



**Financial Report**  
**with Supplemental Information**

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**June 30, 2019**

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<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-47
<b>Required Supplemental Information</b>	48
Budgetary Comparison Schedule - General Fund	49-50
Schedule of Changes in the Net Pension Liability and Related Ratios	51
Schedule of Pension Contributions	52
Schedule of Changes in the Total OPEB Liability and Related Ratios	53
Schedule of OPEB Contributions	54
Notes to Required Supplemental Information	55
<b>Other Supplemental Information</b>	56
General Fund:	
Combining Balance Sheet	57
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	58
Nonmajor Governmental Funds:	
Combining Balance Sheet	59-60
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	61-62
Internal Service Funds:	
Combining Statement of Net Position	63
Combining Statement of Revenue, Expenses, and Changes in Net Position	64
Combining Statement of Cash Flows	65

## **Independent Auditor's Report**

To the Mayor and Members of the City Council  
City of Northville, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Northville, Michigan's basic financial statements, as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville, Michigan as of June 30, 2019 and the respective changes in its 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.

To the Mayor and Members of the City Council  
City of Northville, Michigan

### ***Other Matters***

#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 an opinion on the financial statements that collectively comprise the City of Northville, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

*Plante & Moran, PLLC*

October 24, 2019

The following discussion and analysis of the financial performance of the City of Northville, Michigan (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2019.

### **Financial Highlights**

Due to financial reporting changes required by Governmental Accounting Standards Board (GASB) Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund; the Interfund Investment Pool Fund; and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs. The Interfund Investment Pool Fund accounts for investment activity.

- The General Fund increase of \$152,908 was due to several factors. Revenue was higher than expected by \$82,000, primarily due to a distribution received from the City's insurance carrier and additional investment income received at the end of the year. The remainder was primarily due to close monitoring of the expenditures among all activities.
- The Street, Drainage, and Sidewalk Improvement Fund increase of \$644,971 was due to street improvement projects that were deferred to the following fiscal year.

Property tax revenue increased 4.7 percent from the prior year, and it continues to be the City's single largest source of revenue at approximately 52 percent of total governmental revenue. The City's millage generated approximately \$5.27 million to support General Fund operations and approximately \$630,000 for street, drainage, and sidewalk improvements.

State-shared revenue, the City's second largest source of revenue in the General Fund, increased 5.4 percent from the prior year. This revenue source includes liquor license fees; constitutional revenue sharing; City, Village, and Township Revenue Sharing (CVTRS) payments; and Act 51 gas and weight tax revenue. The constitutional revenue sharing increased 5 percent, or \$22,500. The State of Michigan, under Act 51, distributes revenue received from gasoline taxes to municipalities for maintenance of major and local streets. This revenue source increased \$35,000, or 7 percent, over the prior year due to increased funding approved by the state Legislature.

Rental income is another significant source of governmental revenue. This includes cell tower rent recorded in the General Fund and tenant rents at Allen Terrace, a senior housing facility. The Housing Commission approved a 1.4 percent increase in rent at the beginning of the fiscal year. The City has leases with five cellular providers that allow placement of their equipment at the public works yard and on the water tower.

As of December 31, 2018, the net pension liability was \$8 million, and the plan was 61 percent funded. At that date, there were a total of 79 participants in the plan, 5 of which were active. The Parks and Recreation Commission has its own separate divisions within this plan, and its net pension liability is \$25,257.

As of December 31, 2018, the net other postemployment benefits (OPEB) liability was \$2.2 million, and the plan was 81 percent funded. At that date, there were 16 actives and 76 retirees or beneficiaries in the plan. The Parks and Recreation Commission has its own separate trust and plan.

Funds have been set aside in the amount of approximately \$460,000 to fund the accumulated compensated absences liability. This represents accumulated vacation, sick, and compensation time earned by employees.

Long-term debt for the primary government is \$4.68 million. There are three general obligation debt issues outstanding. The Allen Terrace renovation bonds mature in fiscal year 2023, the streetscape improvement bonds mature in fiscal year 2025, and the street improvement bonds mature in fiscal year 2029. There is one outstanding installment purchase agreement, which is a 10-year obligation jointly shared with the City of Plymouth, Michigan.

The City's business-type activities have no outstanding debt as of the end of the fiscal year. This is consistent with the City's long-term goal to reduce debt. Where appropriate, a well-planned "pay as you go" system has been established and utilized.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as trustee or agent for the benefit of those outside of the City.

**The City's Net Position**

The following tables show, in a condensed format, the current year's net position compared to the two prior years:

	Governmental Activities				Percent Change
	2017	2018	2019	Change	
<b>Assets</b>					
Current and other assets	\$ 14,618,864	\$ 15,585,583	\$ 19,691,605	\$ 4,106,022	26.3
Capital assets	25,701,072	24,200,783	23,333,307	(867,476)	(3.6)
Total assets	40,319,936	39,786,366	43,024,912	3,238,546	8.1
<b>Deferred Outflows of Resources -</b>					
Related to pensions and OPEB	1,223,691	806,613	2,204,837	1,398,224	173.3
<b>Liabilities</b>					
Current liabilities	1,395,401	1,035,252	1,032,036	(3,216)	(0.3)
Noncurrent liabilities:					
Due within one year	432,794	361,236	633,024	271,788	75.2
Due in more than one year	10,652,961	11,628,508	13,652,332	2,023,824	17.4
Total liabilities	12,481,156	13,024,996	15,317,392	2,292,396	17.6
<b>Deferred Inflows of Resources -</b>					
Related to pensions and OPEB	251,810	583,830	1,169,376	585,546	100.3
<b>Net Position</b>					
Net investment in capital assets	23,534,072	22,295,783	21,701,307	(594,476)	(2.7)
Restricted	1,588,209	2,164,803	2,982,872	818,069	37.8
Unrestricted	3,688,380	2,523,567	4,058,802	1,535,235	60.8
Total net position	<u>\$ 28,810,661</u>	<u>\$ 26,984,153</u>	<u>\$ 28,742,981</u>	<u>\$ 1,758,828</u>	6.5

Management's Discussion and Analysis (Continued)

	Business-type Activities				
	2017	2018	2019	Change	Percent Change
<b>Assets</b>					
Current and other assets	\$ 1,733,844	\$ 2,633,646	\$ 2,993,796	\$ 360,150	13.7
Capital assets	5,537,530	5,275,319	5,116,946	(158,373)	(3.0)
Total assets	7,271,374	7,908,965	8,110,742	201,777	2.6
<b>Deferred Outflows of Resources -</b>					
Related to pensions and OPEB	120,642	100,073	280,971	180,898	180.8
<b>Liabilities</b>					
Current liabilities	264,471	262,093	308,409	46,316	17.7
Noncurrent liabilities:					
Due within one year	8,578	9,127	1,090	(8,037)	(88.1)
Due in more than one year	1,081,912	1,204,043	1,141,188	(62,855)	(5.2)
Total liabilities	1,354,961	1,475,263	1,450,687	(24,576)	(1.7)
<b>Deferred Inflows of Resources</b>	24,759	80,089	199,151	119,062	148.7
<b>Net Position</b>					
Net investment in capital assets	5,537,530	5,275,319	5,116,946	(158,373)	(3.0)
Unrestricted	474,766	1,178,367	1,624,929	446,562	37.9
Total net position	<u>\$ 6,012,296</u>	<u>\$ 6,453,686</u>	<u>\$ 6,741,875</u>	<u>\$ 288,189</u>	4.5

**Governmental Activities**

Overall, the City's net position of governmental activities increased by 6.5 percent from a year ago. The increase in current and other assets is mainly due to the accumulation of cash reserves for future capital projects. The decrease in capital assets was primarily due to depreciation expense.

The changes in deferred inflows and outflows is directly related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes are related to the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the difference between projected and actual experience, and changes in assumptions.

The increase in noncurrent liabilities due within one year is related to the retirement of one long-term employee. The increase in noncurrent liabilities related to the new debt issuance during the fiscal year for street improvements.

**Business-type Activities**

The City's business-type activities consist of the Water and Sewer and Refuse and Recycling funds. The City maintains transmission lines that allow customers to receive water from the Great Lakes Water Authority and deliver it to its residents. In addition, a water tower is operated and maintained to supplement water pressure during periods of peak water demand. Sewage treatment is provided through Wayne County's Rouge Valley Sewage Disposal System. Refuse collection and recycling services are provided by an outside commercial entity.

An increase in total net position of 4.5 percent was expected for the following reasons:

The increase in current assets was expected. Funds have been accumulated for a future meter replacement program and water system capital improvements to be completed in coordination with the street improvements.

The decrease in capital assets and net investment in capital assets was due to the current year depreciation expense.

## City of Northville, Michigan

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

The changes in deferred inflows and outflows are directly related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes are related to the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the difference between projected and actual experience, and changes in assumptions.

The change in current liabilities fluctuates annually due to timing of accounts payable at year end. The decrease in noncurrent liabilities was due to changes in the pension and other postemployment benefits.

#### The City's Changes in Net Position

The following tables show the changes in net position during the current year as compared to the two prior years:

	Governmental Activities				
	2017	2018	2019	Change	Percent Change
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 2,266,434	\$ 2,244,466	\$ 2,273,496	\$ 29,030	1.3
Operating grants and contributions	374,147	500,208	475,989	(24,219)	(4.8)
Capital grants and contributions	50,423	126,823	264,801	137,978	108.8
General revenue:					
Property taxes	5,433,778	5,631,764	5,896,286	264,522	4.7
State-shared revenue and grants	996,050	1,100,337	1,159,247	58,910	5.4
Investment income	5,622	54,869	458,756	403,887	736.1
Other revenue:					
Racetrack breakage	119,089	175,416	231,050	55,634	31.7
Proceeds from sale of capital assets	-	-	11,500	11,500	-
Franchise fees	191,892	202,292	355,961	153,669	76.0
Total revenue	9,437,435	10,036,175	11,127,086	1,090,911	10.9
<b>Expenses</b>					
General government	1,816,548	1,729,322	1,820,400	91,078	5.3
Public safety	3,403,454	3,749,788	3,439,234	(310,554)	(8.3)
Public works	2,668,713	2,687,253	2,560,697	(126,556)	(4.7)
Senior housing	861,982	851,747	1,047,684	195,937	23.0
Recreation and culture	318,019	361,973	360,251	(1,722)	(0.5)
Interest on long-term debt	62,466	56,537	139,992	83,455	147.6
Total expenses	9,131,182	9,436,620	9,368,258	(68,362)	(0.7)
<b>Transfers</b>	(127,219)	(175,045)	-	175,045	(100.0)
<b>Change in Net Position</b>	179,034	424,510	1,758,828	1,334,318	314.3
<b>Net Position - Beginning of year</b>	28,631,627	28,810,661	26,984,153	(1,826,508)	(6.3)
<b>Net Position - End of year</b>	<u>\$ 28,810,661</u>	<u>\$ 29,235,171</u>	<u>\$ 28,742,981</u>	<u>\$ (492,190)</u>	(1.7)



## City of Northville, Michigan

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

	Business-type Activities				
	2017	2018	2019	Change	Percent Change
<b>Revenue</b>					
Program revenue - Charges for service	\$ 3,544,891	\$ 3,750,051	\$ 3,641,897	\$ (108,154)	(2.9)
General revenue - Investment income	(10,362)	(2,281)	55,842	58,123	(2,548.1)
Total revenue	3,534,529	3,747,770	3,697,739	(50,031)	(1.3)
<b>Operating Expenses</b>	3,290,298	3,287,999	3,409,550	121,551	3.7
<b>Transfers</b>	127,219	178,845	-	(178,845)	(100.0)
<b>Change in Net Position</b>	371,450	638,616	288,189	(350,427)	(54.9)
<b>Net Position</b> - Beginning of year	5,640,846	6,012,296	6,453,686	441,390	7.3
<b>Net Position</b> - End of year	<u>\$ 6,012,296</u>	<u>\$ 6,650,912</u>	<u>\$ 6,741,875</u>	<u>\$ 90,963</u>	1.4

#### Governmental Activities

Overall, net position decreased \$492,190, or 1.7 percent. Governmental revenue increased 10.9 percent from the prior year. That was due to a combination of factors described below.

