



Financial Report
with Supplemental Information

June 30, 2020

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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, 2020 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, 2020 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 opinions 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 29, 2020

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, 2020.

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; the Sustainability Revolving 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 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 Sustainability Revolving Fund was a new fund to accumulate and finance future sustainability projects.

The General Fund was budgeted to increase fund balance by approximately \$445,000. Rather, it increased approximately \$718,000 due to several factors. The Street, Drainage, and Sidewalk Improvement Fund increase of approximately \$673,000 was due to an accumulation of funds for street improvement projects that will commence in the following fiscal year. In the General Fund, revenue was higher than expected by approximately \$88,000, primarily in the categories of permits and state-shared revenue. Expenditures were lower than expected due to decreased trainings and civic event activity and lower overall activity levels due to the coronavirus pandemic in addition to close monitoring of expenditures by departments.

Property tax revenue increased 9 percent from the prior year, and it continues to be the City's single largest source of revenue at approximately 54 percent of total governmental revenue. The City's millage generated approximately \$5.2 million to support General Fund operations; \$645,000 for street, drainage, and sidewalk improvements; and \$349,000 for debt service.

Federal grant funding was received for improvements at Allen Terrace, upgrades of the evidence room in the police department, and replacement of hoses in the fire department.

As of December 31, 2019, the net pension liability was \$6.5 million, and the plan's fiduciary net position was 69 percent of total pension liability. Consistent with the prior year, 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 \$11,605.

As of December 31, 2019, the net other postemployment benefits (OPEB) liability was \$1.3 million, and the plan was 89 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 \$500,000 to fund the accumulated compensated absences liability. This represents accumulated vacation, sick, and compensation time earned by employees.

Long-term governmental debt obligations are \$4.2 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 one outstanding debt as of the end of the fiscal year. The Water and Sewer Fund borrowed \$622,000 from the General Fund to partially finance the water meter replacement program. That loan will mature in fiscal year 2027.

The net investment in capital assets was approximately \$25 million for governmental funds and \$5.7 million for business-type activities.

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
	2018	2019	2020	Change	
Assets					
Current and other assets	\$ 15,585,583	\$ 19,691,605	\$ 20,275,705	\$ 584,100	3.0
Capital assets	24,200,783	23,333,307	24,860,216	1,526,909	6.5
Total assets	39,786,366	43,024,912	45,135,921	2,111,009	4.9
Deferred Outflows of Resources -					
Related to pensions and OPEB	806,613	2,204,837	960,241	(1,244,596)	(56.4)
Liabilities					
Current liabilities	1,035,252	1,032,036	2,580,504	1,548,468	150.0
Noncurrent liabilities:					
Due within one year	361,236	633,024	658,981	25,957	4.1
Due in more than one year	11,628,508	13,652,332	10,891,363	(2,760,969)	(20.2)
Total liabilities	13,024,996	15,317,392	14,130,848	(1,186,544)	(7.7)
Deferred Inflows of Resources -					
Related to pensions and OPEB	583,830	1,169,376	613,759	(555,617)	(47.5)
Net Position					
Net investment in capital assets	22,295,783	21,701,307	20,697,216	(1,004,091)	(4.6)
Restricted	2,164,803	2,982,872	4,416,338	1,433,466	48.1
Unrestricted	2,523,567	4,058,802	6,238,001	2,179,199	53.7
Total net position	<u>\$ 26,984,153</u>	<u>\$ 28,742,981</u>	<u>\$ 31,351,555</u>	<u>\$ 2,608,574</u>	9.1

Management's Discussion and Analysis (Continued)

	Business-type Activities				
	2018	2019	2020	Change	Percent Change
Assets					
Current and other assets	\$ 2,633,646	\$ 2,993,796	\$ 2,652,364	\$ (341,432)	(11.4)
Capital assets	5,275,319	5,116,946	5,742,627	625,681	12.2
Total assets	7,908,965	8,110,742	8,394,991	284,249	3.5
Deferred Outflows of Resources -					
Related to pensions and OPEB	100,073	280,971	129,607	(151,364)	(53.9)
Liabilities					
Current liabilities	262,093	308,409	1,133,118	824,709	267.4
Noncurrent liabilities:					
Due within one year	9,127	1,090	1,523	433	39.7
Due in more than one year	1,204,043	1,141,188	870,844	(270,344)	(23.7)
Total liabilities	1,475,263	1,450,687	2,005,485	554,798	38.2
Deferred Inflows of Resources	80,089	199,151	119,513	(79,638)	(40.0)
Net Position					
Net investment in capital assets	5,275,319	5,116,946	5,120,627	3,681	0.1
Unrestricted	1,178,367	1,624,929	1,278,973	(345,956)	(21.3)
Total net position	<u>\$ 6,453,686</u>	<u>\$ 6,741,875</u>	<u>\$ 6,399,600</u>	<u>\$ (342,275)</u>	(5.1)

Governmental Activities

Overall, the City's net position of governmental activities increased by 9.1 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 increase in capital assets was primarily due to investment in street reconstruction, police and fire equipment, parking deck restoration, and other equipment needs.

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 decrease in noncurrent liabilities due in more than one year was due to additional contributions and investment income in the pension and other postemployment plans and debt service payments during the year.

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 their 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.

A decrease in total net position of 5.1 percent was expected for the following reasons:

The increase in capital assets was due to the investment in water mains offset by the current year depreciation expense.

An internal loan from the General Fund to the Water and Sewer Fund partially financed the water meter replacement project.

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				Percent Change
	2018	2019	2020	Change	
Revenue					
Program revenue:					
Charges for services	\$ 2,244,466	\$ 2,273,496	\$ 2,426,540	\$ 153,044	6.7
Operating grants and contributions	502,708	478,489	435,868	(42,621)	(8.9)
Capital grants and contributions	126,823	264,801	636,458	371,657	140.4
General revenue:					
Property taxes	5,631,764	5,896,286	6,435,684	539,398	9.1
State-shared revenue and grants	1,100,337	1,159,247	1,174,671	15,424	1.3
Investment income	54,869	458,756	389,168	(69,588)	(15.2)
Other revenue:					
Racetrack breakage	175,416	231,050	157,201	(73,849)	(32.0)
Proceeds from sale of capital assets	-	11,500	73,849	62,349	542.2
Other miscellaneous revenue	199,792	353,461	194,505	(158,956)	(45.0)
Total revenue	10,036,175	11,127,086	11,923,944	796,858	7.2
Expenses					
General government	1,729,322	1,820,400	1,980,769	160,369	8.8
Public safety	3,749,788	3,439,234	3,970,200	530,966	15.4
Public works	2,687,253	2,560,697	2,195,578	(365,119)	(14.3)
Senior housing	851,747	1,047,684	701,081	(346,603)	(33.1)
Recreation and culture	361,973	360,251	358,678	(1,573)	(0.4)
Interest on long-term debt	56,537	139,992	126,022	(13,970)	(10.0)
Total expenses	9,436,620	9,368,258	9,332,328	(35,930)	(0.4)
Transfers	(175,045)	-	16,958	16,958	-
Change in Net Position	424,510	1,758,828	2,608,574	849,746	48.3
Net Position - Beginning of year	26,559,643	26,984,153	28,742,981	1,758,828	6.5
Net Position - End of year	\$ 26,984,153	\$ 28,742,981	\$ 31,351,555	\$ 2,608,574	9.1

Management's Discussion and Analysis (Continued)

	Business-type Activities				
	2018	2019	2020	Change	Percent Change
Revenue					
Program revenue - Charges for service	\$ 3,750,051	\$ 3,641,897	\$ 3,945,280	\$ 303,383	8.3
General revenue - Investment income	(2,281)	55,842	48,919	(6,923)	(12.4)
Total revenue	3,747,770	3,697,739	3,994,199	296,460	8.0
Operating Expenses	3,287,999	3,409,550	4,319,516	909,966	26.7
Transfers	178,845	-	(16,958)	(16,958)	-
Change in Net Position	638,616	288,189	(342,275)	(630,464)	(218.8)
Net Position - Beginning of year	5,815,070	6,453,686	6,741,875	288,189	4.5
Net Position - End of year	<u>\$ 6,453,686</u>	<u>\$ 6,741,875</u>	<u>\$ 6,399,600</u>	<u>\$ (342,275)</u>	(5.1)

Governmental Activities

Overall, net position increased \$2.6 million, or 9.1 percent. Governmental revenue increased 7.2 percent from the prior year. That was due to a combination of factors described below.

Charges for services increased 6.7 percent primarily due to an increase in total grave sales due to the expansion of Rural Hill Cemetery.

The increase in capital grants and contributions was due to a contribution from the Downtown Development Authority for the restoration of the Cady Deck parking structure, hoses for the fire department, and upgrades to the evidence room in the police department.

The decreases in investment income and racetrack breakage were both expected due to the impact of COVID-19. Interest rates fell significantly, and the racetrack closed for several months.

The decrease in other miscellaneous revenue was due to an MMRMA distribution received in the prior year. In fiscal year 2020, the distribution was used to make an additional pension contribution.

Overall, expenditures remained fairly consistent with the prior year. The fluctuation by category was primarily due to capital spending.

