
City of Northville, Michigan

**Financial Report
with Supplemental Information
June 30, 2018**

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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, 2018 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, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City adopted the new accounting guidance of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The new standard establishes accounting and financial reporting requirements for OPEB plans provided to the employees of governmental employers. The adoption of GASB Statement No. 75 resulted in the recognition of a net other postemployment benefit liability. Our opinion is not modified with respect to this matter.

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

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's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 statement 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moreau, PLLC

October 23, 2018

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, 2018.

Financial Highlights

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, and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs. The Interfund Investment Pool Fund accounts for investment activity.

- The General Fund increase of \$40,468 was due to several factors. Revenue was higher than expected by \$17,000, primarily due to increased permit activity. The remainder was primarily due to close monitoring of the expenditures among all activities.
- The Street, Drainage, and Sidewalk Improvement Fund increase of \$413,535 was due to street improvement projects that were deferred to the following fiscal year.

Property tax revenue increased 3.6 percent from the prior year and it continues to be the City's single largest source of revenue at approximately 55 percent of total governmental revenue. The City's millage generated approximately \$5 million to support General Fund operations and approximately \$607,000 for street, drainage, and sidewalk improvements.

State-shared revenue, the City's second largest source of revenue in the General Fund, remained consistent with the prior year. This revenue source includes liquor license fees, constitutional revenue sharing, and City, Village, Township Revenue Sharing (CVTRS) payments.

Rental income is another significant source of governmental revenue. This includes cell tower rent recorded in the General Fund and tenant rents at Allen Terrace, a senior housing facility. The Housing Commission approved a 1.44 percent increase in rent at the beginning of the fiscal year. The City has leases with five cellular providers that allows placement of their equipment at the public works yard and on the water tower. This was the last fiscal year that the cell tower revenue was transferred to the Water and Sewer Fund to replenish cash reserves. Going forward, it is budgeted to remain in the General Fund.

The State of Michigan, under Act 51, distributes revenue received from gasoline taxes to municipalities for maintenance of major and local streets. This revenue source increased \$125,000, or 29 percent, over the prior year due to increased funding approved by the State Legislature.

As of December 31, 2017, the net pension liability was \$7.5 million and was 63 percent funded. At that date, there were a total of 79 participants in the plan, of which eight were active. The Parks and Recreation Commission is responsible for a portion of the pension liability. Of the \$7.5 million net pension liability, the commission's share is \$465,921.

As of December 31, 2017, the net other postemployment benefits (OPEB) liability was just under \$3.8 million, and the plan was 72 percent funded. At that date, there were 19 actives and 73 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 \$485,000 to fund the accumulated compensated absences liability. This represents accumulated vacation, sick, and comp time earned by employees.

Long-term debt for the primary government is \$1.9 million. There are two general obligation debt issues outstanding. The Allen Terrace Renovation Bonds mature in fiscal year 2023, and the Streetscape Improvement Bonds mature in fiscal year 2025. There is one outstanding installment purchase agreement which is a 10-year obligation jointly shared with the City of Plymouth, Michigan.

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

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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.

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				
	2016	2017	2018	Change	Percent Change
Assets					
Current and other assets	\$ 14,597,424	\$ 14,618,864	\$ 15,585,583	\$ 966,719	6.6
Capital assets	26,138,772	25,701,072	24,200,783	(1,500,289)	(5.8)
Total assets	40,736,196	40,319,936	39,786,366	(533,570)	(1.3)
Deferred Outflows of Resources -					
Related to pensions and OPEB	1,447,276	1,223,691	806,613	(417,078)	(34.1)
Liabilities					
Current liabilities	979,672	1,395,401	1,035,252	(360,149)	(25.8)
Noncurrent liabilities:					
Due within one year	355,922	432,794	361,236	(71,558)	(16.5)
Due in more than one year	12,216,251	10,652,961	11,628,508	975,547	9.2
Total liabilities	13,551,845	12,481,156	13,024,996	543,840	4.4
Deferred Inflows of Resources -					
Related to pensions and OPEB	-	251,810	583,830	332,020	100.0
Net Position					
Net investment in capital assets	23,721,175	23,534,072	22,295,783	(1,238,289)	(5.3)
Restricted	2,046,628	1,588,209	2,164,803	576,594	36.3
Unrestricted	2,863,824	3,688,380	2,523,567	(1,164,813)	(31.6)
Total net position	<u>\$ 28,631,627</u>	<u>\$ 28,810,661</u>	<u>\$ 26,984,153</u>	<u>\$ (1,826,508)</u>	(6.3)