The increase in capital grants and contributions was due to a grant received from Wayne County Parks for Fish Hatchery Park pond repairs and a grant from Firehouse Subs Public Safety Foundation for the purchase of nine automated external defibrillators (AEDs).

Investment income fluctuates year to year and is dependent upon the changes in the market value of investments.

The increase in racetrack breakage was a result of the Hazel Park racetrack closing.

#### Business-type Activities

Charges for services decreased 2.9 percent over the prior year. Charges for services include water and sewer revenue based upon consumption and the refuse and recycling revenue based upon a bimonthly rate. The rate to the customers increased, but the consumption for water decreased 12 percent, and the outdoor irrigation consumption decreased 23 percent.

The decrease in transfers was directly related to the amount of cell tower revenue transferred from the General Fund to improve the cash position of the Water and Sewer Fund in prior years.

#### The City's Funds

The presentation of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as dedicated property tax millages. The City's major governmental funds for 2019, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Public Improvement Fund
- Street Bond Construction Fund

#### **General Fund Budgetary Highlights**

The General Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of the city government. The budget is essentially a “maintenance” budget, which means it increases modestly from year to year. The budget is monitored closely and amended quarterly.

Due to financial reporting changes required by GASB Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund; Interfund Investment Pool Fund; and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs. The Interfund Investment Pool Fund accounts for investment activity.

The General Fund pays for most of the City’s governmental services. The most significant category is the police department, which represents 43 percent of total General Fund expenditures, which is consistent with the prior year.

Shared services contributions account for 3.2 percent of total expenditures. Contributions from both the City of Northville, Michigan and Northville Township provide funding for parks and recreation activities, senior adult services, and the youth assistance program.

Operating transfers out from the Street, Drainage, and Sidewalk Fund to the Major Streets and Local Streets funds are dedicated for street, drainage, and sidewalk improvements. Transfers from the General Fund are committed for future capital needs or to support operations of other funds.

Property values continue to be stable in the City. Property taxes represent 69 percent of General Fund revenue. The General Fund contributed \$235,000 to advance fund the retiree pension fund.

#### **Other Major Funds Highlights**

The Public Improvement Fund accounts for racetrack breakage revenue and special public improvement projects. Annually, the Northville city council commits breakage funds received in excess of police and fire service costs at Northville Downs racetrack. The allocation of those funds is generally for physical improvements or programs that are of a general public nature.

The Street Bond Construction Fund is a new fund this fiscal year and accounts for use of bond proceeds issued in December 2018. The funds are to be used exclusively for street improvements.

#### **Capital Assets and Debt Administration**

At the end of fiscal year 2019, the City had approximately \$28.5 million invested in a broad range of capital assets, including land and buildings, police and fire equipment, infrastructure, and water and sewer lines.

The City continues to collect a dedicated millage approved by the voters in March 1997 for comprehensive improvements to streets, drains, and sidewalks. The focus of the related capital project spending continues to be in conjunction with a 20-year improvement plan, which is reviewed on an ongoing basis.

The City also utilizes a Fire Equipment Replacement Fund and a Police Equipment Replacement Fund. These funds allow for the purchase of equipment following a 20-year replacement program to keep equipment up to date and meet current standards. A pay-as-you-go system is utilized.

The total debt outstanding at the end of the year related to governmental activities was \$4.7 million. This represents less than 1 percent of the City’s state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

#### **Economic Factors and Next Year's Budgets and Rates**

The net taxable value of the City increased 4.9 percent for the next fiscal year. The City's operating millage was 13.5188 in fiscal year 2019. However, it was reduced to 13.3538 in fiscal year 2020 due to the City reaching its Headlee maximum. This will provide for an additional \$181,000 in general operating tax revenue. For fiscal year 2019, the City's millage for streets, drainage, and sidewalk improvements has decreased from 1.6841 to 1.6635 mills due to a Headlee rollback.

The City no longer has any unlevied millage available. Asking the voters for a Headlee override in the short term will be required in order to maintain financial stability. Constitutional revenue sharing is budgeted to increase 3.2 percent. The City provides fire prevention, fire suppression, and emergency medical services to the City of Plymouth, Michigan. The City of Plymouth, Michigan will reimburse 59 percent of the costs to the City of Northville, up from 58 percent in the prior year.

The water and sewer rate structure is set up to cover the Great Lakes Water Authority water costs, Wayne County sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the combined water and sewer rate from \$15.52 to \$16.81 per unit, or 8.3 percent, effective July 1, 2019. The service charge, which covers the cost of the meter reading and billing process, will increase from \$3.37 to \$3.67 bimonthly. The meter replacement charge increased from \$5.57 to \$6.67 bimonthly to continue a multiyear program to replace all aging meters within the City. The City has no debt in the Water and Sewer Fund.

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 2 percent, from \$715 to \$730, for one-bedroom apartments. The cost of rent includes all utilities.

All departments will continue to evaluate how to maintain a high level of service to the citizens, while containing costs. Containing rising healthcare and pension costs will continue to be a high priority of administration. Additional contributions in an attempt to reduce the unfunded pension and other postemployment liabilities will be made when funding is available.

#### **Contacting the City's Management**

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City's finance office at 215 West Main Street, Northville, MI 48167 or via the City's website at [www.ci.northville.mi.us](http://www.ci.northville.mi.us).

## Statement of Net Position

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 14,470,171	\$ 2,377,361	\$ 16,847,532	\$ 475,420
Receivables:				
Property taxes receivable	2,013	-	2,013	-
Special assessments	47,463	-	47,463	-
Customer receivables	-	884,119	884,119	-
Accrued interest	64,400	-	64,400	-
Other	106,810	5,761	112,571	2,182
Due from other governmental units	310,285	8,844	319,129	1,875
Internal balances	335,723	(335,723)	-	-
Inventory	74,125	45,121	119,246	-
Prepaid expenses and other assets	177,101	8,313	185,414	9,062
Restricted assets (Note 8)	3,208,301	-	3,208,301	-
Investment in joint ventures (Note 11)	670,213	-	670,213	-
Land held for resale	225,000	-	225,000	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,737,717	79,078	3,816,795	-
Assets subject to depreciation - Net	19,595,590	5,037,868	24,633,458	-
Total assets	43,024,912	8,110,742	51,135,654	488,539
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension (Note 9)	1,569,869	172,832	1,742,701	-
Deferred outflows related to OPEB (Note 10)	634,968	108,139	743,107	-
Total deferred outflows of resources	2,204,837	280,971	2,485,808	-
<b>Liabilities</b>				
Accounts payable	276,286	285,207	561,493	12,051
Due to other governmental units	37,641	15,767	53,408	-
Refundable deposits, bonds, etc.	156,039	515	156,554	-
Accrued liabilities and other	529,731	6,920	536,651	30,015
Unearned revenue	32,339	-	32,339	-
Noncurrent liabilities:				
Due within one year (Note 7)	633,024	1,090	634,114	-
Due in more than one year:				
Compensated absences - Net of current portion (Note 7)	350,677	20,708	371,385	-
Net pension liability (Note 9)	7,239,080	796,972	8,036,052	-
Net retiree healthcare obligation (Note 10)	1,899,575	323,508	2,223,083	-
Long-term debt (Note 7)	4,163,000	-	4,163,000	-
Total liabilities	15,317,392	1,450,687	16,768,079	42,066
<b>Deferred Inflows of Resources - OPEB (Note 10)</b>	1,169,376	199,151	1,368,527	-
<b>Net Position</b>				
Net investment in capital assets	21,701,307	5,116,946	26,818,253	-
Restricted:				
Roads, streets, drainage, and sidewalk improvements	2,756,667	-	2,756,667	-
Insurance retention	196,354	-	196,354	-
Police forfeitures	29,851	-	29,851	-
Unrestricted	4,058,802	1,624,929	5,683,731	446,473
Total net position	<u>\$ 28,742,981</u>	<u>\$ 6,741,875</u>	<u>\$ 35,484,856</u>	<u>\$ 446,473</u>

## City of Northville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,820,400	\$ 605,683	\$ 51,972	\$ -
Public safety	3,439,234	662,429	19,220	119,579
Public works	2,560,697	21,594	354,352	-
Senior housing	1,047,684	835,007	50,445	-
Recreation and culture	360,251	148,783	-	145,222
Interest on long-term debt	139,992	-	-	-
Total governmental activities	9,368,258	2,273,496	475,989	264,801
Business-type activities:				
Water and Sewer	2,856,683	3,016,026	-	20,000
Refuse and Recycling	552,867	605,871	-	-
Total business-type activities	3,409,550	3,621,897	-	20,000
Total primary government	<u><u>\$ 12,777,808</u></u>	<u><u>\$ 5,895,393</u></u>	<u><u>\$ 475,989</u></u>	<u><u>\$ 284,801</u></u>
Component units - Downtown Development Authority	<u><u>\$ 737,563</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
General revenue:				
Property taxes				
State-shared revenue and grants				
Unrestricted investment income				
Racetrack breakage				
Gain on sale of capital assets				
Franchise fee revenue				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

# Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,162,745)	\$ -	\$ (1,162,745)	\$ -
(2,638,006)	-	(2,638,006)	-
(2,184,751)	-	(2,184,751)	-
(162,232)	-	(162,232)	-
(66,246)	-	(66,246)	-
(139,992)	-	(139,992)	-
(6,353,972)	-	(6,353,972)	-
-	179,343	179,343	-
-	53,004	53,004	-
-	232,347	232,347	-
(6,353,972)	232,347	(6,121,625)	-
-	-	-	(737,563)
5,896,286	-	5,896,286	761,281
1,159,247	-	1,159,247	-
458,756	55,842	514,598	30,477
231,050	-	231,050	-
11,500	-	11,500	-
355,961	-	355,961	9,935
8,112,800	55,842	8,168,642	801,693
1,758,828	288,189	2,047,017	64,130
26,984,153	6,453,686	33,437,839	382,343
<b>\$ 28,742,981</b>	<b>\$ 6,741,875</b>	<b>\$ 35,484,856</b>	<b>\$ 446,473</b>

# City of Northville, Michigan

## Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Public Improvement Fund	Street Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 5,045,269	\$ 3,207,791	\$ -	\$ 5,425,876	\$ 13,678,936
Receivables:					
Property taxes receivable	2,013	-	-	-	2,013
Special assessments	-	-	-	47,463	47,463
Accrued interest	49,583	-	-	14,817	64,400
Other	82,595	21,248	-	2,655	106,498
Due from other governmental units	195,687	-	-	114,598	310,285
Inventory	39,194	-	-	9,798	48,992
Prepaid expenses and other assets	162,853	-	-	9,829	172,682
Restricted assets	-	-	2,957,795	-	2,957,795
Land held for resale	-	225,000	-	-	225,000
<b>Total assets</b>	<b>\$ 5,577,194</b>	<b>\$ 3,454,039</b>	<b>\$ 2,957,795</b>	<b>\$ 5,625,036</b>	<b>\$ 17,614,064</b>
<b>Liabilities</b>					
Accounts payable	\$ 92,613	\$ 66,466	\$ -	\$ 91,008	\$ 250,087
Due to other governmental units	37,641	-	-	-	37,641
Refundable deposits, bonds, etc.	156,039	-	-	-	156,039
Accrued liabilities and other	404,130	-	-	11,789	415,919
Unearned revenue	2,851	-	-	29,488	32,339
<b>Total liabilities</b>	<b>693,274</b>	<b>66,466</b>	<b>-</b>	<b>132,285</b>	<b>892,025</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue (Note 4)	-	-	-	35,553	35,553
<b>Total liabilities and deferred inflows of resources</b>	<b>693,274</b>	<b>66,466</b>	<b>-</b>	<b>167,838</b>	<b>927,578</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventory/Assets held for resale	39,194	225,000	-	9,798	273,992
Prepays	162,853	-	-	9,829	172,682
Restricted:					
Streets, drains, and sidewalk improvements	1,838,458	-	2,957,795	914,773	5,711,026
Police forfeitures	29,851	-	-	-	29,851
Committed:					
Capital projects	-	3,128,699	-	2,405,526	5,534,225
Cemetery maintenance	-	33,874	-	1,009,250	1,043,124
Arts commission	-	-	-	40,018	40,018
Parking	-	-	-	717,211	717,211
Allen Terrace	-	-	-	345,459	345,459
Debt service	-	-	-	5,334	5,334
Assigned - Beautification commission	691	-	-	-	691
Unassigned	2,812,873	-	-	-	2,812,873
<b>Total fund balances</b>	<b>4,883,920</b>	<b>3,387,573</b>	<b>2,957,795</b>	<b>5,457,198</b>	<b>16,686,486</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,577,194</b>	<b>\$ 3,454,039</b>	<b>\$ 2,957,795</b>	<b>\$ 5,625,036</b>	<b>\$ 17,614,064</b>

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**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 16,686,486</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	23,101,672
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	35,553
Investments in joint ventures are not financial resources and are not reported in the funds	670,213
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,682,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(57,516)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(459,788)
Net pension liability and deferred inflows and outflows	(5,669,211)
Retiree healthcare benefits and deferred inflows and outflows	(2,433,983)
Internal service funds are included as part of governmental activities	<u>1,551,555</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 28,742,981</u></b>



# City of Northville, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Public Improvement Fund	Street Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 5,896,286	\$ -	\$ -	\$ -	\$ 5,896,286
Special assessments	-	-	-	15,554	15,554
State-shared revenue and grants:					
Federal grants	412	-	-	-	412
State-shared revenue and grants	633,336	65,017	-	644,229	1,342,582
Community Development Block Grant	-	86,205	-	36,920	123,125
Sales and services:					
Cemetery	80,502	-	-	-	80,502
Charges for overhead services	195,350	-	-	-	195,350
Sales and services	656,595	-	-	7,518	664,113
Fines and forfeitures	24,294	-	-	-	24,294
Licenses, fees, and permits	474,662	-	-	-	474,662
Interest and rentals:					
Investment income	194,632	73,566	34,430	132,700	435,328
Rental income	190,642	-	-	819,534	1,010,176
Other revenue:					
Local contribution	50,000	-	-	359,581	409,581
Other	160,098	71	-	217,133	377,302
Racetrack breakage	19,348	211,702	-	-	231,050
Michigan Housing Authority subsidies	-	-	-	40,964	40,964
Total revenue	8,576,157	436,561	34,430	2,274,133	11,321,281
<b>Expenditures</b>					
Current services:					
General government	2,021,922	13,881	-	-	2,035,803
Public safety:					
Police department	3,054,239	-	-	38,741	3,092,980
Fire department	951,971	-	-	458,843	1,410,814
Public works	584,277	148,533	-	729,330	1,462,140
Senior housing	-	-	-	976,041	976,041
Recreation and culture	229,279	145,735	-	170,276	545,290
Contributions to MERS trusts	235,000	-	-	-	235,000
Debt service	52,213	-	44,485	271,944	368,642
Total expenditures	7,128,901	308,149	44,485	2,645,175	10,126,710
<b>Excess of Revenue Over (Under) Expenditures</b>	1,447,256	128,412	(10,055)	(371,042)	1,194,571
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	363,103	-	783,704	1,146,807
Transfers out (Note 6)	(649,377)	(60,000)	(82,150)	(355,280)	(1,146,807)
New debt issued (Note 7)	-	-	3,050,000	-	3,050,000
Total other financing (uses) sources	(649,377)	303,103	2,967,850	428,424	3,050,000
<b>Net Change in Fund Balances</b>	797,879	431,515	2,957,795	57,382	4,244,571
<b>Fund Balances - Beginning of year</b>	4,086,041	2,956,058	-	5,399,816	12,441,915
<b>Fund Balances - End of year</b>	<u>\$ 4,883,920</u>	<u>\$ 3,387,573</u>	<u>\$ 2,957,795</u>	<u>\$ 5,457,198</u>	<u>\$ 16,686,486</u>

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**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

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**Year Ended June 30, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 4,244,571</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,689,797)
Capital outlay	761,836
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(45,349)
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	59,726
Decrease in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	26,494
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(3,050,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	273,000
Interest expense is recognized in the government-wide statements as it accrues	(44,348)
Changes in the other postemployment benefits liability reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it becomes due for payment.	940,263
Changes in the net retiree pension liability and deferred outflows related to pensions reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they become due for payment.	327,309
Internal service funds are included as part of governmental activities	(44,877)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,758,828</u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2019

	Enterprise Funds		
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds
			Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 2,195,955	\$ 181,406	\$ 2,377,361
Receivables	797,718	101,006	898,724
Inventory	45,121	-	45,121
Prepaid expenses and other assets	7,395	918	8,313
Total current assets	3,046,189	283,330	3,329,519
Noncurrent assets:			
Restricted assets (Note 8)	-	-	-
Capital assets: (Note 5)			
Assets not subject to depreciation	79,078	-	79,078
Assets subject to depreciation - Net	5,013,629	24,239	5,037,868
Total noncurrent assets	5,092,707	24,239	5,116,946
Total assets	8,138,896	307,569	8,446,465
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension (Note 9)	159,845	12,987	172,832
Deferred outflows related to OPEB (Note 10)	97,217	10,922	108,139
Total deferred outflows of resources	257,062	23,909	280,971
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	247,841	37,366	285,207
Due to other governmental units	15,767	-	15,767
Refundable deposits, bonds, etc.	515	-	515
Accrued liabilities and other	6,347	573	6,920
Current portion of compensated absences	950	140	1,090
Total current liabilities	271,420	38,079	309,499
Noncurrent liabilities:			
Compensated absences - Net of current portion	18,057	2,651	20,708
Net pension liability	737,087	59,885	796,972
Net retiree healthcare obligation	290,835	32,673	323,508
Total noncurrent liabilities	1,045,979	95,209	1,141,188
Total liabilities	1,317,399	133,288	1,450,687
<b>Deferred Inflows of Resources</b> - Deferred inflows related to OPEB (Note 10)	179,037	20,114	199,151
<b>Net Position</b>			
Net investment in capital assets	5,092,707	24,239	5,116,946
Restricted - Insurance retention	-	-	-
Unrestricted	1,806,815	153,837	1,960,652
Total net position	\$ 6,899,522	\$ 178,076	7,077,598
Amounts reported for business-type activities in the statement of net position are different because a portion of the Internal Service Fund is included as business-type activities			(335,723)
Total net position			\$ 6,741,875

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Enterprise Funds			
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>				
Sales to customers	\$ 2,988,654	\$ 602,864	\$ 3,591,518	\$ -
Rental income	-	-	-	273,822
Recoveries	-	-	-	10,044
Other revenue	27,372	3,007	30,379	12,575
Total operating revenue	3,016,026	605,871	3,621,897	296,441
<b>Operating Expenses</b>				
Other operating and maintenance costs	2,348,827	519,673	2,868,500	266,222
Claims	-	-	-	50,338
Compensation payouts	-	-	-	38,554
Other expenses	212,925	29,207	242,132	-
Depreciation	266,821	3,987	270,808	56,362
Total operating expenses	2,828,573	552,867	3,381,440	411,476
<b>Operating Income (Loss)</b>	187,453	53,004	240,457	(115,035)
<b>Nonoperating Revenue</b> - Investment income	53,115	2,727	55,842	43,069
<b>Income (Loss)</b> - Before capital contributions	240,568	55,731	296,299	(71,966)
<b>Capital Contributions</b> - Capital grants	20,000	-	20,000	-
<b>Change in Net Position</b>	260,568	55,731	316,299	(71,966)
<b>Net Position</b> - Beginning of year	6,638,954	122,345	6,761,299	1,287,797
<b>Net Position</b> - End of year	<u>\$ 6,899,522</u>	<u>\$ 178,076</u>	<u>\$ 7,077,598</u>	<u>\$ 1,215,831</u>
<b>Net Change in Net Position</b> - Total enterprise funds			\$ 316,299	
Amounts reported for business-type activities in the statement of activities are different because a portion of the Internal Service Fund is included as business-type activities			(28,110)	
<b>Change in Net Position of Business-type Activities</b>			<u>\$ 288,189</u>	