Business-type Activities

Charges for services increased 8.3 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. This was expected due to an increase in the water rate of 8 percent and the sewer rate of 14 percent, along with a 3.5 percent increase in consumption.

The decrease in investment income was due to the impact on interest rates during the COVID-19 pandemic. The transfer was from the Refuse and Recycling Fund to the Equipment Fund for the purchase of a leaf claw for the fall leaf pickup program.

Operating expenses increased 26.7 percent primarily due to the major water meter replacement program undertaken during the fiscal year.

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 2020, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Public Improvement Fund
- Local Streets Fund
- Parking 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; the Interfund Investment Pool Fund; the Sustainability Revolving 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 Sustainability Revolving Fund was a new fund to accumulate and finance future sustainability projects.

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 3.1 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.

An additional contribution of \$300,000 from the General Fund was made into the pension plan.

Operating transfers out from the Street, Drainage, and Sidewalk Improvement Fund to the Major Streets and Local Streets funds are dedicated for street, drainage, and sidewalk improvements. Transfers from the General Fund to other funds 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 71 percent of General Fund revenue.

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. Breakage revenue declined due to the racetrack being closed temporarily due to COVID-19. No significant projects were undertaken during the year.

The Local Streets Fund records revenue received from the gasoline tax through the State of Michigan under Act 51. Bonds were issued in 2018 to finance street improvement. The following streets were improved or commenced during the fiscal year: Morgan Blvd., Morgan Circle, Morgan Ct., MacDonald Drive, Baseline, Stanstead, Allen, Potomac, Rogers, Summerside, Larry, High, Grace St., Grace Ct., W. Cady, Sherrie Lane, Coldspring, and Spring Drive.

The Parking Fund accumulates special assessment revenue through parking credits to pay for maintenance and improvements to the parking lots and decks. The Downtown Development Authority also contributes to this Fund. Ford Field parking lot and the Cady Street parking deck were completed during the year. Restoration on the Main Centre deck was almost complete by year end.

Capital Assets and Debt Administration

At the end of fiscal year 2020, the City had approximately \$30.6 million invested in a broad range of capital assets, including land and buildings, police and fire equipment, infrastructure, and water and sewer lines, net of depreciation.

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 \$4.2 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 impact of the COVID-19 pandemic to the City is still yet to be determined. Currently interest rates are near 0 percent. The constitutional revenue sharing is based upon a formula related to sales tax collected. Since it is a fluid situation, the City must be prepared to make adjustments. However, CARES Act funding will help offset payroll and additional expenditures required for social distancing.

The net taxable value of the City increased 4.4 percent for the next fiscal year. The City's operating millage was 13.3538 mills in fiscal year 2020. However, it was reduced to 13.1988 mills in fiscal year 2020 due to the City reaching its Headlee maximum. This will provide for an additional \$166,000 in general operating tax revenue. For fiscal year 2020, the City's millage for streets, drainage, and sidewalk improvements has decreased from 1.6635 mills to 1.6442 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. The City provides fire prevention, fire suppression, and emergency medical services to the City of Plymouth, Michigan. The City of Plymouth, Michigan will reimburse 58 percent of the costs to the City of Northville, Michigan, down from 59 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, Michigan sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the combined water and sewer rate from \$17.20 to \$17.86 per unit, or 3.8 percent, effective July 1, 2020. The service charge and meter replacement fee remain consistent with the prior year.

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 1.37 percent, from \$730 to \$740, for the 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 health care 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.

Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 16,719,849	\$ 2,498,262	\$ 19,218,111	\$ 305,757
Receivables:				
Property taxes receivable	2,483	-	2,483	-
Special assessments	35,553	-	35,553	-
Customer receivables	179	1,075,787	1,075,966	-
Accrued interest	16,720	-	16,720	-
Other	191,520	342	191,862	1,472
Due from other governmental units	187,679	-	187,679	-
Internal balances	1,012,279	(1,012,279)	-	-
Inventory	66,815	81,861	148,676	-
Prepaid expenses and other assets	202,514	8,391	210,905	13,968
Restricted assets (Note 8)	898,770	-	898,770	-
Investment in joint ventures (Note 11)	716,344	-	716,344	-
Land held for resale	225,000	-	225,000	-
Capital assets: (Note 5)				
Assets not subject to depreciation	5,220,842	951,482	6,172,324	-
Assets subject to depreciation - Net	19,639,374	4,791,145	24,430,519	-
Total assets	45,135,921	8,394,991	53,530,912	321,197
Deferred Outflows of Resources				
Deferred outflows related to pension (Note 9)	671,888	73,457	745,345	-
Deferred outflows related to OPEB (Note 10)	288,353	56,150	344,503	-
Total deferred outflows of resources	960,241	129,607	1,089,848	-
Liabilities				
Accounts payable	1,625,564	1,106,596	2,732,160	16,197
Due to other governmental units	25,411	-	25,411	-
Refundable deposits, bonds, etc.	170,226	515	170,741	-
Accrued liabilities and other	727,835	26,007	753,842	41,097
Unearned revenue	31,468	-	31,468	-
Noncurrent liabilities:				
Due within one year (Note 7)	658,981	1,523	660,504	-
Due in more than one year:				
Compensated absences - Net of current portion (Note 7)	412,519	28,931	441,450	-
Net pension liability (Note 9)	5,821,945	636,498	6,458,443	-
Net retiree health care obligation (Note 10)	1,054,899	205,415	1,260,314	-
Long-term debt (Note 7)	3,602,000	-	3,602,000	-
Total liabilities	14,130,848	2,005,485	16,136,333	57,294
Deferred Inflows of Resources - OPEB (Note 10)	613,759	119,513	733,272	-
Net Position				
Net investment in capital assets	20,697,216	5,120,627	25,817,843	-
Restricted:				
Roads, streets, drainage, and sidewalk improvements	4,272,754	-	4,272,754	-
Insurance retention	121,081	-	121,081	-
Police forfeitures	22,503	-	22,503	-
Unrestricted	6,238,001	1,278,973	7,516,974	263,903
Total net position	<u>\$ 31,351,555</u>	<u>\$ 6,399,600</u>	<u>\$ 37,751,155</u>	<u>\$ 263,903</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	\$ 1,980,769	\$ 838,506	\$ 51,935	\$ -
Public safety	3,970,200	600,872	25,641	92,037
Public works	2,195,578	18,837	282,115	544,421
Senior housing	701,081	846,892	73,177	-
Recreation and culture	358,678	121,433	3,000	-
Interest on long-term debt	126,022	-	-	-
Total governmental activities	9,332,328	2,426,540	435,868	636,458
Business-type activities:				
Water and Sewer	3,744,308	3,327,926	-	-
Refuse and Recycling	575,208	617,354	-	-
Total business-type activities	4,319,516	3,945,280	-	-
Total primary government	\$ 13,651,844	\$ 6,371,820	\$ 435,868	\$ 636,458
Component units - Downtown Development Authority	\$ 1,068,211	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue and grants				
Unrestricted investment income				
Racetrack breakage				
Gain on sale of capital assets				
Other miscellaneous revenue				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,090,328)	\$ -	\$ (1,090,328)	\$ -
(3,251,650)	-	(3,251,650)	-
(1,350,205)	-	(1,350,205)	-
218,988	-	218,988	-
(234,245)	-	(234,245)	-
(126,022)	-	(126,022)	-
(5,833,462)	-	(5,833,462)	-
-	(416,382)	(416,382)	-
-	42,146	42,146	-
-	(374,236)	(374,236)	-
(5,833,462)	(374,236)	(6,207,698)	-
-	-	-	(1,068,211)
6,435,684	-	6,435,684	823,092
1,174,671	-	1,174,671	-
389,168	48,919	438,087	28,643
157,201	-	157,201	-
73,849	-	73,849	-
194,505	-	194,505	33,906
8,425,078	48,919	8,473,997	885,641
16,958	(16,958)	-	-
2,608,574	(342,275)	2,266,299	(182,570)
28,742,981	6,741,875	35,484,856	446,473
\$ 31,351,555	\$ 6,399,600	\$ 37,751,155	\$ 263,903

City of Northville, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Public Improvement Fund	Local Streets Fund	Parking Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 5,422,629	\$ 3,637,897	\$ 1,228,054	\$ 850,055	\$ 4,849,470	\$ 15,988,105
Receivables:						
Property taxes receivable	2,483	-	-	-	-	2,483
Special assessments	-	-	-	35,553	-	35,553
Customer receivables	179	-	-	-	-	179
Accrued interest	16,720	-	-	-	-	16,720
Other	189,824	171	-	31	1,460	191,486
Due from other governmental units	92,414	-	32,084	-	63,181	187,679
Due from other funds (Note 6)	82,500	-	-	-	-	82,500
Advances to other funds (Note 6)	539,500	-	-	-	-	539,500
Inventory	33,523	-	-	8,381	-	41,904
Prepaid expenses and other assets	185,795	-	2,475	-	9,121	197,391
Restricted assets	-	-	-	-	711,608	711,608
Land held for resale	-	225,000	-	-	-	225,000
Total assets	\$ 6,565,567	\$ 3,863,068	\$ 1,262,613	\$ 894,020	\$ 5,634,840	\$ 18,220,108
Liabilities						
Accounts payable	\$ 145,987	\$ 380	\$ 1,150,632	\$ 298,859	\$ 28,372	\$ 1,624,230
Due to other governmental units	25,411	-	-	-	-	25,411
Refundable deposits, bonds, etc.	169,496	-	-	-	730	170,226
Accrued liabilities and other	615,988	-	3,137	-	8,263	627,388
Unearned revenue	6,273	-	-	-	25,195	31,468
Total liabilities	963,155	380	1,153,769	298,859	62,560	2,478,723
Deferred Inflows of Resources -						
Unavailable revenue (Note 4)	-	-	-	24,414	-	24,414
Total liabilities and deferred inflows of resources	963,155	380	1,153,769	323,273	62,560	2,503,137

