunds	(1,030,108)
Other	<u>(3,606,564)</u>
<b>Net change in total OPEB liability</b>	(16,017,361)
<b>Total OPEB liability, beginning of year</b>	<u>42,207,465</u>
<b>Total OPEB liability, end of year</b>	<u>\$ 26,190,104</u>
<b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ 173,328
Contributions-employee	-
Net investment income	227,995
Benefit payments including employee refunds	-
Administrative expense	-
Other	<u>-</u>
<b>Net change in plan fiduciary net position</b>	<u>401,323</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,748,339</u>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 2,149,662</u>
<b>Employer net OPEB liability</b>	<u>\$ 24,040,442</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	8.2%
<b>Covered employee payroll</b>	\$ 5,433,300
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	442.5%

**CITY OF NORTON SHORES**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2017</b>
Actuarial determined contributions	\$ -
Contributions in relation to the actuarially determined contribution	173,328
Contribution excess (deficiency)	\$ 173,328
 Covered employee payroll	 \$ 5,433,300
 Contributions as a percentage of covered employee payroll	 3.2%

**Notes to schedule**

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	2.50%
Salary increases	4.00%
Investment rate of return	4.00%
20-year Aa Municipal bond yield	3.10%
Healthcare cost trend rates	8.5% for 2018 graded down to rate of 5.5%
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 health annuitant mortality tables with a 50% male / 50% female blend.

**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, 2017**

	<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>Assets</b>					
Cash and pooled investments	\$ 157,655	\$ 177,870	\$ 314,137	\$ 425,754	\$ -
Accounts receivable	-	-	-	4,224	-
Special assessments receivable	-	-	-	-	-
Prepaid items	-	-	-	2,625	-
Due from other governments	114,550	-	-	-	23,513
Inventory	-	-	-	-	-
<b>Total assets</b>	<b>\$ 272,205</b>	<b>\$ 177,870</b>	<b>\$ 314,137</b>	<b>\$ 432,603</b>	<b>\$ 23,513</b>
<b>Liabilities, deferred inflows, and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,408	\$ -	\$ 7,259	\$ 44,117	\$ 11,000
Accrued liabilities	716	-	1,315	1,701	-
Due to other funds	-	-	-	-	2,860
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>2,124</b>	<b>-</b>	<b>8,574</b>	<b>45,818</b>	<b>13,860</b>
<b>Deferred inflows</b>					
Unavailable revenues	-	-	-	-	-
<b>Fund balances</b>					
<b>Nonspendable</b>					
Permanent fund corpus	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	2,625	-
<b>Restricted</b>					
Streets	270,081	177,870	-	-	-
Solid waste	-	-	305,563	-	-
Building	-	-	-	384,160	-
Community development	-	-	-	-	9,653
Capital improvements	-	-	-	-	-
<b>Assigned</b>					
Capital Projects	-	-	-	-	-
<b>Total fund balances</b>	<b>270,081</b>	<b>177,870</b>	<b>305,563</b>	<b>386,785</b>	<b>9,653</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 272,205</b>	<b>\$ 177,870</b>	<b>\$ 314,137</b>	<b>\$ 432,603</b>	<b>\$ 23,513</b>