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,053,845	\$ 599,321	\$ 3,653,166	\$ 273,812
Receipts from interfund services and reimbursements	27,372	3,007	30,379	-
Payments to suppliers/Insurance claims	(2,061,424)	(515,286)	(2,576,710)	(263,907)
Payments to employees and fringes	(564,337)	(61,366)	(625,703)	(148,809)
Other receipts	-	-	-	23,310
Net cash provided by (used in) operating activities	455,456	25,676	481,132	(115,594)
<b>Cash Flows Used in Financing Activities -</b>				
Purchase of capital assets	(92,435)	-	(92,435)	(105,347)
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments and net realized losses on investments	53,115	2,727	55,842	31,569
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	416,136	28,403	444,539	(189,372)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,779,819	153,003	1,932,822	1,231,113
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,195,955</b>	<b>\$ 181,406</b>	<b>\$ 2,377,361</b>	<b>\$ 1,041,741</b>
<b>Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 2,195,955	\$ 181,406	\$ 2,377,361	\$ 791,235
Restricted cash	-	-	-	250,506
Total cash and cash equivalents	<b>\$ 2,195,955</b>	<b>\$ 181,406</b>	<b>\$ 2,377,361</b>	<b>\$ 1,041,741</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 187,453	\$ 53,004	\$ 240,457	\$ (115,035)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	266,821	3,987	270,808	56,362
Changes in assets and liabilities:				
Receivables	65,191	(3,543)	61,648	681
Inventories	(3,630)	-	(3,630)	(1,919)
Prepaid and other assets	(1,519)	(220)	(1,739)	(3,340)
Accounts payable	30,717	(467)	30,250	(51,876)
Net pension or OPEB liability	(44,014)	(23,306)	(67,320)	-
Deferrals related to pension or OPEB	(59,353)	(2,483)	(61,836)	-
Accrued and other liabilities	13,790	(1,296)	12,494	(467)
Total adjustments	268,003	(27,328)	240,675	(559)
Net cash and cash equivalents provided by (used in) operating activities	<b>\$ 455,456</b>	<b>\$ 25,676</b>	<b>\$ 481,132</b>	<b>\$ (115,594)</b>

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2019

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 145,039	\$ 1,563
Receivables	54	-
Total assets	145,093	<u><u>\$ 1,563</u></u>
<b>Liabilities</b>		
Accounts payable	18	\$ -
Due to other governmental units	-	1,563
Total liabilities	18	<u><u>\$ 1,563</u></u>
<b>Net Position Held in Trust</b>	<u><u>\$ 145,075</u></u>	

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Private Purpose Trust - Allen Terrace Trust Fund
<b>Additions</b> - Interest and dividends	\$ 3,828
<b>Deductions</b> - Rent subsidies	1,986
<b>Net Increase in Net Position Held in Trust</b>	1,842
<b>Net Position Held in Trust</b> - Beginning of year	143,233
<b>Net Position Held in Trust</b> - End of year	<b>\$ 145,075</b>

**June 30, 2019****Note 1 - Significant Accounting Policies*****Accounting and Reporting Principles***

The City of Northville, Michigan (the "City") is governed by a City Council of five members consisting of the elected council members and the mayor, who is deemed a member of the council for all purposes. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

The City follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

***Reporting Entity******Discretely Presented Component Unit******Downtown Development Authority***

The Downtown Development Authority (DDA) of the City is reported in a separate component unit column to emphasize that it is legally separate from the City. The DDA was created to assist the City in the development of the downtown area. The DDA's governing body, which consists of 11 individuals, is approved by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The financial information included in the separate column is condensed. The complete financial statements of the DDA can be obtained from the city offices at 215 W. Main Street, Northville, MI 48167.

***Jointly Governed Organization***

Jointly governed organizations are discussed in Note 11.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. 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, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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



June 30, 2019

## Note 1 - Significant Accounting Policies (Continued)

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, if any, are reported as separate columns in the fund financial statements.

### ***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

#### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Public Improvement Fund is a capital projects fund that accounts for breakage revenue to the extent that it exceeds the cost of providing police and fire service at the racetrack. The expenditures in this fund are primarily for public improvement projects.
- The Street Bond Construction Fund is a capital projects fund that accounts for the proceeds of bond issues and all other resources used for the purpose of construction activity for the City's streets.

#### **Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as "major" enterprise funds:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for bimonthly user charges.
- The Refuse and Recycling Fund provides refuse and recycling services to customers in exchange for user charges.

#### **Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Allen Terrace Trust Fund, which provides rental subsidies for eligible Allen Terrace residents
- The Agency Fund accounts for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

June 30, 2019

## Note 1 - Significant Accounting Policies (Continued)

### **Interfund Activity**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

### **Specific Balances and Transactions**

#### **Cash and Investments**

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

#### **Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

June 30, 2019

**Note 1 - Significant Accounting Policies (Continued)****Restricted Assets**

Restricted assets represent funds held with the Michigan Municipal Risk Management Authority for insurance claims and unspent bond proceeds in the Street Bond Construction Fund. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to first apply restricted resources.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Depreciable Life - Years</u>
Roads, sidewalks, and bridges	20 to 50
Streetscape	3 to 20
Buildings and improvements	5 to 50
Machinery and equipment	3 to 15
Vehicles	2 to 20
Parking system	5 to 10
Land improvements	10 to 20
Refuse and recycling systems	15
Wells, water, and sewer distribution systems	30 to 90

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as "other financing sources," as well as bond premiums and discounts. The debt retirement fund is used to liquidate governmental long-term debt. The General Fund is used to liquidate the installment purchase agreement for the fire truck.

**June 30, 2019****Note 1 - Significant Accounting Policies (Continued)****Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, which are the deferred outflows of resources related to the defined benefit pension plan and the other postemployment benefits plan. The deferred outflows of resources related to the defined benefit pension plan and the other postemployment benefits plan are reported in the government-wide financial statements, the Water and Sewer Fund, and the Refuse and Recycling Fund. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to special assessments, grants that are not received within the period of availability, and the other postemployment benefits plan's assumption changes, as well as the variance between the plan's expected and actual experience.

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes 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 and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

June 30, 2019

**Note 1 - Significant Accounting Policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the city manager and finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum unassigned fund balance in the General Fund as no less than two months of regular operating revenue or regular operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

**Property Tax Revenue**

Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31, with the final collection date of February 28 before they are added to the county tax rolls.

The 2018 taxable valuation of the City totaled \$371 million (net of captured taxable value of \$26 million), on which taxes levied consisted of 13.5188 mills for the City's operating purposes and 1.6841 mills for street improvements. The ad valorem taxes levied raised approximately \$5.0 million for operations and \$623,000 for street, drainage, and sidewalk improvements. These amounts are recognized in the General Fund financial statements as taxes receivable - current or as tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County, Michigan and Oakland County, Michigan. The counties sell tax notes, the proceeds of which are used to pay the City for these property taxes. Both the Wayne County, Michigan and Oakland County, Michigan shares of delinquent real property taxes have been recorded as revenue in the current year.

**Pension**

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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.

June 30, 2019

## Note 1 - Significant Accounting Policies (Continued)

### **Other Postemployment Benefit Costs**

The City offers retiree healthcare benefits to retirees. The City records an OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. 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.

### **Compensated Absences (Vacation and Sick Leave)**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent for retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The Employees' Accumulated Compensation Fund internal service fund (or the Leave Time Reserve Fund) has been established to fully reserve funds to liquidate these liabilities for the City. The Downtown Development Authority will liquidate the compensated absences liabilities in that component unit.

### **Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the enterprise funds and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Upcoming Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.



June 30, 2019

**Note 1 - Significant Accounting Policies (Continued)**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

**Note 2 - Stewardship, Compliance, and Accountability****Construction Code Fees**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2018		\$	(630,274)
Current year permit revenue			239,156
Related expenses:			
Direct costs	\$	86,032	
Estimated indirect costs		<u>88,643</u>	<u>174,675</u>
Current year surplus			<u>64,481</u>
Cumulative shortfall at June 30, 2019		\$	<u><u>(565,793)</u></u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

June 30, 2019

**Note 3 - Deposits and Investments (Continued)**

The City has designated six banks for the deposit of its funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by the council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had \$2,994,579 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Days)
<b>Primary Government</b>		
U.S. Treasury securities	\$ 4,737,976	377
Federal agency bonds	2,393,285	100
Federal agency mortgage-backed securities	55,893	824
Federal agency collateralized mortgage obligations	181,518	824
Supranational agency bonds	260,144	523
Municipal bonds	2,100,763	719
Total	<u>\$ 9,729,579</u>	



June 30, 2019

**Note 3 - Deposits and Investments (Continued)****Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Money market fund	\$ 988,380	AAAm	S&P
Term investment	916,891	AAAm	S&P
Pooled funds	4,572,261	AAAm	S&P
U.S. Treasury securities	4,737,976	AA+	S&P
Federal agency bonds	2,393,285	AA+	S&P
Federal agency mortgage-backed securities	55,893	AA+	S&P
Federal agency collateralized mortgage obligations	181,518	AA+	S&P
Supranational agency bonds	260,144	AA+	S&P
Municipal bonds	1,699,185	AA+ to AA-	S&P
Municipal bonds	401,578	Aa1	Moody's
Total	<u>\$ 16,207,111</u>		

**Concentration of Credit Risk**

It is the City's policy to diversify its investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at the time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. At June 30, 2019, more than 5 percent of the City's investments are in the following federal agency securities:

Fannie Mae	8 %
Freddie Mac	5

**Component Units**

The cash and investments of the Downtown Development Authority are pooled with the City's cash and investments and included in the amounts above. At June 30, 2019, the carrying amount of the cash and investments for the DDA was \$475,420.

**Fair Value Measurements**

The City categorizes its fair value measurements 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. Investments that are measured at fair value using net asset value per share (NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2019

### Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2019:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
<b>Assets</b>				
Debt securities:				
U.S. Treasury securities	\$ -	\$ 4,737,976	\$ -	\$ 4,737,976
Federal agency bonds	-	2,393,285	-	2,393,285
Federal agency mortgage- backed securities	-	55,893	-	55,893
Federal agency collateralized mortgage obligations	-	181,518	-	181,518
Supranational agency bonds	-	260,144	-	260,144
Municipal bonds	-	2,100,763	-	2,100,763
Total debt securities	-	9,729,579	-	9,729,579
Equity securities - Money market fund	988,380	-	-	988,380
Total	\$ 988,380	\$ 9,729,579	\$ -	10,717,959
Investments measured at NAV:				
Term investment				916,891
Michigan CLASS Investment Pool				4,572,261
Total assets				\$ 16,207,111

The fair value of equity securities at June 30, 2019 was determined primarily based on Level 1 inputs. The City estimates the fair value using prices quoted in active markets for those securities.