City of Northville, Michigan

Governmental Funds Balance Sheet (Continued)

June 30, 2020

	General Fund	Public Improvement Fund	Local Streets Fund	Parking Fund	Nonmajor Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Inventory/Assets held for resale	\$ 33,523	\$ 225,000	\$ -	\$ 8,381	\$ -	\$ 266,904
Prepays	185,795	-	2,475	-	9,121	197,391
Long-term advance to other fund	539,500	-	-	-	-	539,500
Restricted:						
Streets, drains, and sidewalk improvements	2,511,473	-	106,369	-	1,651,655	4,269,497
Police forfeitures	22,503	-	-	-	-	22,503
Committed:						
Capital projects	-	3,543,009	-	-	2,387,012	5,930,021
Cemetery maintenance	-	94,679	-	-	1,087,921	1,182,600
Arts commission	-	-	-	-	38,687	38,687
Parking	-	-	-	562,366	-	562,366
Allen Terrace	-	-	-	-	392,550	392,550
Debt service	-	-	-	-	5,334	5,334
Assigned:						
Subsequent year's budget	200,000	-	-	-	-	200,000
Beautification commission	541	-	-	-	-	541
Sustainability revolving fund	10,000	-	-	-	-	10,000
Unassigned	2,099,077	-	-	-	-	2,099,077
Total fund balances	5,602,412	3,862,688	108,844	570,747	5,572,280	15,716,971
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,565,567</u>	<u>\$ 3,863,068</u>	<u>\$ 1,262,613</u>	<u>\$ 894,020</u>	<u>\$ 5,634,840</u>	<u>\$ 18,220,108</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 15,716,971
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	24,616,637
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	24,414
Investments in joint ventures are not financial resources and are not reported in the funds	716,344
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,163,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(29,810)
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	(500,472)
Net pension liability and deferred inflows and outflows	(5,150,057)
Retiree health care benefits and deferred inflows and outflows	(1,380,305)
Internal service funds are included as part of governmental activities	<u>1,500,833</u>
Net Position of Governmental Activities	<u><u>\$ 31,351,555</u></u>

City of Northville, Michigan

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

Year Ended June 30, 2020

	General Fund	Public Improvement Fund	Local Streets Fund	Parking Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 6,086,356	\$ -	\$ -	\$ -	\$ 349,328	\$ 6,435,684
Special assessments	-	-	-	63,987	-	63,987
State-shared revenue and grants:						
Federal grants	-	-	-	-	243,498	243,498
State-shared revenue and grants	599,180	-	190,162	-	415,344	1,204,686
Community Development Block Grant	-	-	-	-	25,560	25,560
Sales and services:						
Cemetery	122,298	-	-	-	-	122,298
Charges for overhead services	199,480	-	-	-	-	199,480
Sales and services	606,985	60,805	-	-	69,434	737,224
Fines and forfeitures	12,025	-	-	-	-	12,025
Licenses, fees, and permits	527,421	-	-	-	-	527,421
Interest and rentals:						
Investment income	167,785	67,754	99	14,376	124,057	374,071
Rental income	195,121	-	-	-	834,991	1,030,112
Other revenue:						
Local contribution	50,000	-	-	341,353	262,468	653,821
Other	27,762	-	8,662	4,850	169,658	210,932
Racetrack breakage	7,206	149,995	-	-	-	157,201
Michigan Housing Authority subsidies	-	-	-	-	47,617	47,617
Total revenue	8,601,619	278,554	198,923	424,566	2,541,955	12,045,617
Expenditures						
Current services:						
General government	2,052,051	14,000	-	-	-	2,066,051
Public safety:						
Police department	3,195,618	-	-	-	316,638	3,512,256
Fire department	914,270	-	-	-	520,239	1,434,509
Public works	597,569	19,233	2,336,271	657,074	470,420	4,080,567
Senior housing	-	-	-	-	641,225	641,225
Recreation and culture	230,250	-	-	-	151,396	381,646
Contributions to MERS trusts	300,000	-	-	-	-	300,000
Debt service	52,096	-	-	-	620,631	672,727
Total expenditures	7,341,854	33,233	2,336,271	657,074	2,720,549	13,088,981
Excess of Revenue Over (Under) Expenditures	1,259,765	245,321	(2,137,348)	(232,508)	(178,594)	(1,043,364)
Other Financing Sources (Uses)						
Transfers in (Note 6)	26,694	306,488	2,137,348	2,397	872,882	3,345,809
Transfers out (Note 6)	(567,967)	(76,694)	-	-	(2,701,148)	(3,345,809)
Proceeds from sale of capital assets	-	-	-	73,849	-	73,849
Total other financing (uses) sources	(541,273)	229,794	2,137,348	76,246	(1,828,266)	73,849
Net Change in Fund Balances	718,492	475,115	-	(156,262)	(2,006,860)	(969,515)
Fund Balances - Beginning of year	4,883,920	3,387,573	108,844	727,009	7,579,140	16,686,486
Fund Balances - End of year	\$ 5,602,412	\$ 3,862,688	\$ 108,844	\$ 570,747	\$ 5,572,280	\$ 15,716,971

See notes to financial statements.

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ (969,515)
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	(1,706,203)
Capital outlay	3,221,168
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	(11,139)
Net income from joint ventures is not recorded in the governmental funds but is recorded in the statement of activities	46,131
Changes in accumulated employee sick and vacation pay reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until it comes due for payment	(40,685)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	519,000
Interest expense is recognized in the government-wide statements as it accrues	27,706
Changes in the other postemployment benefits liability reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until it becomes due for payment	1,053,678
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	519,154
Internal service funds are included as part of governmental activities	(50,721)
Change in Net Position of Governmental Activities	<u><u>\$ 2,608,574</u></u>

Proprietary Funds Statement of Net Position

June 30, 2020

	Enterprise Funds		
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds
			Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 2,316,772	\$ 181,490	\$ 2,498,262
Receivables	962,544	113,585	1,076,129
Inventory	81,861	-	81,861
Prepaid expenses and other assets	7,543	848	8,391
Total current assets	3,368,720	295,923	3,664,643
Noncurrent assets:			
Restricted assets (Note 8)	-	-	-
Capital assets: (Note 5)			
Assets not subject to depreciation	951,482	-	951,482
Assets subject to depreciation - Net	4,770,892	20,253	4,791,145
Total noncurrent assets	5,722,374	20,253	5,742,627
Total assets	9,091,094	316,176	9,407,270
			1,192,552
Deferred Outflows of Resources			
Deferred outflows related to pension (Note 9)	68,406	5,051	73,457
Deferred outflows related to OPEB (Note 10)	50,579	5,571	56,150
Total deferred outflows of resources	118,985	10,622	129,607
			-
Liabilities			
Current liabilities:			
Accounts payable	1,066,666	39,930	1,106,596
Due to other funds (Note 6)	82,500	-	82,500
Refundable deposits, bonds, etc.	515	-	515
Accrued liabilities and other	25,352	655	26,007
Current portion of compensated absences	1,303	220	1,523
Total current liabilities	1,176,336	40,805	1,217,141
Noncurrent liabilities:			
Advances from other funds (Note 6)	539,500	-	539,500
Compensated absences - Net of current portion	24,754	4,177	28,931
Net pension liability	592,735	43,763	636,498
Net retiree health care obligation	185,036	20,379	205,415
Total noncurrent liabilities	1,342,025	68,319	1,410,344
Total liabilities	2,518,361	109,124	2,627,485
			81,998
Deferred Inflows of Resources - Deferred inflows related to OPEB (Note 10)	107,656	11,857	119,513
			-
Net Position			
Net investment in capital assets	5,100,374	20,253	5,120,627
Restricted - Insurance retention	-	-	-
Unrestricted	1,483,688	185,564	1,669,252
Total net position	\$ 6,584,062	\$ 205,817	6,789,879
			\$ 1,110,554

Amounts reported for business-type activities in the statement of net position are different because a portion of the internal service funds is included as business-type activities

Total net position

(390,279)