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities				
	2016	2017	2018	Change	Percent Change
Assets					
Current and other assets	\$ 1,567,775	\$ 1,733,844	\$ 2,633,646	\$ 899,802	51.9
Capital assets	5,401,376	5,537,530	5,275,319	(262,211)	(4.7)
Total assets	6,969,151	7,271,374	7,908,965	637,591	8.8
Deferred Outflows of Resources -					
Related to pensions and OPEB	135,180	120,642	100,073	(20,569)	(17.0)
Liabilities					
Current liabilities	280,469	264,471	262,093	(2,378)	(0.9)
Noncurrent liabilities:					
Due within one year	13,766	8,578	9,127	549	6.4
Due in more than one year	1,169,250	1,081,912	1,204,043	122,131	11.3
Total liabilities	1,463,485	1,354,961	1,475,263	120,302	8.9
Deferred Inflows of Resources	-	24,759	80,089	55,330	100.0
Net Position					
Net investment in capital assets	5,401,376	5,537,530	5,275,319	(262,211)	(4.7)
Unrestricted	239,470	474,766	1,178,367	703,601	148.2
Total net position	<u>\$ 5,640,846</u>	<u>\$ 6,012,296</u>	<u>\$ 6,453,686</u>	<u>\$ 441,390</u>	7.3

Governmental Activities

Overall, the City's net position of governmental activities decreased by 6.3 percent from a year ago. The increase in current and other assets is mainly due to the accumulation of cash for deferred street improvements and to increase reserves for special projects and capital purchases. The decrease in capital assets was primarily due to depreciation expense.

The changes in deferred inflows and outflows is directly related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The changes are related to (1) contributions to the defined benefit pension and OPEB plans subsequent to the plan's year end (December 31, 2017) to the end of the fiscal year (June 30, 2018), and (2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

The increase in current liabilities was due to the timing of accounts payable at year end. The decrease in noncurrent liabilities due within one year is related to the retirement of one long-term employee. The increase in noncurrent long-term liabilities related to GASB Statement No. 75 required the full OPEB liability to be recorded in the financial statements.

Business-type Activities

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

An increase in total net position of 7.3 percent was expected for the following reasons:

The increase in current assets was expected. Cell tower revenue was transferred from the General Fund to the Water and Sewer Fund to improve cash reserves. In addition, \$534,000 has been accumulated for a future meter replacement program and water system capital improvements.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

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

The changes in deferred inflows and outflows is directly related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes are related to (1) contributions to the defined benefit pension and OPEB plans subsequent to the plan's year end (December 31, 2017) to the end of the fiscal year (June 30, 2018), and (2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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

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				
	2016	2017	2018	Change	Percent Change
Revenue					
Program revenue:					
Charges for services	\$ 2,345,346	\$ 2,266,434	\$ 2,244,466	\$ (21,968)	(1.0)
Operating grants and contributions	339,737	374,147	500,208	126,061	33.7
Capital grants and contributions	285,416	50,423	126,823	76,400	151.5
General revenue:					
Property taxes	5,316,091	5,433,778	5,631,764	197,986	3.6
State-shared revenue and grants	912,305	996,050	1,100,337	104,287	10.5
Investment income	111,139	5,622	54,869	49,247	876.0
Other revenue:					
Racetrack breakage	107,591	119,089	175,416	56,327	47.3
Franchise fees	188,044	191,892	202,292	10,400	5.4
Total revenue	9,605,669	9,437,435	10,036,175	598,740	6.3
Expenses					
General government	2,111,167	1,816,548	1,729,322	(87,226)	(4.8)
Public safety	3,823,810	3,403,454	3,749,788	346,334	10.2
Public works	2,594,779	2,668,713	2,693,253	24,540	0.9
Senior housing	903,582	861,982	851,747	(10,235)	(1.2)
Recreation and culture	257,806	318,019	355,973	37,954	11.9
Interest on long-term debt	68,318	62,466	56,537	(5,929)	(9.5)
Total expenses	9,759,462	9,131,182	9,436,620	305,438	3.3
Transfers	(239,106)	(127,219)	(175,045)	(47,826)	37.6
Change in Net Position	(392,899)	179,034	424,510	245,476	137.1
Net Position - Beginning of year	29,024,526	28,631,627	26,559,643	(2,071,984)	(7.2)
Net Position - End of year	<u>\$ 28,631,627</u>	<u>\$ 28,810,661</u>	<u>\$ 26,984,153</u>	<u>\$ (1,826,508)</u>	(6.3)

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities				
	2016	2017	2018	Change	Percent Change
Revenue					
Program revenue - Charges for service	\$ 3,094,236	\$ 3,544,891	\$ 3,750,051	\$ 205,160	5.8
General revenue - Investment income	6,801	525	5,949	5,424	1,033.1
Total revenue	3,101,037	3,545,416	3,756,000	210,584	5.9
Operating Expenses	3,609,011	3,301,185	3,296,229	(4,956)	(0.2)
Transfers	239,106	127,219	178,845	51,626	40.6
Change in Net Position	(268,868)	371,450	638,616	267,166	71.9
Net Position - Beginning of year	5,909,714	5,640,846	6,012,296	371,450	6.6
Net Position - End of year	<u>\$ 5,640,846</u>	<u>\$ 6,012,296</u>	<u>\$ 6,650,912</u>	<u>\$ 638,616</u>	10.6

Governmental Activities

Overall, net position increased \$424,510, or 1.5 percent. Governmental revenue increased 6.3 percent from the prior year. That was due to a combination of factors described below.