The fair value of debt securities at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the table below.

#### Investments in Entities that Calculate Net Asset Value per Share

The City holds money market investments in the Governments of Michigan Investing Cooperative Program. These investments are measured at net asset value per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the cooperative program that are recorded at amortized cost.

June 30, 2019

**Note 3 - Deposits and Investments (Continued)**

The City holds investments through the Michigan CLASS Investment Pool. These investments are measured at the NAV per share (or its equivalent). The Michigan CLASS Investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**Note 4 - Deferred Inflows/Outflows of Resources**

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, there was \$35,553 in unavailable revenue related to special assessments.

In addition, the government-wide statements and the proprietary funds report deferred inflows or deferred outflows of resources related to pension and OPEB liabilities. These are discussed in more detail in Notes 9 and 10 below.

June 30, 2019

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	236,668	283,796	(513,955)	6,509
Other nondepreciable assets	119,972	-	-	119,972
Subtotal	3,967,876	283,796	(513,955)	3,737,717
Capital assets being depreciated:				
Roads, sidewalks, and bridges	30,632,854	-	169,944	30,802,798
Parking system	5,616,421	-	-	5,616,421
Buildings and improvements	11,172,399	-	322,140	11,494,539
Machinery and equipment	2,083,721	147,218	(128,833)	2,102,106
Vehicles	2,797,127	469,540	-	3,266,667
Streetscape	5,330,109	-	(5,982)	5,324,127
Subtotal	57,632,631	616,758	357,269	58,606,658
Accumulated depreciation:				
Roads, sidewalks, and bridges	21,284,687	866,698	-	22,151,385
Parking system	2,675,150	133,522	-	2,808,672
Buildings and improvements	7,680,350	267,239	-	7,947,589
Machinery and equipment	1,795,698	96,881	(128,833)	1,763,746
Vehicles	1,764,885	121,723	-	1,886,608
Streetscape	2,198,954	260,096	(5,982)	2,453,068
Subtotal	37,399,724	1,746,159	(134,815)	39,011,068
Net capital assets being depreciated	20,232,907	(1,129,401)	492,084	19,595,590
Net governmental activities capital assets	<u>\$ 24,200,783</u>	<u>\$ (845,605)</u>	<u>\$ (21,871)</u>	<u>\$ 23,333,307</u>

June 30, 2019

**Note 5 - Capital Assets (Continued)*****Business-type Activities***

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Construction in progress	\$ 62,631	\$ 16,447	\$ -	\$ 79,078
Capital assets being depreciated:				
Water and sewer lines	11,955,395	95,988	-	12,051,383
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	59,798	-	-	59,798
Subtotal	12,036,728	95,988	-	12,132,716
Accumulated depreciation:				
Water and sewer lines	6,770,933	266,821	-	7,037,754
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	31,572	3,987	-	35,559
Subtotal	6,824,040	270,808	-	7,094,848
Net capital assets being depreciated	5,212,688	(174,820)	-	5,037,868
Net business-type activities capital assets	<u>\$ 5,275,319</u>	<u>\$ (158,373)</u>	<u>\$ -</u>	<u>\$ 5,116,946</u>

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

Governmental activities:	
General government	\$ 83,320
Public safety	131,894
Public works	1,261,443
Senior housing	187,488
Recreation and culture	25,652
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	56,362
Total governmental activities	<u>\$ 1,746,159</u>
Business-type activities:	
Water and Sewer	\$ 266,821
Refuse and Recycling	3,987
Total business-type activities	<u>\$ 270,808</u>

June 30, 2019

## Note 5 - Capital Assets (Continued)

### Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sanitary sewer repair lining	\$ 16,448	\$ 22,747
Allen Terrace roof replacement	305,300	15,932
Total	<u>\$ 321,748</u>	<u>\$ 38,679</u>

## Note 6 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Public Improvement Fund (2)	\$ 361,047
	Other nonmajor governmental funds (1)(2)	288,330
	Total General Fund	649,377
Public Improvement Fund	Other nonmajor governmental funds (2)	60,000
Street Bond Construction Fund	Other nonmajor governmental funds (2)	82,150
Other nonmajor governmental funds	Public Improvement Fund (2)	2,056
	Other nonmajor governmental funds (1)(2)	353,224
	Total other nonmajor governmental funds	355,280
	Total	<u>\$ 1,146,807</u>

(1) Transfers between funds are to support the operations of those funds.

(2) Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund projects, capital improvements, or debt service expenditures accounted for in the respective funds.

June 30, 2019

**Note 7 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Direct borrowings and direct placements:						
Allen Terrace renovation bonds (refunding) - Maturing through 2023	2.14%	\$ 455,000	\$ -	\$ (90,000)	\$ 365,000	\$ 90,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	1,070,000	-	(140,000)	930,000	145,000
Street improvement bonds - Maturing through 2029	2.90%	-	3,050,000	-	3,050,000	240,000
Installment purchase agreement - Maturing through 2026	2.57%	380,000	-	(43,000)	337,000	44,000
Total direct borrowings and direct placements principal outstanding		1,905,000	3,050,000	(273,000)	4,682,000	519,000
Total bonds and contracts payable		1,905,000	3,050,000	(273,000)	4,682,000	519,000
Accumulated compensated absences		491,195	18,854	(45,348)	464,701	114,024
Total governmental activities long-term debt		<u>\$ 2,396,195</u>	<u>\$ 3,068,854</u>	<u>\$ (318,348)</u>	<u>\$ 5,146,701</u>	<u>\$ 633,024</u>

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities - Accumulated compensated absences	\$ 25,370	\$ -	\$ (3,572)	\$ 21,798	\$ 1,090

June 30, 2019

**Note 7 - Long-term Debt (Continued)*****Debt Service Requirements to Maturity***

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

Years Ending June 30	Governmental Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2020	\$ 519,000	\$ 153,776	\$ 672,776
2021	561,000	113,699	674,699
2022	577,000	97,806	674,806
2023	588,000	81,465	669,465
2024	509,000	65,842	574,842
2025-2029	1,928,000	131,459	2,059,459
Total	<u>\$ 4,682,000</u>	<u>\$ 644,047</u>	<u>\$ 5,326,047</u>

***Bond Refunding***

The City defeased certain bonds in a prior period by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2019, \$915,000 of bonds outstanding is considered defeased.

**Note 8 - Restricted Assets**

At June 30, 2019, restricted assets are composed of the following:

	Governmental Activities
Funds held for insurance claims	\$ 250,506
Funds held for street improvements	2,957,795
Total	<u>\$ 3,208,301</u>

**Note 9 - Pension Plans*****Plan Description***

The City of Northville, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Michigan Municipal Employees' Retirement System (MERS or MERS of Michigan), an agent multiple-employer defined benefit pension plan, administered by the MERS of Michigan Plan Board.

The pension system issues a publicly available financial report that can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

The City of Northville, Michigan also contributes to the City of Northville Defined Contribution Pension Plan, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by the MERS of Michigan Plan Board.



June 30, 2019

**Note 9 - Pension Plans (Continued)*****Benefits Provided***

The Michigan Municipal Employees' Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Retirement benefits are calculated as various percentages (ranging from 2.5 to 2.75 percent) of the employee's final three- to five-year average compensation times the employee's years of service. To be eligible, employees must have a minimum number of years of service (ranging from 15 to 25), as well as meeting minimum retirement age (ranging from 50 to 60). The vesting period is 10 years. The benefits also include nonduty disability benefits and disability retirement benefits in limited situations. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the members of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Benefit terms, including contribution requirements, for the City of Northville Defined Contribution Pension Plan are established and may be amended by the members of the City Council. For each employee in the pension plan, the City is required to contribute a percent of annual salary (ranging from 5.5 to 12.5 percent) to an individual employee account. Employees are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in city contributions and earnings on city contributions after completion of seven years of creditable service with the City. Nonvested city contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the plan's future contributions.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Michigan Municipal Employees' Retirement System
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	5
Total employees covered by the plan	79

***Contributions***

State law requires public employers to make pension contributions in accordance with an actuarial valuation. Accordingly, MERS retains an independent actuary for this purpose, and the City annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on the amounts agreed upon in union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees.

The City's total payroll during the current year was \$3,513,759. For the City of Northville Defined Contribution Plan, the current year contribution (including DDA) was calculated based on covered payroll of \$1,988,135, resulting in an employer contribution of \$233,362.

June 30, 2019

**Note 9 - Pension Plans (Continued)*****Net Pension Liability***

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2017</b>	\$ 20,362,728	\$ 12,883,276	\$ 7,479,452
Changes for the year:			
Service cost	56,977	-	56,977
Interest	1,566,081	-	1,566,081
Differences between expected and actual experience	377,102	-	377,102
Contributions - Employer	-	1,944,846	(1,944,846)
Contributions - Employee	-	12,996	(12,996)
Net investment loss	-	(514,514)	514,514
Benefit payments, including refunds	(1,630,416)	(1,630,416)	-
Administrative expenses	-	(25,025)	25,025
Net changes	369,744	(212,113)	581,857
<b>Balance at December 31, 2018</b>	<u>\$ 20,732,472</u>	<u>\$ 12,671,163</u>	<u>\$ 8,061,309</u>

The plan's fiduciary net position represents 61.1 percent of the total pension liability. The Parks and Recreation Commission previously participated as a cost-sharing participant in the City of Northville, Michigan's plan. Therefore, certain retirees of the Northville Parks and Recreation Commission participate in MERS through the City. At June 30, 2019, the City and the Parks and Recreation Commission reported a liability of \$8,036,052 and \$25,257, respectively, for each participant's proportionate share of the total net pension liability.

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,297,743.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 880,640	\$ -
Employer contributions to the plan subsequent to the measurement date	862,061	-
Total	<u>\$ 1,742,701</u>	<u>\$ -</u>

June 30, 2019

**Note 9 - Pension Plans (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2020	\$ 307,283
2021	107,527
2022	175,819
2023	290,011

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses, gross of administrative expenses) of 8.0 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted in 2015 for the period from January 1, 2009 through December 31, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

**Investment Rate of Return**

Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

June 30, 2019

**Note 9 - Pension Plans (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the plan	\$ 9,989,285	\$ 8,061,309	\$ 6,409,463

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 10 - Other Postemployment Benefit Plan*****Plan Description***

The City provides OPEB for all employees, retirees, and beneficiaries who meet eligibility requirements. The benefits are provided through the Retiree Health Care Plan, a single-employer defined benefit OPEB plan administered by the City. The plan does not issue a publicly available financial report.