\$ 6,399,600

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2020

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds	
Operating Revenue				
Sales to customers	\$ 3,327,073	\$ 617,354	\$ 3,944,427	\$ -
Rental income	-	-	-	256,172
Transfers from payroll fund	-	-	-	31,053
Other revenue	853	-	853	961
Total operating revenue	3,327,926	617,354	3,945,280	288,186
Operating Expenses				
Other operating and maintenance costs	3,254,916	537,176	3,792,092	292,906
Claims	-	-	-	81,848
Other expenses	141,670	34,045	175,715	-
Depreciation	280,208	3,987	284,195	57,337
Total operating expenses	3,676,794	575,208	4,252,002	432,091
Operating (Loss) Income	(348,868)	42,146	(306,722)	(143,905)
Nonoperating Revenue				
Investment interest and FMV changes	46,366	2,553	48,919	21,670
Interest expense	(12,958)	-	(12,958)	-
Total nonoperating revenue	33,408	2,553	35,961	21,670
Transfers In	-	-	-	16,958
Transfers Out	-	(16,958)	(16,958)	-
Change in Net Position	(315,460)	27,741	(287,719)	(105,277)
Net Position - Beginning of year	6,899,522	178,076	7,077,598	1,215,831
Net Position - End of year	<u>\$ 6,584,062</u>	<u>\$ 205,817</u>	<u>\$ 6,789,879</u>	<u>\$ 1,110,554</u>
Net Change in Net Position - Total enterprise funds			\$ (287,719)	
Amounts reported for business-type activities in the statement of activities are different because a portion of the internal service funds is included as business-type activities			(54,556)	
Change in Net Position of Business-type Activities			<u>\$ (342,275)</u>	

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2020

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,162,247	\$ 604,774	\$ 3,767,021	\$ 256,335
Receipts from interfund services and reimbursements	853	-	853	-
Payments to suppliers/Insurance claims	(2,179,552)	(520,996)	(2,700,548)	(245,125)
Payments to employees and fringes	(621,222)	(69,289)	(690,511)	(135,522)
Other receipts	-	-	-	32,129
Net cash provided by (used in) operating activities	362,326	14,489	376,815	(92,183)
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	-	16,958
Transfers to other funds	-	(16,958)	(16,958)	-
Net cash and cash equivalents (used in) provided by noncapital financing activities	-	(16,958)	(16,958)	16,958
Cash Flows from Capital and Related Financing Activities				
Loans received from other funds	622,000	-	622,000	-
Purchase of capital assets	(909,875)	-	(909,875)	(69,280)
Net cash and cash equivalents used in capital and related financing activities	(287,875)	-	(287,875)	(69,280)
Cash Flows Provided by Investing Activities -				
Interest received on investments and net realized gains on investments	46,366	2,553	48,919	21,670
Net Increase (Decrease) in Cash and Cash Equivalents	120,817	84	120,901	(122,835)
Cash and Cash Equivalents - Beginning of year	2,195,955	181,406	2,377,361	1,041,741
Cash and Cash Equivalents - End of year	\$ 2,316,772	\$ 181,490	\$ 2,498,262	\$ 918,906
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,316,772	\$ 181,490	\$ 2,498,262	\$ 731,744
Restricted cash	-	-	-	187,162
Total cash and cash equivalents	\$ 2,316,772	\$ 181,490	\$ 2,498,262	\$ 918,906

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2020

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (348,868)	\$ 42,146	\$ (306,722)	\$ (143,905)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	280,208	3,987	284,195	57,337
Changes in assets and liabilities:				
Receivables	(164,826)	(12,580)	(177,406)	278
Inventories	(36,740)	-	(36,740)	222
Prepaid and other assets	(148)	70	(78)	(704)
Accounts payable	818,825	2,564	821,389	(12,936)
Net pension or OPEB liability	(250,151)	(28,416)	(278,567)	-
Deferrals related to pension or OPEB	66,696	5,030	71,726	-
Accrued and other liabilities	(2,670)	1,688	(982)	7,525
Total adjustments	711,194	(27,657)	683,537	51,722
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 362,326</u>	<u>\$ 14,489</u>	<u>\$ 376,815</u>	<u>\$ (92,183)</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2020

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 146,914	\$ 4,725
Receivables	7	-
	<u>146,921</u>	<u>4,725</u>
Total assets		<u><u>\$ 4,725</u></u>
Liabilities		
Accounts payable	16	\$ -
Due to other governmental units	-	4,725
	<u>16</u>	<u>4,725</u>
Total liabilities		<u><u>\$ 4,725</u></u>
Net Position Held in Trust	<u><u>\$ 146,905</u></u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	Private Purpose Trust - Allen Terrace Trust Fund
Additions - Interest and dividends	\$ 2,989
Deductions - Rent subsidies	1,159
Net Increase in Net Position Held in Trust	1,830
Net Position Held in Trust - Beginning of year	145,075
Net Position Held in Trust - End of year	\$ 146,905

June 30, 2020

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), as 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, 2020

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 Local Streets Fund is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets.
- The Parking Fund is a special revenue fund that accounts for the resources for the maintenance, development, and improvement of the City's parking system.

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 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, 2020

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 health care-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.

June 30, 2020

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

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:

	Depreciable Life - Years
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.

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, the variance between the plan's expected and actual experience, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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).

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 City 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 2019 taxable valuation of the City totaled \$388 million (net of captured taxable value of \$27 million), on which taxes levied consisted of 13.3538 mills for the City's operating purposes, 1.6635 mills for street improvements, and 0.9003 mills for debt service. The ad valorem taxes levied raised approximately \$5.2 million for operations, \$645,000 for street, drainage and sidewalk improvements, and \$349,000 for debt service. The operating and street improvement amounts are recognized in the General Fund financial statements as taxes receivable - current or as tax revenue, and the debt service amounts are recognized in the 2018 UTGO Debt Retirement Fund.

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.

June 30, 2020**Note 1 - Significant Accounting Policies (Continued)****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.

Other Postemployment Benefit Costs

The City offers retiree health care 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.

Note 1 - Significant Accounting Policies (Continued)

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, 2021.

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, 2022.

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, 2022 fiscal year.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

June 30, 2020

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:

Cumulative shortfall at July 1, 2019		\$	(565,793)
Current year permit revenue			326,021
Related expenses:			
Direct costs	\$	100,664	
Estimated indirect costs		97,123	197,787
			<u>128,234</u>
Current year surplus			<u>128,234</u>
Cumulative shortfall at June 30, 2020		\$	<u><u>(437,559)</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.

The City has designated five banks for the deposit of its funds. The investment policy adopted by the City 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 City 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 \$5,705,629 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.

June 30, 2020

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Days)
Primary Government		
U.S. Treasury securities	\$ 2,363,636	120
Federal agency bonds	1,019,898	1288
Federal agency mortgage-backed securities	23,049	458
Federal agency collateralized mortgage obligations	107,688	885
Small business agency bonds	16,988	437
Supranational agency bonds	262,262	157
Municipal bonds	6,203,645	805
Total	<u>\$ 9,997,166</u>	

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
Primary Government			
Money market fund	\$ 1,416,466	AAAm	S&P
Pooled funds	2,880,902	AAAm	S&P
U.S. Treasury securities	2,363,636	AA+	S&P
Federal agency bonds	1,019,898	AA+	S&P
Federal agency mortgage-backed securities	23,049	AA+	S&P
Federal agency collateralized mortgage obligations	107,688	AA+	S&P
Small business agency bonds	16,988	AA+	S&P
Supranational agency bonds	262,262	AA+	S&P
Municipal bonds	3,868,276	AA- to AA+	S&P
Municipal bonds	2,335,369	Aa1 to Aa3	Moody's
Total	<u>\$ 14,294,534</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, 2020, more than 5 percent of the City's investments are in the following federal agency securities:

Federal Farm Credit Bank	7 %
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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, 2020, the carrying amount of the cash and investments for the DDA was \$305,757.

June 30, 2020

Note 3 - Deposits and Investments (Continued)***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, and 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 where 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.

The City has the following recurring fair value measurements as of June 30, 2020:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020			
	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, 2020
Debt securities:				
U.S. Treasury securities	\$ -	\$ 2,363,636	\$ -	\$ 2,363,636
Federal agency bonds	-	1,019,898	-	1,019,898
Federal agency mortgage- backed securities	-	23,049	-	23,049
Federal agency collateralized mortgage obligations	-	107,688	-	107,688
Small business agency bonds	-	16,988	-	16,988
Supranational agency bonds	-	262,262	-	262,262
Municipal bonds	-	6,203,645	-	6,203,645
Total debt securities	-	9,997,166	-	9,997,166
Equity securities - Money market fund	1,416,466	-	-	1,416,466
Total	\$ 1,416,466	\$ 9,997,166	\$ -	11,413,632
Investments measured at NAV - Michigan CLASS Investment Pool				2,880,902
Total assets				\$ 14,294,534

The fair value of equity securities at June 30, 2020 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, 2020 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.