The increase in operating grants and contributions was due Community Development Block Grants for senior services which were not received in the prior year, receipt of a one-time supplemental road funding payment from the State of Michigan and a grant received from the State Historic Preservation Office to perform a study of the historic properties in the City.

The increase in capital grants and contributions was due to a contribution from Northville Township, Michigan for Fish Hatchery pond repairs, a grant received to purchase new election equipment, increase contribution from the City of Plymouth, Michigan for fire equipment, and a contribution from a private entity for the addition of electric vehicle charging stations in the downtown area.

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

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

The overall increase in total expenses of 3.3 percent was primarily due to the implementation of GASB Statement No. 75 recognizing the net OPEB liability for the first time.

Business-type Activities

Charges from services increased 5.8 percent over the prior year. This was primarily due to an 8.5 percent increase to the utility bill for the average homeowner. Charges for services includes water and sewer revenue based upon consumption and the refuse and recycling revenue based upon a bimonthly rate.

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

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 2018, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Public Improvement Fund

General Fund Budgetary Highlights

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

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

The General Fund pays for most of the City's governmental services. The most significant category is the police department, which represents 43 percent of total General Fund expenditures, which is an increase of 2 percent over the prior year.

Shared services contributions account for 3.3 percent of total expenditures. Contributions from both the City of Northville, Michigan and Northville Township provide funding for parks and recreation activities, senior adult services, and the youth assistance program.

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

Property values continue to be stable in the City. Property taxes represent 70 percent of General Fund revenue. The General Fund contributed \$68,000 to advance fund the retiree pension fund.

Other Major Funds Highlights

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

Capital Assets and Debt Administration

At the end of fiscal year 2018, the City had approximately \$29.5 million invested in a broad range of capital assets, including land and buildings, police and fire equipment, infrastructure, and water and sewer lines.

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

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

The total debt outstanding at the end of the year related to governmental activities was \$1.9 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

Economic Factors and Next Year's Budgets and Rates

The net taxable value of the City increased 5 percent for the next fiscal year. The City's operating millage was 13.5864 in fiscal year 2018. However, it was reduced to 13.5188 in fiscal year 2019 due to the City reaching its Headlee maximum. This will provide for an additional \$200,000 in general operating tax revenue. For fiscal year 2018, the City's millage for streets, drainage, and sidewalk improvements has decreased from 1.7097 to 1.6841 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. In November 2018, the voters will be asked to approve a bond issuance of \$3.05 million to fund street improvements. If approved, a debt levy of approximately 0.98 mills will be added to the tax bill for a period of 10 years beginning in fiscal year 2020.

Constitutional revenue sharing is budgeted to increase 3.1 percent while the city, village, township revenue sharing remains consistent with the prior year.

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, up from 56 percent in the prior year.

The water and sewer rate structure is set up to cover the Great Lakes Water Authority water costs, Wayne County sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the combined water and sewer rate from \$14.99 to \$15.52 per unit, or 3.5 percent, effective July 1, 2018. The service charge, which covers the cost of the meter reading and billing process, remains unchanged at \$3.37 bimonthly. The meter replacement charge increased from \$3.70 to \$5.57 bi-monthly to continue a multi-year program to replace all aging meters within the City. The City has no debt in the Water and Sewer Fund.

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 1.4 percent, from \$705 to \$715, for one bedroom apartments. The cost of rent includes all utilities.