	<b>Capital Projects</b>				<b>Permanent</b>	<b>Total</b>
	<b>Public Safety</b>	<b>Local Improvement</b>	<b>Capital Improvement</b>	<b>Industrial Improvement</b>	<b>Cemetery Care</b>	
\$	-	\$ 1,342,067	\$ 1,483,988	\$ 496,327	\$ 673,228	\$ 5,071,026
	-	-	30,000	-	-	34,224
	-	44,731	-	-	-	44,731
	-	15,465	-	-	-	18,090
	-	-	-	-	-	138,063
	-	-	15,069	-	-	15,069
<b>\$</b>	<b>-</b>	<b>\$ 1,402,263</b>	<b>\$ 1,529,057</b>	<b>\$ 496,327</b>	<b>\$ 673,228</b>	<b>\$ 5,321,203</b>
\$	-	\$ 8,160	\$ 77,017	\$ -	\$ -	\$ 148,961
	-	-	-	-	-	3,732
	-	-	-	-	-	2,860
	-	-	2,676	-	-	2,676
	-	8,160	79,693	-	-	158,229
	-	44,731	-	-	-	44,731
	-	-	-	-	673,228	673,228
	-	-	15,069	-	-	15,069
	-	15,465	-	-	-	18,090
	-	-	-	-	-	447,951
	-	-	-	-	-	305,563
	-	-	-	-	-	384,160
	-	-	-	-	-	9,653
	-	-	1,434,295	-	-	1,434,295
	-	1,333,907	-	496,327	-	1,830,234
	-	1,349,372	1,449,364	496,327	673,228	5,118,243
<b>\$</b>	<b>-</b>	<b>\$ 1,402,263</b>	<b>\$ 1,529,057</b>	<b>\$ 496,327</b>	<b>\$ 673,228</b>	<b>\$ 5,321,203</b>

**CITY OF NORTON SHORES**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue				
	<u>Local Streets</u>	<u>Municipal Road</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Community Development Program</u>
<b>Revenues</b>					
Taxes	\$ -	\$ 1,189,533	\$ 876,119	\$ -	\$ -
Intergovernmental revenues					
Federal	-	-	-	-	58,025
State	592,174	-	-	-	-
Licenses and permits	-	-	-	625,698	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	(395)	(913)	(363)	(379)	-
Miscellaneous	166	6,770	1,828	7,124	10,188
<b>Total revenues</b>	<u>591,945</u>	<u>1,195,390</u>	<u>877,584</u>	<u>632,443</u>	<u>68,213</u>
<b>Expenditures</b>					
Current					
Public safety	-	-	-	569,778	-
Highway and streets	339,089	-	-	-	-
Sanitation	-	-	727,286	-	-
Administration	109,194	-	-	-	-
Community development	-	-	-	-	68,428
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	1,498,816	-	-	-
<b>Total expenditures</b>	<u>448,283</u>	<u>1,498,816</u>	<u>727,286</u>	<u>569,778</u>	<u>68,428</u>
Revenues over (under) expenditures	<u>143,662</u>	<u>(303,426)</u>	<u>150,298</u>	<u>62,665</u>	<u>(215)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balances	143,662	(303,426)	150,298	62,665	(215)
<b>Fund balances, beginning of year</b>	<u>126,419</u>	<u>481,296</u>	<u>155,265</u>	<u>324,120</u>	<u>9,868</u>
<b>Fund balances, end of year</b>	<u>\$ 270,081</u>	<u>\$ 177,870</u>	<u>\$ 305,563</u>	<u>\$ 386,785</u>	<u>\$ 9,653</u>

	<b>Capital Projects</b>			<b>Permanent</b>		
<b>Public Safety</b>	<b>Local Improvement</b>	<b>Capital Improvement</b>	<b>Industrial Improvement</b>	<b>Cemetery Care</b>	<b>Total</b>	
\$ 1,070,579	\$ -	\$ 1,595,071	\$ -	\$ -	\$ 4,731,302	
-	-	8,423	-	-	66,448	
-	-	-	-	-	592,174	
-	-	-	-	-	625,698	
-	-	-	-	25,125	25,125	
-	503	-	-	-	503	
-	6,482	1,095	-	-	5,527	
-	-	24,750	-	-	50,826	
<u>1,070,579</u>	<u>6,985</u>	<u>1,629,339</u>	<u>-</u>	<u>25,125</u>	<u>6,097,603</u>	
-	-	-	-	-	569,778	
-	-	-	-	-	339,089	
-	-	-	-	-	727,286	
-	-	224,801	-	-	333,995	
-	-	-	-	-	68,428	
-	-	76,786	-	-	76,786	
-	-	19,700	-	-	19,700	
-	11,271	1,168,792	-	-	2,678,879	
-	11,271	1,490,079	-	-	4,813,941	
<u>1,070,579</u>	<u>(4,286)</u>	<u>139,260</u>	<u>-</u>	<u>25,125</u>	<u>1,283,662</u>	
-	-	85,845	-	-	85,845	
(1,070,579)	-	-	-	(85,845)	(1,156,424)	
(1,070,579)	-	85,845	-	(85,845)	(1,070,579)	
-	(4,286)	225,105	-	(60,720)	213,083	
-	1,353,658	1,224,259	496,327	733,948	4,905,160	
<u>\$ -</u>	<u>\$ 1,349,372</u>	<u>\$ 1,449,364</u>	<u>\$ 496,327</u>	<u>\$ 673,228</u>	<u>\$ 5,118,243</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, 2017**