June 30, 2020

Note 3 - Deposits and Investments (Continued)

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

Investments in Entities that Calculate Net Asset Value per Share

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 \$24,414 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, 2020

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	6,509	1,483,125	-	1,489,634
Other nondepreciable assets	119,972	-	-	119,972
Subtotal	3,737,717	1,483,125	-	5,220,842
Capital assets being depreciated:				
Roads, sidewalks, and bridges	30,802,798	1,112,056	-	31,914,854
Parking system	5,616,421	340,314	-	5,956,735
Buildings and improvements	11,494,539	-	-	11,494,539
Machinery and equipment	2,102,106	191,638	(194,593)	2,099,151
Vehicles	3,266,667	163,318	(11,248)	3,418,737
Streetscape	5,324,127	-	-	5,324,127
Subtotal	58,606,658	1,807,326	(205,841)	60,208,143
Accumulated depreciation:				
Roads, sidewalks, and bridges	22,151,385	856,293	-	23,007,678
Parking system	2,808,672	143,977	-	2,952,649
Buildings and improvements	7,947,589	270,519	-	8,218,108
Machinery and equipment	1,763,746	92,244	(194,593)	1,661,397
Vehicles	1,886,608	140,999	(11,248)	2,016,359
Streetscape	2,453,068	259,510	-	2,712,578
Subtotal	39,011,068	1,763,542	(205,841)	40,568,769
Net capital assets being depreciated	19,595,590	43,784	-	19,639,374
Net governmental activities capital assets	\$ 23,333,307	\$ 1,526,909	\$ -	\$ 24,860,216

June 30, 2020

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

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Construction in progress	\$ 79,078	\$ 872,404	\$ -	\$ 951,482
Capital assets being depreciated:				
Water and sewer lines	12,051,383	37,472	-	12,088,855
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	59,798	-	-	59,798
Subtotal	12,132,716	37,472	-	12,170,188
Accumulated depreciation:				
Water and sewer lines	7,037,754	280,208	-	7,317,962
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	35,559	3,987	-	39,546
Subtotal	7,094,848	284,195	-	7,379,043
Net capital assets being depreciated	5,037,868	(246,723)	-	4,791,145
Net business-type activities capital assets	<u>\$ 5,116,946</u>	<u>\$ 625,681</u>	<u>\$ -</u>	<u>\$ 5,742,627</u>

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

Governmental activities:	
General government	\$ 74,549
Public safety	158,609
Public works	1,260,847
Senior housing	183,154
Recreation and culture	29,046
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>57,337</u>
Total governmental activities	<u>\$ 1,763,542</u>
Business-type activities:	
Water and Sewer	\$ 280,208
Refuse and Recycling	<u>3,987</u>
Total business-type activities	<u>\$ 284,195</u>

June 30, 2020

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	\$ 17,523	\$ 21,672
Main Centre parking deck restoration	210,984	26,552
2020-1 Local road reconstruction	770,729	1,084,380
2020-2 Local road reconstruction including water & sewer	133,772	2,115,293
2020-3 2020 Local mill & fill	367,638	562,385
2020 Watermain replacements	871,328	38,075
Art House parking lot improvements	-	30,387
Total	<u>\$ 2,371,974</u>	<u>\$ 3,878,744</u>

Note 6 - Interfund Receivables, Payables, and Transfers

During the year, the City made a long-term advance from the General Fund to the Water and Sewer Fund in the amount of \$622,000. A due to and due from in the amount of \$82,500 is recorded in the Water and Sewer Fund and General Fund, respectively, to reflect the balance of the interfund loan due within one year. The long-term portion of the interfund borrowing is recorded as an advance to/from other funds in the fund statements. The internal loan from the General Fund has an interest rate of 2.50 percent and matures in 2026 according to the following maturity schedule:

Years Ending	Principal	Interest
2021	\$ 82,500	\$ 15,550
2022	84,500	13,488
2023	86,500	11,375
2024	89,000	9,213
2025	91,000	6,988
Thereafter	<u>188,500</u>	<u>7,101</u>
Total	<u>\$ 622,000</u>	<u>\$ 63,715</u>

June 30, 2020

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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)	\$ 302,380
	Parking Fund (1)	2,397
	Other nonmajor governmental funds (1)(2)	253,190
	Total General Fund	557,967
Public Improvement Fund	General Fund (2)	16,694
	Other nonmajor governmental funds (2)	60,000
	Total Public Improvement Fund	76,694
Other nonmajor governmental funds	Local Streets Fund (1)(2)	2,137,348
	Public Improvement Fund (2)	4,108
	Other nonmajor governmental funds (2)	559,692
	Total other nonmajor governmental funds	2,701,148
Refuse and Recycling Fund	Other internal service funds (1)	16,958
	Total	\$ 3,352,767

(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, 2020

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 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%	\$ 365,000	\$ -	\$ (90,000)	\$ 275,000	\$ 90,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	930,000	-	(145,000)	785,000	150,000
Street improvement bonds - Maturing through 2029	2.90%	3,050,000	-	(240,000)	2,810,000	275,000
Installment purchase agreement - Maturing through 2026	2.57%	337,000	-	(44,000)	293,000	46,000
Total bonds and contracts payable		4,682,000	-	(519,000)	4,163,000	561,000
Accumulated compensated absences		464,701	346,532	(300,733)	510,500	97,981
Total governmental activities long-term debt		<u>\$ 5,146,701</u>	<u>\$ 346,532</u>	<u>\$ (819,733)</u>	<u>\$ 4,673,500</u>	<u>\$ 658,981</u>

Business-type Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities - Accumulated compensated absences		\$ 21,798	\$ 22,541	\$ (13,885)	\$ 30,454	\$ 1,523

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
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	526,000	50,751	576,751
2026-2029	1,402,000	80,708	1,482,708
Total	<u>\$ 4,163,000</u>	<u>\$ 490,271</u>	<u>\$ 4,653,271</u>

June 30, 2020

Note 7 - Long-term Debt (Continued)***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, 2020, \$775,000 of bonds outstanding is considered defeased.

Note 8 - Restricted Assets

At June 30, 2020, restricted assets are composed of the following:

	Governmental Activities
Funds held for insurance claims	\$ 187,162
Funds held for street improvements	711,608
Total	<u>\$ 898,770</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 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.

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 employees' benefit terms may be subject to binding arbitration in certain circumstances.

Note 9 - Pension Plans (Continued)

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 11.5 to 13 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, 2019
Inactive plan members or beneficiaries currently receiving benefits	65
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	5
	<hr/>
Total employees covered by the plan	79
	<hr/>

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 \$3,566,451. For the City of Northville Defined Contribution Plan, the current year contribution (including DDA) was calculated based on covered payroll of \$2,196,390, resulting in an employer contribution of \$268,787.

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, 2020 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, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

June 30, 2020

Note 9 - Pension Plans (Continued)

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
Balance at December 31, 2018	\$ 20,732,472	\$ 12,671,163	\$ 8,061,309
Changes for the year:			
Service cost	56,958	-	56,958
Interest	1,589,919	-	1,589,919
Differences between expected and actual experience	(218,863)	-	(218,863)
Changes in assumptions	668,816	-	668,816
Contributions - Employer	-	1,975,822	(1,975,822)
Contributions - Employee	-	10,532	(10,532)
Net investment income	-	1,732,088	(1,732,088)
Benefit payments, including refunds	(1,773,898)	(1,773,898)	-
Administrative expenses	-	(29,811)	29,811
Net changes	322,932	1,914,733	(1,591,801)
Balance at December 31, 2019	<u>\$ 21,055,404</u>	<u>\$ 14,585,896</u>	<u>\$ 6,469,508</u>

The plan's fiduciary net position represents 69.3 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, 2020, the City and the Parks and Recreation Commission reported a liability of \$6,458,443 and \$11,065, 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, 2020, the City recognized pension expense of \$1,227,406.

At June 30, 2020, 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	\$ 51,444	\$ -
Employer contributions to the plan subsequent to the measurement date	693,901	-
Total	<u>\$ 745,345</u>	<u>\$ -</u>

June 30, 2020

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
2021	\$ (22,951)
2022	45,341
2023	159,534
2024	(130,480)

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return (net of investment expenses, gross of administrative expenses) of 7.6 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 7.6 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, 2019 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	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

June 30, 2020

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 7.6 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 (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1 Percentage Point Decrease (6.6%)	Current Discount Rate (7.6%)	1 Percentage Point Increase (8.6%)
Net pension liability of the plan	\$ 8,452,007	\$ 6,469,508	\$ 4,774,038

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.

Assumption Changes

The discount rate and expected investment return assumptions decreased from 7.75 to 7.35 percent (net of investment expenses and administrative expenses), and the wage inflation rate decreased from 3.75 to 3.00 percent.

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 health care 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

June 30, 2020

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

Retiree health care 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, 2020, the City made payments for postemployment health benefit premiums of \$657,886. Employees are not required to contribute to the plan.

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, 2020 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, 2019 measurement date. The December 31, 2019 measurement date total OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to the measurement 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
Balance at January 1, 2019	\$ 11,629,473	\$ 9,406,390	\$ 2,223,083
Changes for the year:			
Service cost	94,079	-	94,079
Interest	796,328	-	796,328
Contributions - Employer	-	600,797	(600,797)
Net investment income	-	1,270,482	(1,270,482)
Benefit payments, including refunds	(600,797)	(600,797)	-
Administrative expenses	-	(18,103)	18,103
Net changes	289,610	1,252,379	(962,769)
Balance at December 31, 2019	<u>\$ 11,919,083</u>	<u>\$ 10,658,769</u>	<u>\$ 1,260,314</u>

The plan's fiduciary net position represents 89.4 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, 2020, the City recognized OPEB income of \$541,534 related to GASB 75 adjustments.