***Benefits Provided***

The Retiree Health Care Plan provides healthcare and dental benefits for retirees and their dependents. Benefits are provided under collective bargaining agreements. As of July 1, 2008, the plan was closed to new entrants.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Retiree Health Care Plan
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	76
Active plan members	16
Total plan members	92

***Contributions***

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums of \$637,819. Employees are not required to contribute to the plan.

June 30, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)*****Net OPEB Liability***

The City has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at January 1, 2018</b>	\$ 13,403,815	\$ 9,635,997	\$ 3,767,818
Changes for the year:			
Service cost	129,148	-	129,148
Interest	854,849	-	854,849
Differences between expected and actual experience	(1,087,439)	-	(1,087,439)
Changes in assumptions	(1,037,180)	-	(1,037,180)
Contributions - Employer	-	779,921	(779,921)
Net investment loss	-	(352,219)	352,219
Benefit payments, including refunds	(633,720)	(633,720)	-
Administrative expenses	-	(23,589)	23,589
<b>Net changes</b>	<b>(1,774,342)</b>	<b>(229,607)</b>	<b>(1,544,735)</b>
<b>Balance at December 31, 2018</b>	<b>\$ 11,629,473</b>	<b>\$ 9,406,390</b>	<b>\$ 2,223,083</b>

The plan's fiduciary net position represents 80.9 percent of the total OPEB liability.

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

For the year ended June 30, 2019, the City recognized OPEB income of \$292,436 related to GASB 75 adjustments.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (700,450)
Changes in assumptions	-	(668,077)
Net difference between projected and actual earnings on OPEB plan investments	455,692	-
Employer contributions to the plan subsequent to the measurement date	287,415	-
<b>Total</b>	<b>\$ 743,107</b>	<b>\$ (1,368,527)</b>

June 30, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2020	\$ (669,698)
2021	(526,040)
2022	86,395
2023	196,508

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2.5 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a healthcare cost trend rate of 8.5 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2035 and later years; and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period 2000-2013.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

June 30, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)*****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the Retiree Health Care Plan	\$ 3,741,713	\$ 2,223,083	\$ 968,139

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.5 percent (decreasing to 4.5 percent), as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.5%, Decreasing to 3.5%)	Current Healthcare Cost Trend Rate (8.5%, Decreasing to 4.5%)	1 Percent Increase (9.5%, Decreasing to 5.5%)
Net OPEB liability of the Retiree Health Care Plan	\$ 945,128	\$ 2,223,083	\$ 3,771,061

***OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

***Assumption Changes***

The discount rate and expected investment return assumptions increased from 6.50 percent to 7.00 percent. The assumption for per capita costs were updated to reflect actual experience since the previous valuation, and the assumption for the baseline healthcare cost trend was updated to match the uniform assumptions most recently published by the Michigan Department of Treasury. For the purpose of determining the actuarially determined contribution, the amortization of the unfunded accrued liability was changed from level percentage of payroll to a level dollar to comply with the uniform assumptions most recently published by the Michigan Department of Treasury.



June 30, 2019

## Note 11 - Jointly Governed Organizations

The City participates in the Northville Parks and Recreation Commission (the "Recreation Commission") as a joint venture with the Charter Township of Northville (the "Township"). The City is represented by the mayor or mayor pro tem and one other member of the City Council. Approval of the annual budget is required by the City and the Charter Township of Northville. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. At June 30, 2019, the investment in the Recreation Commission was \$643,655. During the current year, the City contributed \$193,480 for the operations of the Recreation Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Recreation Commission can be obtained from the city offices at 215 W. Main Street, Northville, MI 48167.

The City sponsors a pension plan and postretirement benefit plan on behalf of the Recreation Commission. There are no active Recreation Commission employees in the plan sponsored by the City. The Recreation Commission contributes a pro rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan.

The City participates in the Northville Youth Assistance Commission (the "Commission") as a joint venture with the Charter Township of Northville and Northville Public Schools. The City appoints three members to the governing board of the Commission. Approval of the annual budget is required by the City and the Charter Township of Northville. At June 30, 2019, the investment in the Commission was \$26,558. During the current year, the City contributed \$18,010 for the operations of the Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Commission can be obtained from the Charter Township of Northville at 44405 Six Mile Road, Northville, MI 48167.

The City is a member of the 35th District Court System, which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's board, which then approves the annual budget and one member to the related Building Authority board. Complete financial statements for the court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, MI 48170.

The City is also served by the North Huron Valley/Rouge Valley (NHV/RV) Sewage Disposal System, which provides services to 17 municipal entities, including cities, townships, and counties. During fiscal year 2019, the City paid \$815,443 for sewage disposal, operation and maintenance, and debt in this system. Payment of these charges is funded through the collection of sewer fees to city residents.

## Note 12 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors, and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to property loss, torts, and errors and omissions. The City also participates in the Accident Fund Municipal Group Program for employee injuries. The City purchases commercial insurance for all medical benefits and for firefighter death and disability coverage. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.



**June 30, 2019**

**Note 12 - Risk Management (Continued)**

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported and claims that may have been incurred but not reported. During the year ended June 30, 2019, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

**Note 13 - Tax Abatements**

The City entered into lease agreements with two local businesses to utilize their vacant lots as public parking. Per the underlying contractual agreements, the City reimburses one business 100 percent and the other business 45 percent of their annual property taxes, respectively. The local businesses pay their full tax bills each year. These lease agreements may be terminated at any time. For the current fiscal year, the City reimbursed a total of \$5,056 to the property owners.

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,859,087	\$ 5,900,866	\$ 5,896,286	\$ (4,580)
State-shared revenue and grants:				
Federal grants	-	412	412	-
State-shared revenue and grants	610,602	638,187	633,336	(4,851)
Sales and services:				
Cemetery	102,000	75,205	80,502	5,297
Charges for overhead services	195,360	195,350	195,350	-
Sales and services	696,947	671,706	656,595	(15,111)
Fines and forfeitures	14,500	22,315	24,294	1,979
Licenses, fees, and permits	439,390	465,620	474,662	9,042
Interest and rentals:				
Investment income	14,280	168,600	194,632	26,032
Rental income	193,950	194,063	190,642	(3,421)
Other revenue:				
Local contribution	50,000	50,000	50,000	-
Other	16,200	92,162	160,098	67,936
Racetrack breakage	12,560	19,625	19,348	(277)
Total revenue	8,204,876	8,494,111	8,576,157	82,046
<b>Expenditures</b>				
Current services:				
General government:				
City Council	13,910	13,355	12,694	661
City manager and communications	405,110	447,895	444,460	3,435
Finance and administrative services	342,115	335,020	332,446	2,574
Technology costs	74,210	129,120	125,180	3,940
Tax and assessing	187,730	182,425	180,344	2,081
City clerk	156,600	154,845	152,449	2,396
Buildings and grounds	184,405	196,605	186,575	10,030
City attorney	116,000	174,500	172,657	1,843
Clerk - Elections	48,860	51,658	51,273	385
Insurance	27,200	29,985	29,985	-
Planning, zoning, and inspection	297,770	326,520	312,518	14,002
Central supply	24,085	22,865	21,341	1,524
Public safety:				
Police department	3,040,607	3,072,792	3,054,239	18,553
Fire department	1,018,745	986,420	951,971	34,449
Public works:				
Civic events	39,305	42,145	35,741	6,404
Administration	246,947	287,396	285,027	2,369
Street lighting and miscellaneous public works	178,340	147,775	145,815	1,960
Beautification	6,240	3,875	3,405	470
Cemetery	169,480	123,315	114,289	9,026
Recreation and culture	229,321	229,321	229,279	42
Contributions to MERS trusts	85,000	235,000	235,000	-
Debt service	52,213	52,213	52,213	-
Total expenditures	6,944,193	7,245,045	7,128,901	116,144
<b>Excess of Revenue Over Expenditures</b>	1,260,683	1,249,066	1,447,256	198,190

## City of Northville, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 45,630	\$ -	\$ (45,630)
Transfers out	(882,469)	(697,339)	(649,377)	47,962
Total other financing uses	(882,469)	(651,709)	(649,377)	2,332
<b>Net Change in Fund Balance</b>	378,214	597,357	797,879	200,522
<b>Fund Balance - Beginning of year</b>	4,086,041	4,086,041	4,086,041	-
<b>Fund Balance - End of year</b>	<b>\$ 4,464,255</b>	<b>\$ 4,683,398</b>	<b>\$ 4,883,920</b>	<b>\$ 200,522</b>

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Five Fiscal Years				
	2019 (12/31/18 measurement date)	2018 (12/31/17 measurement date)	2017 (12/31/16 measurement date)	2016 (12/31/15 measurement date)	2015 (12/31/14 measurement date)
<b>Total Pension Liability</b>					
Service cost	\$ 56,977	\$ 98,211	\$ 90,532	\$ 105,071	\$ 108,463
Interest	1,566,081	1,534,515	1,547,682	1,518,738	1,508,044
Differences between expected and actual experience	377,102	370,870	(287,626)	(45,461)	-
Changes in assumptions	-	-	-	881,953	-
Benefit payments, including refunds	(1,630,416)	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
<b>Net Change in Total Pension Liability</b>	369,744	457,199	(141,033)	920,004	186,438
<b>Total Pension Liability - Beginning of year</b>	20,362,728	19,905,529	20,046,562	19,126,558	18,940,120
<b>Total Pension Liability - End of year</b>	<b>\$ 20,732,472</b>	<b>\$ 20,362,728</b>	<b>\$ 19,905,529</b>	<b>\$ 20,046,562</b>	<b>\$ 19,126,558</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 1,944,846	\$ 1,441,908	\$ 1,319,184	\$ 1,307,640	\$ 1,099,108
Contributions - Member	12,996	12,583	11,156	11,969	11,676
Net investment (loss) income	(514,514)	1,517,589	1,191,540	(167,140)	661,980
Administrative expenses	(25,025)	(23,990)	(23,515)	(23,783)	(24,342)
Benefit payments, including refunds	(1,630,416)	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
<b>Net Change in Plan Fiduciary Net Position</b>	(212,113)	1,401,693	1,006,744	(411,611)	318,353
<b>Plan Fiduciary Net Position - Beginning of year</b>	12,883,276	11,481,583	10,474,839	10,886,450	10,568,097
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 12,671,163</b>	<b>\$ 12,883,276</b>	<b>\$ 11,481,583</b>	<b>\$ 10,474,839</b>	<b>\$ 10,886,450</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 8,061,309</b>	<b>\$ 7,479,452</b>	<b>\$ 8,423,946</b>	<b>\$ 9,571,723</b>	<b>\$ 8,240,108</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	61.12 %	63.27 %	57.68 %	52.25 %	56.92 %
<b>Covered Payroll</b>	\$ 451,293	\$ 731,856	\$ 706,615	\$ 825,019	\$ 855,589
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	1,786.27 %	1,021.98 %	1,192.15 %	1,160.18 %	963.09 %