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

Contacting the City's Management

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

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 13,371,752	\$ 1,932,822	\$ 15,304,574	\$ 406,032
Receivables:				
Property taxes receivable	1,937	-	1,937	-
Special assessments	60,737	-	60,737	-
Customer receivables	-	952,587	952,587	-
Accrued interest	50,553	-	50,553	-
Other	103,937	1,383	105,320	144
Due from other governmental units	296,403	6,402	302,805	2,193
Internal balances	307,613	(307,613)	-	-
Inventory	41,796	41,491	83,287	-
Prepaid expenses and other assets	158,946	6,574	165,520	11,424
Restricted assets (Note 8)	356,422	-	356,422	-
Investment in joint ventures (Note 11)	610,487	-	610,487	-
Land held for resale	225,000	-	225,000	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,967,876	62,631	4,030,507	-
Assets subject to depreciation - Net	20,232,907	5,212,688	25,445,595	-
Total assets	39,786,366	7,908,965	47,695,331	419,793
Deferred Outflows of Resources				
Deferred outflows related to pension (Note 9)	528,582	57,747	586,329	-
Deferred outflows related to OPEB (Note 10)	278,031	42,326	320,357	-
Total deferred outflows of resources	806,613	100,073	906,686	-
Liabilities				
Accounts payable	164,777	254,669	419,446	12,535
Due to other governmental units	36,753	-	36,753	-
Refundable deposits, bonds, etc.	117,870	803	118,673	-
Accrued liabilities and other	681,090	6,621	687,711	24,915
Unearned revenue	34,762	-	34,762	-
Noncurrent liabilities:				
Due within one year (Note 7)	361,236	9,127	370,363	-
Due in more than one year:				
Compensated absences - Net of current portion (Note 7)	402,959	16,243	419,202	-
Net pension liability (Note 9)	6,323,535	689,996	7,013,531	-
Net retiree healthcare obligation (Note 10)	3,270,014	497,804	3,767,818	-
Long-term debt (Note 7)	1,632,000	-	1,632,000	-
Total liabilities	13,024,996	1,475,263	14,500,259	37,450
Deferred Inflows of Resources - Pension and OPEB (Notes 9 and 10)	583,830	80,089	663,919	-
Net Position				
Net investment in capital assets	22,295,783	5,275,319	27,571,102	-
Restricted:				
Roads, streets, drainage, and sidewalk improvements	1,907,529	-	1,907,529	-
Insurance retention	228,506	-	228,506	-
Police forfeitures	28,768	-	28,768	-
Unrestricted	2,523,567	1,178,367	3,701,934	382,343
Total net position	\$ 26,984,153	\$ 6,453,686	\$ 33,437,839	\$ 382,343

City of Northville, Michigan

		Program Revenue		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,729,322	\$ 654,698	\$ 52,066	\$ -
Public safety	3,749,788	595,086	23,634	111,823
Public works	2,693,253	23,071	320,395	9,000
Senior housing	851,747	853,025	104,113	-
Recreation and culture	355,973	118,586	-	6,000
Interest on long-term debt	56,537	-	-	-
Total governmental activities	9,436,620	2,244,466	500,208	126,823
Business-type activities:				
Water and Sewer	2,706,138	3,152,734	-	-
Refuse and Recycling	590,091	597,317	-	-
Total business-type activities	3,296,229	3,750,051	-	-
Total primary government	\$ 12,732,849	\$ 5,994,517	\$ 500,208	\$ 126,823
Component units - Downtown Development Authority				
	\$ 757,633	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue and grants				
Unrestricted investment income (loss)				
Racetrack breakage				
Franchise fee revenue				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,022,558)	\$ -	\$ (1,022,558)	\$ -
(3,019,245)	-	(3,019,245)	-
(2,340,787)	-	(2,340,787)	-
105,391	-	105,391	-
(231,387)	-	(231,387)	-
(56,537)	-	(56,537)	-
(6,565,123)	-	(6,565,123)	-
-	446,596	446,596	-
-	7,226	7,226	-
-	453,822	453,822	-
(6,565,123)	453,822	(6,111,301)	-
-	-	-	(757,633)
5,631,764	-	5,631,764	746,377
1,100,337	-	1,100,337	-
54,869	5,949	60,818	889
175,416	-	175,416	-
202,292	-	202,292	1,150
7,164,678	5,949	7,170,627	748,416
(175,045)	178,845	3,800	-
424,510	638,616	1,063,126	(9,217)
26,559,643	5,815,070	32,374,713	391,560
\$ 26,984,153	\$ 6,453,686	\$ 33,437,839	\$ 382,343

City of Northville, Michigan

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,410,484	\$ 2,716,078	\$ 5,370,499	\$ 12,497,061
Receivables:				
Property taxes receivable	1,937	-	-	1,937
Special assessments	-	-	60,737	60,737
Accrued interest	41,794	-	8,759	50,553
Other	77,111	22,595	3,930	103,636
Due from other governmental units	196,594	6,000	93,118	295,712
Inventory	14,866	-	3,716	18,582
Prepaid expenses and other assets	145,007	-	12,860	157,867
Land held for resale	-	225,000	-	225,000
Total assets	\$ 4,887,793	\$ 2,969,673	\$ 5,553,619	\$ 13,411,085
Liabilities				
Accounts payable	\$ 90,982	\$ 7,615	\$ 61,869	\$ 160,466
Due to other governmental units	36,753	-	-	36,753
Refundable deposits, bonds, etc.	117,870	-	-	117,870
Accrued liabilities and other	528,708	-	9,709	538,417
Unearned revenue	-	-	34,762	34,762
Total liabilities	774,313	7,615	106,340	888,268
Deferred Inflows of Resources - Unavailable revenue (Note 4)	27,439	6,000	47,463	80,902
Total liabilities and deferred inflows of resources	801,752	13,615	153,803	969,170
Fund Balances				
Nonspendable:				
Inventory/Assets held for resale	14,866	225,000	3,716	243,582
Prepays	145,007	-	12,860	157,867
Restricted:				
Streets, drains, and sidewalk improvements	1,193,487	-	708,223	1,901,710
Police forfeitures	28,768	-	-	28,768
Committed:				
Capital projects	-	2,559,121	2,565,761	5,124,882
Cemetery improvements	-	171,937	984,261	1,156,198
Arts commission	-	-	45,121	45,121
Parking	-	-	704,991	704,991
Allen Terrace	-	-	369,549	369,549
Debt service	-	-	5,334	5,334
Assigned - Beautification commission	991	-	-	991
Unassigned	2,702,922	-	-	2,702,922
Total fund balances	4,086,041	2,956,058	5,399,816	12,441,915
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,887,793	\$ 2,969,673	\$ 5,553,619	\$ 13,411,085