At June 30, 2020, 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	\$ -	\$ (313,461)
Changes in assumptions	-	(298,974)
Net difference between projected and actual earnings on OPEB plan investments	-	(120,837)
Employer contributions to the plan subsequent to the measurement date	344,503	-
Total	<u>\$ 344,503</u>	<u>\$ (733,272)</u>

June 30, 2020

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
2021	\$ (648,574)
2022	(36,139)
2023	73,975
2024	(122,534)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation rolled forward to December 31, 2019 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 health care cost trend rate of 8.50 percent, 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 rolled forward to December 31, 2019 were based on the results of an actuarial experience study for the period from 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, 2019 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
Private assets	26.00	6.15

June 30, 2020

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 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability of the Retiree Health Care Plan	\$ 2,917,116	\$ 1,260,314	\$ (106,012)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the health care 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 health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.5%, Decreasing to 3.5%)	Current Health Care Cost Trend Rate (8.5%, Decreasing to 4.5%)	1 Percentage Point Increase (9.5%, Decreasing to 5.5%)
Net OPEB liability of the Retiree Health Care Plan	\$ (125,374)	\$ 1,260,314	\$ 2,940,226

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.

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, 2020, the investment in the Recreation Commission was \$686,315. 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.

June 30, 2020

Note 11 - Jointly Governed Organizations (Continued)

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, 2020, the investment in the Commission was \$30,029. 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 2020, the City paid \$929,345 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.

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, 2020, 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 \$5,454 to the property owners.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,086,505	\$ 6,077,833	\$ 6,086,356	\$ 8,523
State-shared revenue and grants	625,556	562,834	599,180	36,346
Sales and services:				
Cemetery	87,500	125,345	122,298	(3,047)
Charges for overhead services	199,480	199,480	199,480	-
Sales and services	729,921	636,794	606,985	(29,809)
Fines and forfeitures	18,450	11,310	12,025	715
Licenses, fees, and permits	415,125	485,150	527,421	42,271
Interest and rentals:				
Investment income	121,400	143,900	167,785	23,885
Rental income	195,132	195,132	195,121	(11)
Other revenue:				
Local contribution	50,000	50,000	50,000	-
Other	28,390	17,035	27,762	10,727
Racetrack breakage	12,557	8,700	7,206	(1,494)
Total revenue	8,570,016	8,513,513	8,601,619	88,106
Expenditures				
Current services:				
General government:				
City Council	14,095	21,940	19,242	2,698
City manager and communications	416,390	434,950	433,922	1,028
Finance and administrative services	358,150	334,295	332,857	1,438
Technology costs	62,200	83,980	78,112	5,868
Tax and assessing	197,190	205,950	201,136	4,814
City clerk	151,345	113,775	113,023	752
Buildings and grounds	209,910	213,920	201,255	12,665
City attorney	139,000	137,000	125,078	11,922
Clerk - Elections	57,445	98,025	95,740	2,285
Insurance	28,020	28,110	28,106	4
Planning, zoning, and inspection	337,300	402,215	402,525	(310)
Central supply	24,145	24,145	21,055	3,090
Public safety:				
Police department	3,228,145	3,230,500	3,195,618	34,882
Fire department	1,063,790	957,440	914,270	43,170
Public works:				
Civic events	42,090	35,665	27,305	8,360
Administration	274,100	290,405	288,082	2,323
Street lighting and miscellaneous public works	155,085	161,755	157,110	4,645
Beautification	4,880	4,845	2,775	2,070
Cemetery	115,475	125,345	122,297	3,048
Recreation and culture	230,291	230,250	230,250	-
Contributions to MERS trusts	200,000	300,000	300,000	-
Debt service	52,096	52,096	52,096	-
Total expenditures	7,361,142	7,486,606	7,341,854	144,752
Excess of Revenue Over Expenditures	1,208,874	1,026,907	1,259,765	232,858

Required Supplemental Information
Budgetary Comparison Schedule
General Fund (Continued)

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 26,694	\$ 26,694	\$ -
Transfers out	(667,557)	(608,262)	(567,967)	40,295
Total other financing uses	(667,557)	(581,568)	(541,273)	40,295
Net Change in Fund Balance	541,317	445,339	718,492	273,153
Fund Balance - Beginning of year	4,883,920	4,883,920	4,883,920	-
Fund Balance - End of year	\$ 5,425,237	\$ 5,329,259	\$ 5,602,412	\$ 273,153

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 189,124	\$ 178,511	\$ 190,162	\$ 11,651
Interest and rentals	900	90	99	9
Other revenue	-	955	8,662	7,707
Total revenue	190,024	179,556	198,923	19,367
Expenditures - Current services - Public works	2,114,500	2,395,818	2,336,271	59,547
Excess of Expenditures Over Revenue	(1,924,476)	(2,216,262)	(2,137,348)	78,914
Other Financing Sources - Transfers in	1,924,476	2,216,262	2,137,348	(78,914)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	108,844	108,844	108,844	-
Fund Balance - End of year	<u>\$ 108,844</u>	<u>\$ 108,844</u>	<u>\$ 108,844</u>	<u>\$ -</u>

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Parking Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 13,987	\$ 63,987	\$ 63,987	\$ -
Interest and rentals	11,830	14,040	14,376	336
Other revenue	120,920	347,552	346,203	(1,349)
Total revenue	146,737	425,579	424,566	(1,013)
Expenditures - Current services - Public works	540,383	601,810	657,074	(55,264)
Excess of Expenditures Over Revenue	(393,646)	(176,231)	(232,508)	(56,277)
Other Financing Sources				
Transfers in	16,130	6,835	2,397	(4,438)
Proceeds from sale of capital assets	-	73,849	73,849	-
Total other financing sources	16,130	80,684	76,246	(4,438)
Net Change in Fund Balance	(377,516)	(95,547)	(156,262)	(60,715)
Fund Balance - Beginning of year	727,009	727,009	727,009	-
Fund Balance - End of year	<u>\$ 349,493</u>	<u>\$ 631,462</u>	<u>\$ 570,747</u>	<u>\$ (60,715)</u>

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

	Last Six Fiscal Years					
	2020 (12/31/19 Measurement Date)	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)
Total Pension Liability						
Service cost	\$ 56,958	\$ 56,977	\$ 98,211	\$ 90,532	\$ 105,071	\$ 108,463
Interest	1,589,919	1,566,081	1,534,515	1,547,682	1,518,738	1,508,044
Differences between expected and actual experience	(218,863)	377,102	370,870	(287,626)	(45,461)	-
Changes in assumptions	668,816	-	-	-	881,953	-
Benefit payments, including refunds	(1,773,898)	(1,630,416)	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Total Pension Liability	322,932	369,744	457,199	(141,033)	920,004	186,438
Total Pension Liability - Beginning of year	20,732,472	20,362,728	19,905,529	20,046,562	19,126,558	18,940,120
Total Pension Liability - End of year	\$ 21,055,404	\$ 20,732,472	\$ 20,362,728	\$ 19,905,529	\$ 20,046,562	\$ 19,126,558
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,975,822	\$ 1,944,846	\$ 1,441,908	\$ 1,319,184	\$ 1,307,640	\$ 1,099,108
Contributions - Member	10,532	12,996	12,583	11,156	11,969	11,676
Net investment income (loss)	1,732,088	(514,514)	1,517,589	1,191,540	(167,140)	661,980
Administrative expenses	(29,811)	(25,025)	(23,990)	(23,515)	(23,783)	(24,342)
Benefit payments, including refunds	(1,773,898)	(1,630,416)	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Plan Fiduciary Net Position	1,914,733	(212,113)	1,401,693	1,006,744	(411,611)	318,353
Plan Fiduciary Net Position - Beginning of year	12,671,163	12,883,276	11,481,583	10,474,839	10,886,450	10,568,097
Plan Fiduciary Net Position - End of year	\$ 14,585,896	\$ 12,671,163	\$ 12,883,276	\$ 11,481,583	\$ 10,474,839	\$ 10,886,450
City's Net Pension Liability - Ending	\$ 6,469,508	\$ 8,061,309	\$ 7,479,452	\$ 8,423,946	\$ 9,571,723	\$ 8,240,108
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.27 %	61.12 %	63.27 %	57.68 %	52.25 %	56.92 %
Covered Payroll	\$ 446,148	\$ 451,293	\$ 731,856	\$ 706,615	\$ 825,019	\$ 855,589
City's Net Pension Liability as a Percentage of Covered Payroll	1,450.08 %	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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,075,608	\$ 986,107	\$ 1,052,112	\$ 901,164	\$ 851,664	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696
Contributions in relation to the actuarially determined contribution	1,975,822	1,944,846	1,441,908	1,319,184	1,307,640	1,099,108	1,042,329	717,456	663,972	639,696
Contribution Excess	\$ 900,214	\$ 958,739	\$ 389,796	\$ 418,020	\$ 455,976	\$ 256,252	\$ 282,309	\$ -	\$ -	\$ -

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	19 years
Asset valuation method	10-year smoothed
Inflation	2.50 percent
Salary increase	3.00 percent
Investment rate of return	7.60 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 Net OPEB Liability and Related Ratios