Required Supplemental Information  
Schedule of Pension Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 986,107	\$ 1,052,112	\$ 901,164	\$ 851,664	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696	\$ 558,240
Contributions in relation to the actuarially determined contribution	1,944,846	1,441,908	1,319,184	1,307,640	1,099,108	1,042,329	717,456	663,972	639,696	558,240
<b>Contribution Excess</b>	<b>\$ 958,739</b>	<b>\$ 389,796</b>	<b>\$ 418,020</b>	<b>\$ 455,976</b>	<b>\$ 256,252</b>	<b>\$ 282,309</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Option B, level dollar contribution
Remaining amortization period	20 years
Asset valuation method	10-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense and gross of administrative expenses
Retirement age	60
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend
Other information	None

**Required Supplemental Information**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**

	<b>Last Two Fiscal Years</b>	
	2019 (12/31/18 measurement date)	2018 (12/31/17 measurement date)
<b>Total OPEB Liability</b>		
Service cost	\$ 129,148	\$ 130,093
Interest	854,849	831,247
Differences between expected and actual experience	(1,087,439)	-
Changes in assumptions	(1,037,180)	-
Benefit payments, including refunds	(633,720)	(691,872)
<b>Net Change in Total OPEB Liability</b>	(1,774,342)	269,468
<b>Total OPEB Liability - Beginning of year</b>	13,403,815	13,134,347
<b>Total OPEB Liability - End of year</b>	<b>\$ 11,629,473</b>	<b>\$ 13,403,815</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 779,921	\$ 593,069
Net investment (loss) income	(352,219)	1,108,749
Administrative expenses	(23,589)	(21,446)
Benefit payments, including refunds	(633,720)	(691,872)
<b>Net Change in Plan Fiduciary Net Position</b>	(229,607)	988,500
<b>Plan Fiduciary Net Position - Beginning of year</b>	9,635,997	8,647,497
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 9,406,390</b>	<b>\$ 9,635,997</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 2,223,083</b>	<b>\$ 3,767,818</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	80.88 %	71.89 %
<b>Covered Employee Payroll</b>	\$ 1,494,412	\$ 1,552,588
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	148.76 %	242.68 %

Required Supplemental Information  
Schedule of OPEB Contributions

	Last Ten Fiscal Years									
	Years Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 278,711	\$ 391,691	\$ 808,187	\$ 993,116	\$ 840,692	\$ 820,187	\$ 1,012,634	\$ 982,988	\$ 1,733,557	\$ 1,733,557
Contributions in relation to the actuarially determined contribution	779,921	847,194	1,001,872	1,109,503	961,787	1,129,194	1,305,128	956,325	907,052	1,023,794
<b>Contribution Excess (Deficiency)</b>	<b>\$ 501,210</b>	<b>\$ 455,503</b>	<b>\$ 193,685</b>	<b>\$ 116,387</b>	<b>\$ 121,095</b>	<b>\$ 309,007</b>	<b>\$ 292,494</b>	<b>\$ (26,663)</b>	<b>\$ (826,505)</b>	<b>\$ (709,763)</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	4.50 to 8.50 percent
Salary increase	2.50 percent
Investment rate of return	7.00 percent
Retirement age	100 percent at 20-25 years of full-time service, depending on the bargaining unit
	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend
Mortality	
Other information	None



***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. The legal level of budgetary control adopted by the City is the activity level.

The budget represents a complete financial plan for all activities of the City for the ensuing fiscal year. All estimated income and proposed expenditures are detailed and presented in a form prescribed by law. In addition, this budget presents the proposed budget as part of a five-year plan to improve the decision-making process.

The budget process begins with goals and objectives meetings in January with the City Council, city manager, and administrative staff. These are public meetings. Based upon presentations by the city staff and discussion between the mayor and City Council, goals and objectives are prioritized by the City Council for the next fiscal year.

Each January, department heads receive workpapers to prepare their individual line-item budgets. Upon completion, the departmental budgets are returned to the finance director in February. The city manager and the finance director then analyze these amounts. Furthermore, discussions occur with department heads, and the budget is adjusted accordingly.

A proposed balanced budget is then developed to support the direction and focus established for the community by the City Council. Specific issues are identified that are vital to continued quality services within the means available. This method of budgeting serves to improve the level of organizational accountability. The City Council meetings, held in April and May, provide all interested citizens an open forum where they can be heard. Upon review and a subsequent public hearing, the City Council adopts the budget by resolution.

The budget is scheduled for adoption at the second regular City Council meeting in May. The operating millage rate is established as part of the budget adoption resolution at that meeting.

***Pension Information***

**Changes in Assumptions**

In the 2015 actuarial valuation, the mortality assumptions were adjusted from the 2014 actuarial valuation to reflect longer lifetimes, and the investment rate of return decreased from 8.00 percent to 7.75 percent.

***OPEB Information***

**Changes in Assumptions**

In the 2018 actuarial valuation, the discount rate and expected investment return assumptions increased from 6.50 percent to 7.00 percent. The assumption for per capita costs was updated to reflect actual experience since the previous valuation, and the assumption for the baseline healthcare cost trend was updated to match the uniform assumptions most recently published by the Michigan Department of Treasury. For purposes of determining the actuarially determined contribution, the amortization of the unfunded accrued liability was changed from level percentage of payroll to a level dollar to comply with the uniform assumptions most recently published by the Michigan Department of Treasury.

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## Other Supplemental Information

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Other Supplemental Information  
Combining Balance Sheet  
Combining General Fund

June 30, 2019

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
<b>Assets</b>					
Cash and investments	\$ 3,083,385	\$ 1,830,671	\$ (49,583)	\$ 180,796	\$ 5,045,269
Receivables:					
Property taxes receivable	2,013	-	-	-	2,013
Accrued interest	-	-	49,583	-	49,583
Other	81,898	697	-	-	82,595
Due from other governmental units	188,340	7,347	-	-	195,687
Inventory	39,194	-	-	-	39,194
Prepaid expenses and other assets	95,728	-	-	67,125	162,853
<b>Total assets</b>	<b>\$ 3,490,558</b>	<b>\$ 1,838,715</b>	<b>\$ -</b>	<b>\$ 247,921</b>	<b>\$ 5,577,194</b>
<b>Liabilities</b>					
Accounts payable	\$ 92,356	\$ 257	\$ -	\$ -	\$ 92,613
Due to other governmental units	21,656	-	-	15,985	37,641
Refundable deposits, bonds, etc.	156,039	-	-	-	156,039
Accrued liabilities and other	172,194	-	-	231,936	404,130
Unearned revenue	2,851	-	-	-	2,851
<b>Total liabilities</b>	<b>445,096</b>	<b>257</b>	<b>-</b>	<b>247,921</b>	<b>693,274</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventory/Assets held for resale	39,194	-	-	-	39,194
Prepays	95,728	-	-	67,125	162,853
Restricted:					
Streets, drains, and sidewalk improvements	-	1,838,458	-	-	1,838,458
Police forfeitures	29,851	-	-	-	29,851
Assigned - Beautification commission	691	-	-	-	691
Unassigned	2,879,998	-	-	(67,125)	2,812,873
<b>Total fund balances</b>	<b>3,045,462</b>	<b>1,838,458</b>	<b>-</b>	<b>-</b>	<b>4,883,920</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,490,558</b>	<b>\$ 1,838,715</b>	<b>\$ -</b>	<b>\$ 247,921</b>	<b>\$ 5,577,194</b>

# City of Northville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Combining General Fund

Year Ended June 30, 2019

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
<b>Revenue</b>					
Property taxes	\$ 5,266,654	\$ 629,632	\$ -	\$ -	\$ 5,896,286
State-shared revenue and grants:					
Federal grants	412	-	-	-	412
State-shared revenue and grants	633,336	-	-	-	633,336
Sales and services:					
Cemetery	80,502	-	-	-	80,502
Charges for overhead services	195,350	-	-	-	195,350
Sales and services	656,595	-	-	-	656,595
Fines and forfeitures	24,294	-	-	-	24,294
Licenses, fees, and permits	474,662	-	-	-	474,662
Interest and rentals:					
Investment income	147,383	47,249	-	-	194,632
Rental income	190,642	-	-	-	190,642
Other revenue:					
Local contribution	50,000	-	-	-	50,000
Other	160,098	-	-	-	160,098
Racetrack breakage	19,348	-	-	-	19,348
Total revenue	7,899,276	676,881	-	-	8,576,157
<b>Expenditures</b>					
Current services:					
General government	2,021,922	-	-	-	2,021,922
Public safety:					
Police department	3,054,239	-	-	-	3,054,239
Fire department	951,971	-	-	-	951,971
Public works	584,277	-	-	-	584,277
Recreation and culture	229,279	-	-	-	229,279
Contributions to MERS trusts	235,000	-	-	-	235,000
Debt service	52,213	-	-	-	52,213
Total expenditures	7,128,901	-	-	-	7,128,901
<b>Excess of Revenue Over Expenditures</b>	770,375	676,881	-	-	1,447,256
<b>Other Financing Uses - Transfers out</b>	(617,467)	(31,910)	-	-	(649,377)
<b>Net Change in Fund Balances</b>	152,908	644,971	-	-	797,879
<b>Fund Balances - Beginning of year</b>	2,892,554	1,193,487	-	-	4,086,041
<b>Fund Balances - End of year</b>	<u>\$ 3,045,462</u>	<u>\$ 1,838,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,883,920</u>

## City of Northville, Michigan

Special Revenue Funds						
	Major Streets	Local Streets	Parking	Housing Commission	Cemetery	Arts Commission
<b>Assets</b>						
Cash and investments	\$ 749,696	\$ 105,496	\$ 711,168	\$ 367,742	\$ 994,414	\$ 62,981
Receivables:						
Special assessments	-	-	47,463	-	-	-
Accrued interest	-	-	-	-	14,817	-
Other	987	8	254	207	29	445
Due from other governmental units	68,333	29,077	8	-	-	-
Inventory	-	-	9,798	-	-	-
Prepaid expenses and other assets	1,222	2,214	-	6,368	-	25
<b>Total assets</b>	<b>\$ 820,238</b>	<b>\$ 136,795</b>	<b>\$ 768,691</b>	<b>\$ 374,317</b>	<b>\$ 1,009,260</b>	<b>\$ 63,451</b>
<b>Liabilities</b>						
Accounts payable	\$ 9,534	\$ 23,092	\$ 6,121	\$ 4,762	\$ 10	\$ 6,065
Accrued liabilities and other	1,339	4,859	8	4,212	-	1,371
Unearned revenue	-	-	-	13,516	-	15,972
<b>Total liabilities</b>	<b>10,873</b>	<b>27,951</b>	<b>6,129</b>	<b>22,490</b>	<b>10</b>	<b>23,408</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	-	35,553	-	-	-
<b>Fund Balances</b>						
Nonspendable:						
Inventory/Assets held for resale	-	-	9,798	-	-	-
Prepays	1,222	2,214	-	6,368	-	25
Restricted - Roads	808,143	106,630	-	-	-	-
Committed:						
Capital projects	-	-	-	-	-	-
Cemetery maintenance	-	-	-	-	1,009,250	-
Arts commission	-	-	-	-	-	40,018
Parking	-	-	717,211	-	-	-
Allen Terrace	-	-	-	345,459	-	-
Debt service	-	-	-	-	-	-
<b>Total fund balances</b>	<b>809,365</b>	<b>108,844</b>	<b>727,009</b>	<b>351,827</b>	<b>1,009,250</b>	<b>40,043</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 820,238</b>	<b>\$ 136,795</b>	<b>\$ 768,691</b>	<b>\$ 374,317</b>	<b>\$ 1,009,260</b>	<b>\$ 63,451</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