	<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	\$ 563,244	\$ 563,244	\$ 592,174	\$ 28,930
Investment earnings	1,000	1,000	(395)	(1,395)
Miscellaneous	-	-	166	166
<b>Total revenues</b>	<u>564,244</u>	<u>564,244</u>	<u>591,945</u>	<u>27,701</u>
<b>Expenditures</b>				
Current				
Highway and streets	421,660	334,345	339,089	(4,744)
Administration	109,459	109,459	109,194	265
<b>Total expenditures</b>	<u>531,119</u>	<u>443,804</u>	<u>448,283</u>	<u>(4,479)</u>
Net changes in fund balance	33,125	120,440	143,662	23,222
<b>Fund balance, beginning of year</b>	<u>126,419</u>	<u>126,419</u>	<u>126,419</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 159,544</u>	<u>\$ 246,859</u>	<u>\$ 270,081</u>	<u>\$ 23,222</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,256,331	\$ 1,188,701	\$ 1,189,533	\$ 832
Investment earnings	25,000	25,000	(913)	(25,913)
Miscellaneous	-	-	6,770	6,770
<b>Total revenues</b>	<b>1,281,331</b>	<b>1,213,701</b>	<b>1,195,390</b>	<b>(18,311)</b>
<b>Expenditures</b>				
Capital outlay	1,627,710	1,433,975	1,498,816	(64,841)
Net changes in fund balance	(346,379)	(220,274)	(303,426)	(83,152)
<b>Fund balance, beginning of year</b>	<b>481,296</b>	<b>481,296</b>	<b>481,296</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 134,917</b>	<b>\$ 261,022</b>	<b>\$ 177,870</b>	<b>\$ (83,152)</b>

**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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 881,256	\$ 876,714	\$ 876,119	\$ (595)
Investment earnings	35,000	35,000	(363)	(35,363)
Miscellaneous	3,500	3,500	1,828	(1,672)
<b>Total revenues</b>	919,756	915,214	877,584	(37,630)
<b>Expenditures</b>				
Current				
Sanitation	765,757	738,358	727,286	11,072
Net changes in fund balance	153,999	176,856	150,298	(26,558)
<b>Fund balance (deficit), beginning of year</b>	155,265	155,265	155,265	-
<b>Fund balance, end of year</b>	<u>\$ 309,264</u>	<u>\$ 332,121</u>	<u>\$ 305,563</u>	<u>\$ (26,558)</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, 2017**

	<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	\$ 579,000	\$ 616,560	\$ 625,698	\$ 9,138
Investment earnings	5,000	5,000	(379)	(5,379)
Miscellaneous	2,000	2,000	7,124	5,124
<b>Total revenues</b>	586,000	623,560	632,443	8,883
<b>Expenditures</b>				
Current				
Public safety	572,068	512,911	569,778	(56,867)
Net changes in fund balance	13,932	110,649	62,665	(47,984)
<b>Fund balance, beginning of year</b>	324,120	324,120	324,120	-
<b>Fund balance, end of year</b>	<u>\$ 338,052</u>	<u>\$ 434,769</u>	<u>\$ 386,785</u>	<u>\$ (47,984)</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, 2017**