	Last Three Fiscal Years		
	2020 (12/31/19 Measurement Date)	2019 (12/31/18 Measurement Date)	2018 (12/31/17 Measurement Date)
Total OPEB Liability			
Service cost	\$ 94,079	\$ 129,148	\$ 130,093
Interest	796,328	854,849	831,247
Differences between expected and actual experience	-	(1,087,439)	-
Changes in assumptions	-	(1,037,180)	-
Benefit payments, including refunds	(600,797)	(633,720)	(691,872)
Net Change in Total OPEB Liability	289,610	(1,774,342)	269,468
Total OPEB Liability - Beginning of year	11,629,473	13,403,815	13,134,347
Total OPEB Liability - End of year	\$ 11,919,083	\$ 11,629,473	\$ 13,403,815
Plan Fiduciary Net Position			
Contributions - Employer	\$ 600,797	\$ 779,921	\$ 593,069
Net investment income (loss)	1,270,482	(352,219)	1,108,749
Administrative expenses	(18,103)	(23,589)	(21,446)
Benefit payments, including refunds	(600,797)	(633,720)	(691,872)
Net Change in Plan Fiduciary Net Position	1,252,379	(229,607)	988,500
Plan Fiduciary Net Position - Beginning of year	9,406,390	9,635,997	8,647,497
Plan Fiduciary Net Position - End of year	\$ 10,658,769	\$ 9,406,390	\$ 9,635,997
Net OPEB Liability - Ending	\$ 1,260,314	\$ 2,223,083	\$ 3,767,818
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	89.43 %	80.88 %	71.89 %
Covered-employee Payroll	\$ 1,236,143	\$ 1,494,412	\$ 1,552,588
Net OPEB Liability as a Percentage of Covered-employee Payroll	101.96 %	148.76 %	242.68 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 281,066	\$ 278,711	\$ 391,691	\$ 808,187	\$ 993,116	\$ 840,692	\$ 820,187	\$ 1,012,634	\$ 982,988	\$ 1,733,557
Contributions in relation to the actuarially determined contribution	600,797	779,921	847,194	1,001,872	1,109,503	961,787	1,129,194	1,305,128	956,325	907,052
Contribution Excess (Deficiency)	\$ 319,731	\$ 501,210	\$ 455,503	\$ 193,685	\$ 116,387	\$ 121,095	\$ 309,007	\$ 292,494	\$ (26,663)	\$ (826,505)

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	24 years
Asset valuation method	Market value
Inflation	2.50 percent
Health care 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
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

June 30, 2020

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.

For the year ended June 30, 2020, the City incurred expenditures in the General Fund and Parking Fund that were in excess of amounts budgeted, as follows:

- Planning, zoning, and inspection expenditures in the General Fund were approximately \$310 higher than budgeted.
- Public works expenditures in the Parking Fund were approximately \$55,000 higher than budgeted.

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 to 7.75 percent.

In the 2019 actuarial valuation, the discount rate and expected investment return assumptions decreased from 7.75 to 7.35 percent (net of investment expenses and administrative expenses), and the wage inflation rate decreased from 3.75 to 3.00 percent.

OPEB Information

Changes in Assumptions

In the 2018 actuarial valuation, the discount rate and expected investment return assumptions increased from 6.50 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 health care 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.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
General Fund

June 30, 2020

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Sustainability Revolving Fund	Total
Assets						
Cash and investments	\$ 2,770,762	\$ 2,511,653	\$ (16,720)	\$ 146,934	\$ 10,000	\$ 5,422,629
Receivables:						
Property taxes receivable	2,483	-	-	-	-	2,483
Customer receivables	179	-	-	-	-	179
Accrued interest	-	-	16,720	-	-	16,720
Other	64,817	127	-	124,880	-	189,824
Due from other governmental units	92,414	-	-	-	-	92,414
Due from other funds	82,500	-	-	-	-	82,500
Advances to other funds	539,500	-	-	-	-	539,500
Inventory	33,523	-	-	-	-	33,523
Prepaid expenses and other assets	87,495	-	-	98,300	-	185,795
Total assets	\$ 3,673,673	\$ 2,511,780	\$ -	\$ 370,114	\$ 10,000	\$ 6,565,567
Liabilities						
Accounts payable	\$ 145,563	\$ 307	\$ -	\$ 117	\$ -	\$ 145,987
Due to other governmental units	21,656	-	-	3,755	-	25,411
Refundable deposits, bonds, etc.	169,496	-	-	-	-	169,496
Accrued liabilities and other	249,746	-	-	366,242	-	615,988
Unearned revenue	6,273	-	-	-	-	6,273
Total liabilities	592,734	307	-	370,114	-	963,155
Fund Balances						
Nonspendable:						
Inventory/Assets held for resale	33,523	-	-	-	-	33,523
Prepays	185,795	-	-	-	-	185,795
Long-term advance to other fund	539,500	-	-	-	-	539,500
Restricted:						
Streets, drains, and sidewalk improvements	-	2,511,473	-	-	-	2,511,473
Police forfeitures	22,503	-	-	-	-	22,503
Assigned:						
Subsequent year's budget	200,000	-	-	-	-	200,000
Beautification commission	541	-	-	-	-	541
Sustainability revolving fund	-	-	-	-	10,000	10,000
Unassigned	2,099,077	-	-	-	-	2,099,077
Total fund balances	3,080,939	2,511,473	-	-	10,000	5,602,412
Total liabilities and fund balances	\$ 3,673,673	\$ 2,511,780	\$ -	\$ 370,114	\$ 10,000	\$ 6,565,567

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

Year Ended June 30, 2020

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Sustainability Revolving Fund	Total
Revenue						
Property taxes	\$ 5,437,595	\$ 648,761	\$ -	\$ -	\$ -	\$ 6,086,356
State-shared revenue and grants	599,180	-	-	-	-	599,180
Sales and services:						
Cemetery	122,298	-	-	-	-	122,298
Charges for overhead services	199,480	-	-	-	-	199,480
Sales and services	606,985	-	-	-	-	606,985
Fines and forfeitures	12,025	-	-	-	-	12,025
Licenses, fees, and permits	527,421	-	-	-	-	527,421
Interest and rentals:						
Investment income	118,323	49,462	-	-	-	167,785
Rental income	195,121	-	-	-	-	195,121
Other revenue:						
Local contribution	50,000	-	-	-	-	50,000
Other	27,762	-	-	-	-	27,762
Racetrack breakage	7,206	-	-	-	-	7,206
Total revenue	7,903,396	698,223	-	-	-	8,601,619
Expenditures						
Current services:						
General government	2,052,051	-	-	-	-	2,052,051
Public safety:						
Police department	3,195,618	-	-	-	-	3,195,618
Fire department	914,270	-	-	-	-	914,270
Public works	597,569	-	-	-	-	597,569
Recreation and culture	230,250	-	-	-	-	230,250
Contributions to MERS trusts	300,000	-	-	-	-	300,000
Debt service	52,096	-	-	-	-	52,096
Total expenditures	7,341,854	-	-	-	-	7,341,854
Excess of Revenue Over Expenditures	561,542	698,223	-	-	-	1,259,765
Other Financing Sources (Uses)						
Transfers in	16,694	-	-	-	10,000	26,694
Transfers out	(542,759)	(25,208)	-	-	-	(567,967)
Total other financing (uses) sources	(526,065)	(25,208)	-	-	10,000	(541,273)
Net Change in Fund Balances	35,477	673,015	-	-	10,000	718,492
Fund Balances - Beginning of year	3,045,462	1,838,458	-	-	-	4,883,920
Fund Balances - End of year	<u>\$ 3,080,939</u>	<u>\$ 2,511,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 5,602,412</u>

City of Northville, Michigan

	Special Revenue Funds				Debt Service Funds
	Major Streets	Housing Commission	Cemetery	Arts Commission	2018 UTGO Debt Retirement
Assets					
Cash and investments	\$ 891,122	\$ 418,718	\$ 1,087,925	\$ 50,004	\$ -
Receivables:					
Other	41	931	4	386	-
Due from other governmental units	57,247	-	-	-	-
Prepaid expenses and other assets	782	7,339	-	1,000	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-
Total assets	\$ 949,192	\$ 426,988	\$ 1,087,929	\$ 51,390	\$ -
Liabilities					
Accounts payable	\$ 7,003	\$ 4,766	\$ 8	\$ 1,208	\$ -
Refundable deposits, bonds, etc.	-	730	-	-	-
Accrued liabilities and other	1,360	6,330	-	573	-
Unearned revenue	-	15,273	-	9,922	-
Total liabilities	8,363	27,099	8	11,703	-
Fund Balances					
Nonspendable - Prepaids	782	7,339	-	1,000	-
Restricted - Roads	940,047	-	-	-	-
Committed:					
Capital projects	-	-	-	-	-
Cemetery maintenance	-	-	1,087,921	-	-
Arts commission	-	-	-	38,687	-
Allen Terrace	-	392,550	-	-	-
Debt service	-	-	-	-	-
Total fund balances	940,829	399,889	1,087,921	39,687	-
Total liabilities and fund balances	\$ 949,192	\$ 426,988	\$ 1,087,929	\$ 51,390	\$ -