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 12,441,915
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	24,029,633
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	47,463
Receivables that are not collected or collectible within 60 days of year end are not available to pay for current year expenditures	33,439
Investments in joint ventures are not financial resources and are not reported in the funds	610,487
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,905,000)
Interest payable is not accrued in the funds	(13,168)
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	(485,260)
Net pension liability and deferred inflows and outflows related to pensions are due and payable in the current period and are not reported in the funds	(5,996,520)
Retiree healthcare benefits and deferred inflows and outflows are due and payable in the current period and are not reported in the funds.	(3,374,246)
Internal service funds are included as part of governmental activities	1,595,410
Net Position of Governmental Activities	<u>\$ 26,984,153</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Public Improvement	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 5,631,764	\$ -	\$ -	\$ 5,631,764
Special assessments	-	-	17,715	17,715
State-shared revenue and grants:				
Federal grants	21,836	-	2,547	24,383
State-shared revenue and grants	612,174	-	581,839	1,194,013
Community Development Block Grant	-	-	17,466	17,466
Sales and services:				
Cemetery	132,830	-	-	132,830
Charges for overhead services	200,395	-	-	200,395
Sales and services	590,920	-	8,057	598,977
Fines and forfeitures	22,447	-	-	22,447
Licenses and permits	469,772	-	-	469,772
Interest and rentals:				
Investment income	15,281	9,915	26,010	51,206
Rental income	198,891	-	817,930	1,016,821
Other revenue:				
Local contribution	50,991	-	374,869	425,860
Other	44,091	-	156,896	200,987
Racetrack breakage	16,007	159,409	-	175,416
Michigan Housing Authority subsidies	-	-	35,237	35,237
Total revenue	8,007,399	169,324	2,038,566	10,215,289
Expenditures				
Current services -				
General government	1,977,313	13,610	-	1,990,923
Public safety:				
Police department	2,888,512	-	2,451	2,890,963
Fire department	871,758	-	42,390	914,148
Public works	624,726	22,661	911,343	1,558,730
Senior housing	-	-	701,439	701,439
Recreation and culture	224,699	-	148,776	373,475
Contributions to MERS trusts	68,000	-	-	68,000
Debt service	52,306	-	268,002	320,308
Total expenditures	6,707,314	36,271	2,074,401	8,817,986
Excess of Revenue Over (Under) Expenditures	1,300,085	133,053	(35,835)	1,397,303
Other Financing Sources (Uses)				
Transfers in (Note 6)	10,724	202,056	869,846	1,082,626
Transfers out (Note 6)	(856,806)	(70,724)	(333,941)	(1,261,471)
Proceeds from sale of capital assets	-	-	9,130	9,130
Total other financing (uses) sources	(846,082)	131,332	545,035	(169,715)
Net Change in Fund Balances	454,003	264,385	509,200	1,227,588
Fund Balances - Beginning of year	3,632,038	2,691,673	4,890,616	11,214,327
Fund Balances - End of year	<u>\$ 4,086,041</u>	<u>\$ 2,956,058</u>	<u>\$ 5,399,816</u>	<u>\$ 12,441,915</u>

Governmental Funds

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 1,227,588
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	(1,766,589)
Capital outlay	299,143
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	17,618
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	14,190
Decrease in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	34,562
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	262,000
Interest expense is recognized in the government-wide statements as it accrues	1,771
Changes in the other postemployment benefits liability reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it becomes due for payment.	(73,584)
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.	374,952
Internal service funds are included as part of governmental activities	32,859
Change in Net Position of Governmental Activities	<u>\$ 424,510</u>