Debt Service Funds		Capital Project Funds			Total
DDA Debt Service	Housing Debt Retirement	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	Nonmajor Governmental Funds
\$ 2,554	\$ 2,780	\$ 366,822	\$ 1,170,992	\$ 891,231	\$ 5,425,876
-	-	-	-	-	47,463
-	-	-	-	-	14,817
-	-	99	369	257	2,655
-	-	-	-	17,180	114,598
-	-	-	-	-	9,798
-	-	-	-	-	9,829
<b>\$ 2,554</b>	<b>\$ 2,780</b>	<b>\$ 366,921</b>	<b>\$ 1,171,361</b>	<b>\$ 908,668</b>	<b>\$ 5,625,036</b>
\$ -	\$ -	\$ 35,802	\$ 5,536	\$ 86	\$ 91,008
-	-	-	-	-	11,789
-	-	-	-	-	29,488
-	-	35,802	5,536	86	132,285
-	-	-	-	-	35,553
-	-	-	-	-	9,798
-	-	-	-	-	9,829
-	-	-	-	-	914,773
-	-	331,119	1,165,825	908,582	2,405,526
-	-	-	-	-	1,009,250
-	-	-	-	-	40,018
-	-	-	-	-	717,211
-	-	-	-	-	345,459
2,554	2,780	-	-	-	5,334
2,554	2,780	331,119	1,165,825	908,582	5,457,198
<b>\$ 2,554</b>	<b>\$ 2,780</b>	<b>\$ 366,921</b>	<b>\$ 1,171,361</b>	<b>\$ 908,668</b>	<b>\$ 5,625,036</b>

## City of Northville, Michigan

Special Revenue Funds						
	Major Streets	Local Streets	Parking	Housing Commission	Cemetery	Arts Commission
<b>Revenue</b>						
Special assessments	\$ -	\$ -	\$ 15,554	\$ -	\$ -	\$ -
State-shared revenue and grants:						
State-shared revenue and grants	397,325	246,904	-	-	-	-
Community Development Block Grant	-	-	-	-	-	-
Sales and services	-	-	-	7,518	-	-
Interest and rentals:						
Investment income	17,547	1,420	18,872	12,173	24,989	784
Rental income	-	-	-	819,234	-	300
Other revenue:						
Local contribution	-	-	108,628	-	-	2,541
Other	1,975	1,579	12,967	23,083	-	163,629
Michigan Housing Authority subsidies	-	-	-	40,964	-	-
Total revenue	416,847	249,903	156,021	902,972	24,989	167,254
<b>Expenditures</b>						
Current services:						
Public safety	-	-	-	-	-	-
Public works	241,522	335,121	152,687	-	-	-
Senior housing	-	-	-	639,501	-	-
Recreation and culture	-	-	-	-	-	170,276
Debt service	-	-	-	-	-	-
Total expenditures	241,522	335,121	152,687	639,501	-	170,276
<b>Excess of Revenue Over (Under) Expenditures</b>	175,325	(85,218)	3,334	263,471	24,989	(3,022)
<b>Other Financing Sources (Uses)</b>						
Transfers in	78,212	85,218	14,968	15,620	-	-
Transfers out	(49,370)	-	-	(303,854)	-	(2,056)
Total other financing sources (uses)	28,842	85,218	14,968	(288,234)	-	(2,056)
<b>Net Change in Fund Balances</b>	204,167	-	18,302	(24,763)	24,989	(5,078)
<b>Fund Balances - Beginning of year</b>	605,198	108,844	708,707	376,590	984,261	45,121
<b>Fund Balances - End of year</b>	<u>\$ 809,365</u>	<u>\$ 108,844</u>	<u>\$ 727,009</u>	<u>\$ 351,827</u>	<u>\$ 1,009,250</u>	<u>\$ 40,043</u>

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019

Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
DDA Debt Service	Housing Debt Retirement	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,554
-	-	-	-	-	644,229
-	-	-	-	36,920	36,920
-	-	-	-	-	7,518
-	-	6,904	30,196	19,815	132,700
-	-	-	-	-	819,534
173,170	-	-	75,242	-	359,581
-	-	-	13,900	-	217,133
-	-	-	-	-	40,964
173,170	-	6,904	119,338	56,735	2,274,133
-	-	38,741	458,843	-	497,584
-	-	-	-	-	729,330
-	-	-	-	336,540	976,041
-	-	-	-	-	170,276
173,170	98,774	-	-	-	271,944
173,170	98,774	38,741	458,843	336,540	2,645,175
-	(98,774)	(31,837)	(339,505)	(279,805)	(371,042)
-	98,774	102,000	183,832	205,080	783,704
-	-	-	-	-	(355,280)
-	98,774	102,000	183,832	205,080	428,424
-	-	70,163	(155,673)	(74,725)	57,382
2,554	2,780	260,956	1,321,498	983,307	5,399,816
<u>\$ 2,554</u>	<u>\$ 2,780</u>	<u>\$ 331,119</u>	<u>\$ 1,165,825</u>	<u>\$ 908,582</u>	<u>\$ 5,457,198</u>



Other Supplemental Information  
Combining Statement of Net Position  
Internal Service Funds

June 30, 2019

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 330,568	\$ 1,005	\$ 459,662	\$ 791,235
Receivables	126	-	186	312
Inventory	25,133	-	-	25,133
Prepaid expenses and other assets	4,419	-	-	4,419
Total current assets	360,246	1,005	459,848	821,099
Noncurrent assets:				
Restricted assets	-	250,506	-	250,506
Capital assets - Assets subject to depreciation	231,635	-	-	231,635
Total noncurrent assets	231,635	250,506	-	482,141
Total assets	591,881	251,511	459,848	1,303,240
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	26,137	-	62	26,199
Accrued liabilities and other	1,139	55,157	-	56,296
Current portion of compensated absences	246	-	-	246
Total current liabilities	27,522	55,157	62	82,741
Noncurrent liabilities - Compensated absences - Net of current portion	4,668	-	-	4,668
Total liabilities	32,190	55,157	62	87,409
<b>Net Position</b>				
Net investment in capital assets	231,635	-	-	231,635
Restricted - Insurance retention	-	196,354	-	196,354
Unrestricted	328,056	-	459,786	787,842
Total net position	<u>\$ 559,691</u>	<u>\$ 196,354</u>	<u>\$ 459,786</u>	<u>\$ 1,215,831</u>

## City of Northville, Michigan

### Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds

Year Ended June 30, 2019

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total Internal Service Funds
<b>Operating Revenue</b>				
Rental income	\$ 273,822	\$ -	\$ -	\$ 273,822
Recoveries	-	10,044	-	10,044
Other revenue	12,575	-	-	12,575
Total operating revenue	286,397	10,044	-	296,441
<b>Operating Expenses</b>				
Other operating and maintenance costs	266,222	-	-	266,222
Claims	-	50,338	-	50,338
Compensation payouts	-	-	38,554	38,554
Depreciation	56,362	-	-	56,362
Total operating expenses	322,584	50,338	38,554	411,476
<b>Operating Loss</b>	(36,187)	(40,294)	(38,554)	(115,035)
<b>Nonoperating Revenue</b>				
Investment income	10,249	8,142	13,178	31,569
Gain on sale of assets	11,500	-	-	11,500
Total nonoperating revenue	21,749	8,142	13,178	43,069
<b>Change in Net Position</b>	(14,438)	(32,152)	(25,376)	(71,966)
<b>Net Position - Beginning of year</b>	574,129	228,506	485,162	1,287,797
<b>Net Position - End of year</b>	<u><u>\$ 559,691</u></u>	<u><u>\$ 196,354</u></u>	<u><u>\$ 459,786</u></u>	<u><u>\$ 1,215,831</u></u>

Other Supplemental Information  
Combining Statement of Cash Flows  
Internal Service Funds

Year Ended June 30, 2019

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 273,825	\$ -	\$ (13)	\$ 273,812
Payments to suppliers	(139,771)	(124,102)	(34)	(263,907)
Payments to employees and fringes	(110,255)	-	(38,554)	(148,809)
Other receipts	13,266	10,044	-	23,310
Net cash and cash equivalents provided by (used in) operating activities	37,065	(114,058)	(38,601)	(115,594)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of capital assets	11,500	-	-	11,500
Purchase of capital assets	(116,847)	-	-	(116,847)
Net cash and cash equivalents used in capital and related financing activities	(105,347)	-	-	(105,347)
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	10,249	8,142	13,178	31,569
<b>Net Decrease in Cash and Cash Equivalents</b>	(58,033)	(105,916)	(25,423)	(189,372)
<b>Cash and Cash Equivalents - Beginning of year</b>	388,601	357,427	485,085	1,231,113
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 330,568</b>	<b>\$ 251,511</b>	<b>\$ 459,662</b>	<b>\$ 1,041,741</b>
<b>Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 330,568	\$ 1,005	\$ 459,662	\$ 791,235
Restricted cash	-	250,506	-	250,506
Total cash and cash equivalents	<b>\$ 330,568</b>	<b>\$ 251,511</b>	<b>\$ 459,662</b>	<b>\$ 1,041,741</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (36,187)	\$ (40,294)	\$ (38,554)	\$ (115,035)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	56,362	-	-	56,362
Changes in assets and liabilities:				
Receivables	694	-	(13)	681
Inventories	(1,919)	-	-	(1,919)
Prepaid and other assets	(3,340)	-	-	(3,340)
Accounts payable	21,922	-	(34)	21,888
Accrued and other liabilities	(467)	(73,764)	-	(74,231)
Total adjustments	73,252	(73,764)	(47)	(559)
Net cash and cash equivalents provided by (used in) operating activities	<b>\$ 37,065</b>	<b>\$ (114,058)</b>	<b>\$ (38,601)</b>	<b>\$ (115,594)</b>