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

Debt Service Funds		Capital Project Funds				Total Nonmajor Governmental Funds
DDA Debt Service	Housing Debt Retirement	Police Equipment Replacement	Fire Equipment Replacement	Street Bond Construction	Housing Commission Capital Outlay	
\$ 2,554	\$ 2,780	\$ 170,543	\$ 1,140,542	\$ -	\$ 1,085,282	\$ 4,849,470
-	-	4	49	-	45	1,460
-	-	5,934	-	-	-	63,181
-	-	-	-	-	-	9,121
-	-	-	-	711,608	-	711,608
\$ 2,554	\$ 2,780	\$ 176,481	\$ 1,140,591	\$ 711,608	\$ 1,085,327	\$ 5,634,840
\$ -	\$ -	\$ 15,178	\$ 109	\$ -	\$ 100	\$ 28,372
-	-	-	-	-	-	730
-	-	-	-	-	-	8,263
-	-	-	-	-	-	25,195
-	-	15,178	109	-	100	62,560
-	-	-	-	-	-	9,121
-	-	-	-	711,608	-	1,651,655
-	-	161,303	1,140,482	-	1,085,227	2,387,012
-	-	-	-	-	-	1,087,921
-	-	-	-	-	-	38,687
-	-	-	-	-	-	392,550
2,554	2,780	-	-	-	-	5,334
2,554	2,780	161,303	1,140,482	711,608	1,085,227	5,572,280
\$ 2,554	\$ 2,780	\$ 176,481	\$ 1,140,591	\$ 711,608	\$ 1,085,327	\$ 5,634,840

City of Northville, Michigan

	Special Revenue Funds				Debt Service Funds
	Major Streets	Housing Commission	Cemetery	Arts Commission	2018 UTGO Debt Retirement
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 349,328
State-shared revenue and grants:					
Federal grants	-	-	-	-	-
State-shared revenue and grants	415,344	-	-	-	-
Community Development Block Grant	-	-	-	-	-
Sales and services	-	8,629	60,805	-	-
Interest and rentals:					
Investment income	17,024	8,439	17,866	791	625
Rental income	-	834,343	-	648	-
Other revenue:					
Local contribution	-	-	-	3,275	-
Other	750	3,920	-	150,434	-
Michigan Housing Authority subsidies	-	47,617	-	-	-
Total revenue	433,118	902,948	78,671	155,148	349,953
Expenditures					
Current services:					
Public safety	-	-	-	-	-
Public works	470,420	-	-	-	-
Senior housing	-	598,533	-	-	-
Recreation and culture	-	-	-	151,396	-
Debt service	-	-	-	-	349,953
Total expenditures	470,420	598,533	-	151,396	349,953
Excess of Revenue (Under) Over Expenditures	(37,302)	304,415	78,671	3,752	-
Other Financing Sources (Uses)					
Transfers in	312,557	15,990	-	-	-
Transfers out	(143,791)	(272,343)	-	(4,108)	-
Total other financing sources (uses)	168,766	(256,353)	-	(4,108)	-
Net Change in Fund Balances	131,464	48,062	78,671	(356)	-
Fund Balances - Beginning of year	809,365	351,827	1,009,250	40,043	-
Fund Balances - End of year	<u>\$ 940,829</u>	<u>\$ 399,889</u>	<u>\$ 1,087,921</u>	<u>\$ 39,687</u>	<u>\$ -</u>

Other Supplemental Information

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

Nonmajor Governmental Funds

Year Ended June 30, 2020

Debt Service Funds		Capital Project Funds				Total Nonmajor Governmental Funds
DDA Debt Service	Housing Debt Retirement	Police Equipment Replacement	Fire Equipment Replacement	Street Bond Construction	Housing Commission Capital Outlay	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,328
-	-	26,785	216,713	-	-	243,498
-	-	-	-	-	-	415,344
-	-	-	-	-	25,560	25,560
-	-	-	-	-	-	69,434
-	-	3,483	22,828	34,719	18,282	124,057
-	-	-	-	-	-	834,991
173,830	-	-	85,363	-	-	262,468
-	-	14,554	-	-	-	169,658
-	-	-	-	-	-	47,617
173,830	-	44,822	324,904	34,719	43,842	2,541,955
-	-	316,638	520,239	-	-	836,877
-	-	-	-	-	-	470,420
-	-	-	-	-	42,692	641,225
-	-	-	-	-	-	151,396
173,830	96,848	-	-	-	-	620,631
173,830	96,848	316,638	520,239	-	42,692	2,720,549
-	(96,848)	(271,816)	(195,335)	34,719	1,150	(178,594)
-	96,848	102,000	169,992	-	175,495	872,882
-	-	-	-	(2,280,906)	-	(2,701,148)
-	96,848	102,000	169,992	(2,280,906)	175,495	(1,828,266)
-	-	(169,816)	(25,343)	(2,246,187)	176,645	(2,006,860)
2,554	2,780	331,119	1,165,825	2,957,795	908,582	7,579,140
\$ 2,554	\$ 2,780	\$ 161,303	\$ 1,140,482	\$ 711,608	\$ 1,085,227	\$ 5,572,280

City of Northville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds

June 30, 2020

	Municipal Equipment	Insurance Retention	Employees' Accumulated Compensation	Total Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 230,238	\$ 1,005	\$ 500,501	\$ 731,744
Receivables	11	-	23	34
Inventory	24,911	-	-	24,911
Prepaid expenses and other assets	5,123	-	-	5,123
Total current assets	260,283	1,005	500,524	761,812
Noncurrent assets:				
Restricted assets	-	187,162	-	187,162
Capital assets - Assets subject to depreciation	243,578	-	-	243,578
Total noncurrent assets	243,578	187,162	-	430,740
Total assets	503,861	188,167	500,524	1,192,552
Liabilities				
Current liabilities:				
Accounts payable	1,282	-	52	1,334
Accrued liabilities and other	3,551	67,086	-	70,637
Current portion of compensated absences	501	-	-	501
Total current liabilities	5,334	67,086	52	72,472
Noncurrent liabilities - Compensated absences - Net of current portion	9,526	-	-	9,526
Total liabilities	14,860	67,086	52	81,998
Net Position				
Net investment in capital assets	243,578	-	-	243,578
Restricted - Insurance retention	-	121,081	-	121,081
Unrestricted	245,423	-	500,472	745,895
Total net position	<u>\$ 489,001</u>	<u>\$ 121,081</u>	<u>\$ 500,472</u>	<u>\$ 1,110,554</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, 2020

	Municipal Equipment	Insurance Retention	Employees' Accumulated Compensation	Total Internal Service Funds
Operating Revenue				
Rental income	\$ 256,172	\$ -	\$ -	\$ 256,172
Transfers from payroll fund	-	-	31,053	31,053
Other revenue	961	-	-	961
Total operating revenue	257,133	-	31,053	288,186
Operating Expenses				
Other operating and maintenance costs	292,906	-	-	292,906
Claims	-	81,848	-	81,848
Depreciation	57,337	-	-	57,337
Total operating expenses	350,243	81,848	-	432,091
Operating (Loss) Income	(93,110)	(81,848)	31,053	(143,905)
Nonoperating Revenue - Investment interest and FMV changes	5,462	6,575	9,633	21,670
Transfers In	16,958	-	-	16,958
Change in Net Position	(70,690)	(75,273)	40,686	(105,277)
Net Position - Beginning of year	559,691	196,354	459,786	1,215,831
Net Position - End of year	<u>\$ 489,001</u>	<u>\$ 121,081</u>	<u>\$ 500,472</u>	<u>\$ 1,110,554</u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2020

	Municipal Equipment	Insurance Retention	Employees' Accumulated Compensation	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 256,172	\$ -	\$ 163	\$ 256,335
Payments to suppliers	(175,196)	(69,919)	(10)	(245,125)
Payments to employees and fringes	(135,522)	-	-	(135,522)
Other receipts	1,076	-	31,053	32,129
Net cash and cash equivalents (used in) provided by operating activities	(53,470)	(69,919)	31,206	(92,183)
Cash Flows Provided by Noncapital Financing Activities - Transfers from other funds	16,958	-	-	16,958
Cash Flows Used in Capital and Related Financing Activities - Purchase of capital assets	(69,280)	-	-	(69,280)
Cash Flows Provided by Investing Activities - Interest received on investments	5,462	6,575	9,633	21,670
Net (Decrease) Increase in Cash and Cash Equivalents	(100,330)	(63,344)	40,839	(122,835)
Cash and Cash Equivalents - Beginning of year	330,568	251,511	459,662	1,041,741
Cash and Cash Equivalents - End of year	<u><u>\$ 230,238</u></u>	<u><u>\$ 188,167</u></u>	<u><u>\$ 500,501</u></u>	<u><u>\$ 918,906</u></u>
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 230,238	\$ 1,005	\$ 500,501	\$ 731,744
Restricted cash	-	187,162	-	187,162
Total cash and cash equivalents	<u><u>\$ 230,238</u></u>	<u><u>\$ 188,167</u></u>	<u><u>\$ 500,501</u></u>	<u><u>\$ 918,906</u></u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (93,110)	\$ (81,848)	\$ 31,053	\$ (143,905)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	57,337	-	-	57,337
Changes in assets and liabilities:				
Receivables	115	-	163	278
Inventories	222	-	-	222
Prepaid and other assets	(704)	-	-	(704)
Accounts payable	(24,855)	11,929	(10)	(12,936)
Accrued and other liabilities	7,525	-	-	7,525
Total adjustments	39,640	11,929	153	51,722
Net cash and cash equivalents (used in) provided by operating activities	<u><u>\$ (53,470)</u></u>	<u><u>\$ (69,919)</u></u>	<u><u>\$ 31,206</u></u>	<u><u>\$ (92,183)</u></u>