Proprietary Funds
Statement of Net Position

June 30, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds	
Assets				
Current assets:				
Cash and investments	\$ 1,779,819	\$ 153,003	\$ 1,932,822	\$ 874,691
Receivables	862,909	97,463	960,372	993
Inventory	41,491	-	41,491	23,214
Prepaid expenses and other assets	5,876	698	6,574	1,079
Total current assets	2,690,095	251,164	2,941,259	899,977
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	356,422
Capital assets: (Note 5)				
Assets not subject to depreciation	62,631	-	62,631	-
Assets subject to depreciation - Net	5,184,462	28,226	5,212,688	171,150
Total noncurrent assets	5,247,093	28,226	5,275,319	527,572
Total assets	7,937,188	279,390	8,216,578	1,427,549
Deferred Outflows of Resources				
Deferred outflows related to pension (Note 9)	52,743	5,004	57,747	-
Deferred outflows related to OPEB (Note 10)	37,564	4,762	42,326	-
Total deferred outflows of resources	90,307	9,766	100,073	-
Liabilities				
Current liabilities:				
Accounts payable	217,124	37,545	254,669	4,311
Refundable deposits, bonds, etc.	515	288	803	-
Accrued liabilities and other	5,780	841	6,621	129,505
Current portion of compensated absences	7,753	1,374	9,127	2,136
Total current liabilities	231,172	40,048	271,220	135,952
Noncurrent liabilities:				
Compensated absences - Net of current portion	13,798	2,445	16,243	3,800
Net pension liability	630,134	59,862	689,996	-
Net retiree healthcare obligation	441,802	56,002	497,804	-
Total noncurrent liabilities	1,085,734	118,309	1,204,043	3,800
Total liabilities	1,316,906	158,357	1,475,263	139,752
Deferred Inflows of Resources				
Deferred inflows related to pension (Note 9)	19,989	1,907	21,896	-
Deferred inflows related to OPEB (Note 10)	51,646	6,547	58,193	-
Total deferred inflows of resources	71,635	8,454	80,089	-

Proprietary Funds
Statement of Net Position (Continued)

June 30, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds	
Net Position				
Net investment in capital assets	\$ 5,247,093	\$ 28,226	\$ 5,275,319	\$ 171,150
Restricted - Insurance retention	-	-	-	228,506
Unrestricted	1,391,861	94,119	1,485,980	888,141
Total net position	<u>\$ 6,638,954</u>	<u>\$ 122,345</u>	6,761,299	<u>\$ 1,287,797</u>
Amounts reported for business-type activities in the statement of net position are different because a portion of the Internal Service Fund is included as business-type activities			(307,613)	
Total Net Position			<u>\$ 6,453,686</u>	

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Enterprise Funds			
	Water and Sewer	Refuse and Recycling	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sales to customers	\$ 3,152,314	\$ 595,208	\$ 3,747,522	\$ -
Rental income	-	-	-	264,931
Recoveries	-	-	-	33,398
Other revenue	420	2,109	2,529	111,150
Total operating revenue	3,152,734	597,317	3,750,051	409,479
Operating Expenses				
Other operating and maintenance costs	2,099,644	511,738	2,611,382	285,651
Claims	-	-	-	20,095
Compensation pay-outs	-	-	-	41,368
Other expenses	319,699	74,367	394,066	-
Depreciation	258,225	3,986	262,211	70,783
Total operating expenses	2,677,568	590,091	3,267,659	417,897
Operating Income (Loss)	475,166	7,226	482,392	(8,418)
Nonoperating (Expense) Revenue -				
Investment income (loss)	5,233	716	5,949	11,542
Transfers In	178,845	-	178,845	-
Change in Net Position	659,244	7,942	667,186	3,124
Net Position - Beginning of year - As restated	5,979,710	114,403	6,094,113	1,284,673
Net Position - End of year	<u>\$ 6,638,954</u>	<u>\$ 122,345</u>	<u>\$ 6,761,299</u>	<u>\$ 1,287,797</u>
Net Change in Net Position - Total Enterprise Funds			\$ 667,186	
Amounts reported for business-type activities in the statement of activities are different because a portion of the Internal Service Fund is included as business-type activities			(28,570)	
Change in Net Position of Business-type Activities			<u>\$ 638,616</u>	