	<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	\$ 114,423	\$ 114,423	\$ 58,025	\$ (56,398)
Miscellaneous	-	-	10,188	10,188
<b>Total revenues</b>	114,423	114,423	68,213	(46,210)
<b>Expenditures</b>				
Current				
Community development	114,423	124,291	68,428	55,863
Net changes in fund balance	-	(9,868)	(215)	9,653
<b>Fund balance, beginning of year</b>	9,868	9,868	9,868	-
<b>Fund balance, end of year</b>	\$ 9,868	\$ -	\$ 9,653	\$ 9,653

**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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,084,479	\$ 1,069,831	\$ 1,070,579	\$ 748
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Revenues over (under) expenditures	1,084,479	1,069,831	1,070,579	748
Other financing source (uses)				
Transfers out	<u>(1,084,479)</u>	<u>(1,069,831)</u>	<u>(1,070,579)</u>	<u>(748)</u>
Net changes in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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, 2017**

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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>72,043</u>	\$ <u>72,044</u>
<b>Liabilities</b>			
Accounts payable	\$ 1	\$ -	\$ 1
Due to other governmental units	<u>-</u>	<u>72,043</u>	<u>72,043</u>
<b>Total liabilities</b>	\$ <u>1</u>	\$ <u>72,043</u>	\$ <u>72,044</u>

**CITY OF NORTON SHORES**

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

**JUNE 30, 2017**

	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and pooled investments	\$ 4,830,419	\$ -	\$ 4,830,419
Prepaid items	20	-	20
Capital assets			
Land	-	456,627	456,627
Depreciable capital assets, net	-	741,160	741,160
<b>Total assets</b>	<b><u>\$ 4,830,439</u></b>	<b>1,197,787</b>	<b><u>6,028,226</u></b>
 <b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ 23,021</u>	-	<u>23,021</u>
<b>Total liabilities</b>	<u>23,021</u>		<u>23,021</u>
 <b>Fund balance</b>			
Nonspendable			
Prepaid items	20	(20)	-
Unassigned	<u>4,807,398</u>	<u>(4,807,398)</u>	<u>-</u>
	<u>4,807,418</u>	<u>(4,807,418)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,830,439</u></b>		
 <b>Net position</b>			
Net investment in capital assets			1,197,787
Unrestricted			<u>4,807,418</u>
<b>Total net position</b>			<b><u>\$ 6,005,205</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, 2017

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	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
<b>Revenues</b>			
Taxes	\$ 1,395,547	\$ -	\$ 1,395,547
<b>Expenditures/expenses</b>			
Current			
General government	<u>538,983</u>	<u>22,492</u>	<u>561,475</u>
Net changes in fund balance	856,564	(856,564)	
Change in net position		(834,072)	834,072
<b>Fund balance/net position, beginning of year</b>	<u>3,950,854</u>		<u>5,171,133</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 4,807,418</u>		<u>\$ 6,005,205</u>

**CITY OF NORTON SHORES**

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

**JUNE 30, 2017**

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	<b>Governmental</b>		<b>Statement</b>
	<b><u>Fund Type</u></b>		<b><u>of</u></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	\$ 234,216	\$ -	\$ 234,216
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Fund balance</b>			
Unassigned	234,216	(234,216)	-
<b>Total liabilities and fund balances</b>	\$ 234,216		
<b>Net position</b>			
Unrestricted			\$ 234,216

**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, 2017**

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	<b>Governmental <u>Fund Type</u> General <u>Fund</u></b>	<b><u>Adjustments</u></b>	<b>Statement of <u>Activities</u></b>
<b>Revenues</b>			
Taxes	\$ 119,285	\$ -	\$ 119,285
<b>Expenditures/expenses</b>			
Current			
General government	<u>121,277</u>	-	<u>121,277</u>
Net changes in fund balance	(1,992)	1,992	
Change in net position		1,992	(1,992)
<b>Fund balance/net position, beginning of year</b>	<u>236,208</u>		<u>236,208</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 234,216</u>		<u>\$ 234,216</u>

## **INTERNAL CONTROL AND COMPLIANCE**



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### **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 21, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Michigan, (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Orlando Haefner LLC*