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,096,007	\$ 598,799	\$ 3,694,806	\$ 264,724
Receipts from interfund services and reimbursements	420	1,473	1,893	-
Payments to suppliers/insurance claims	(1,919,454)	(515,162)	(2,434,616)	(241,587)
Payments to employees and fringes	(506,277)	(60,931)	(567,208)	(151,479)
Other receipts	-	-	-	143,857
Net cash and cash equivalents provided by operating activities	670,696	24,179	694,875	15,515
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	178,845	-	178,845	-
Cash Flows Used in Financing Activities -				
Purchase of capital assets	-	-	-	(37,940)
Cash Flows Provided by Investing Activities -				
Interest received on investments and net realized losses on investments	5,233	716	5,949	11,542
Net Increase (Decrease) in Cash and Cash Equivalents	854,774	24,895	879,669	(10,883)
Cash and Cash Equivalents - Beginning of year	925,045	128,108	1,053,153	1,241,996
Cash and Cash Equivalents - End of year	\$ 1,779,819	\$ 153,003	\$ 1,932,822	\$ 1,231,113
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,779,819	\$ 153,003	\$ 1,932,822	\$ 874,691
Restricted cash	-	-	-	356,422
Total cash and cash equivalents	\$ 1,779,819	\$ 153,003	\$ 1,932,822	\$ 1,231,113
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 475,166	\$ 7,226	\$ 482,392	\$ (8,418)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	258,225	3,986	262,211	70,783
Changes in assets and liabilities:				
Receivables	(56,307)	2,955	(53,352)	(898)
Inventories	3,702	-	3,702	(1,524)
Prepaid and other assets	887	60	947	325
Accounts payable	(3,896)	(729)	(4,625)	(45,987)
Accrued and other liabilities	(2,764)	(99)	(2,863)	-
Net pension or OPEB liability	(81,591)	3,201	(78,390)	-
Deferrals related to pension or OPEB	72,231	6,531	78,762	-
Accrued and other liabilities	5,043	1,048	6,091	1,234
Total adjustments	195,530	16,953	212,483	23,933
Net cash and cash equivalents provided by operating activities	\$ 670,696	\$ 24,179	\$ 694,875	\$ 15,515

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 143,212	\$ 482
Receivables	47	-
Total assets	143,259	<u><u>\$ 482</u></u>
Liabilities		
Accounts payable	26	\$ -
Due to other governmental units	-	482
Total liabilities	26	<u><u>\$ 482</u></u>
Net Position Held in Trust	<u><u>\$ 143,233</u></u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Private Purpose Trust - Allen Terrace Trust Fund
	<hr/>
Additions - Interest and dividends	\$ 562
Deductions - Rent subsidies	<hr/> 1,347
Net Decrease in Net Position Held in Trust	(785)
Net Position Held in Trust - Beginning of year	<hr/> 144,018
Net Position Held in Trust - End of year	<hr/> \$ 143,233 <hr/>

June 30, 2018**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. 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 nine 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, Michigan 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, 2018

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.

Proprietary Funds

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

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

Fiduciary Funds

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

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

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

June 30, 2018

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

Restricted assets represent funds held with the Michigan Municipal Risk Management Authority for insurance claims. 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.

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 one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer 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.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

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 and grants that are not received within the period of availability and the variance between the defined benefit pension plan's and other postemployment benefits plan's actual investment earnings compared to the plans' assumed investment earnings.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

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 2017 taxable valuation of the City totaled \$353 million (net of captured taxable value of \$25 million), on which taxes levied consisted of 13.5864 mills for the City's operating purposes and 1.7097 mills for street improvements. The ad valorem taxes levied raised approximately \$4.8 million for operations and \$603,000 for street, drainage, and sidewalk improvements. These amounts are recognized in the General Fund financial statements as taxes receivable - current or as tax revenue.

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

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City records an OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

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

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

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

June 30, 2018

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

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

Shortfall at July 1, 2017		\$	(697,760)
Current year permit revenue			247,100
Related expenses:			
Direct costs	\$	90,237	
Estimated indirect costs		89,377	179,614
Current year surplus			67,486
Cumulative surplus (shortfall) June 30, 2018		\$	(630,274)

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by the council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had \$2,924,121 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, 2018

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	\$ 6,177,911	712
Federal Agency Bond	4,996,956	362
Supra National Agency Bond	255,480	888
Federal Agency Collateralized Mortgage Obligations	48,050	124
Total	<u>\$ 11,478,397</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			
U.S. Treasury	\$ 6,177,911	AA+	S&P
Term investment	900,000	AAAfk	Kroll
Money market	317,236	AAAam	S&P
Federal Agency Bonds/CMOs	5,045,006	AA+	S&P
Supra National Agency Bond	255,480	AAA	S&P
Total	<u>\$ 12,695,633</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, 2018, more than 5 percent of the City's investments are in the following federal agency securities:

Federal Home Loan Banks	6 %
Fannie Mae	22
Freddie Mac	13

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, 2018, the carrying amount of the cash and investments for the DDA was \$406,032.

June 30, 2018

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; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The City has the following recurring fair value measurements as of June 30, 2018:

Assets and Liabilities Measured at Carrying Value on a Recurring Basis at June 30, 2018				
	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, 2018
Assets				
Debt securities:				
U.S. Treasury securities	\$ -	\$ 6,177,911	\$ -	\$ 6,177,911
Supra national agency bonds	-	255,480	-	255,480
Federal agency bonds	-	4,996,956	-	4,996,956
Federal agency collateralized mortgage obligations	-	48,050	-	48,050
Total	<u>\$ -</u>	<u>\$ 11,478,397</u>	<u>\$ -</u>	<u>11,478,397</u>
Investments measured at NAV:				
Term investment				317,236
Money market				<u>900,000</u>
Total assets				<u>\$ 12,695,633</u>

The fair value of debt securities at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

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

Investments in Entities that Calculate Net Asset Value per Share

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

June 30, 2018

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 \$47,463 in unavailable revenue related to special assessments and \$33,439 in unavailable revenue related to amounts that had not been received within the period of availability.

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.

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	77,336	159,332	-	236,668
Other nondepreciable assets	119,972	-	-	119,972
Subtotal	3,808,544	159,332	-	3,967,876
Capital assets being depreciated:				
Roads, sidewalks, and bridges	30,562,853	70,001	-	30,632,854
Parking system	5,616,421	-	-	5,616,421
Buildings and improvements	11,172,399	-	-	11,172,399
Machinery and equipment	2,019,909	69,810	(5,998)	2,083,721
Vehicles	2,983,557	37,940	(224,370)	2,797,127
Streetscape	5,330,109	-	-	5,330,109
Subtotal	57,685,248	177,751	(230,368)	57,632,631
Accumulated depreciation:				
Infrastructure	20,345,658	939,029	-	21,284,687
Parking system	2,540,739	134,411	-	2,675,150
Buildings and improvements	7,420,570	259,780	-	7,680,350
Machinery and equipment	1,693,490	108,206	(5,998)	1,795,698
Vehicles	1,855,017	134,238	(224,370)	1,764,885
Streetscape	1,937,246	261,708	-	2,198,954
Subtotal	35,792,720	1,837,372	(230,368)	37,399,724
Net capital assets being depreciated	21,892,528	(1,659,621)	-	20,232,907
Net governmental activities capital assets	\$ 25,701,072	\$ (1,500,289)	\$ -	\$ 24,200,783

June 30, 2018

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

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Construction in progress	\$ 62,631	\$ -	\$ -	\$ 62,631
Capital assets being depreciated:				
Water and sewer lines	11,969,250	-	(13,855)	11,955,395
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	59,798	-	-	59,798
Subtotal	12,050,583	-	(13,855)	12,036,728
Accumulated depreciation:				
Water and sewer lines	6,526,563	258,225	(13,855)	6,770,933
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	27,586	3,986	-	31,572
Subtotal	6,575,684	262,211	(13,855)	6,824,040
Net capital assets being depreciated	5,474,899	(262,211)	-	5,212,688
Net business-type activity capital assets	<u>\$ 5,537,530</u>	<u>\$ (262,211)</u>	<u>\$ -</u>	<u>\$ 5,275,319</u>

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

Governmental activities:	
General government	\$ 86,865
Public safety	134,253
Public works	1,336,330
Senior housing	186,886
Recreation and culture	22,255
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>70,783</u>
Total governmental activities	<u>\$ 1,837,372</u>
Business-type activities:	
Water and sewer	\$ 258,225
Refuse and recycling	<u>3,986</u>
Total business-type activities	<u>\$ 262,211</u>

June 30, 2018

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
Allen Drive sewer relief	\$ 41,171	\$ 16,873
Fish hatchery	31,143	11,857
Rural Hill Cemetery expansion	7,200	17,500
Total	<u>\$ 79,514</u>	<u>\$ 46,230</u>

Note 6 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Public Improvement Fund (2)	\$ 200,000
	Water and Sewer Fund (1)	178,845
	Other nonmajor governmental funds (1) (2)	477,961
	Total General Fund	856,806
Public Improvement Fund	General Fund (2)	10,724
	Other nonmajor governmental funds (2)	60,000
	Total Public Improvement Fund	70,724
Other nonmajor governmental funds	Public Improvement Fund (2)	2,056
	Other nonmajor governmental funds (1) (2)	331,885
	Total other nonmajor governmental funds	333,941
	Total	<u>\$ 1,261,471</u>

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

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

June 30, 2018

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligations:						
Allen Terrace renovation bonds (refunding) - Maturing through 2023	2.14%	\$ 540,000	\$ -	\$ (85,000)	\$ 455,000	\$ 90,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	1,205,000	-	(135,000)	1,070,000	140,000
Installment Purchase Agreement - Maturing through 2026	2.57%	422,000	-	(42,000)	380,000	43,000
Total bonds payable		2,167,000	-	(262,000)	1,905,000	273,000
Accumulated compensated absences		525,758	26,784	(61,347)	491,195	88,236
Total governmental activities		<u>\$ 2,692,758</u>	<u>\$ 26,784</u>	<u>\$ (323,347)</u>	<u>\$ 2,396,195</u>	<u>\$ 361,236</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities - Accumulated compensated absences	\$ 21,526	\$ 3,844	\$ -	\$ 25,370	\$ 9,127

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		
	Principal	Interest	Total
2019	\$ 273,000	\$ 51,158	\$ 324,158
2020	279,000	43,773	322,773
2021	286,000	36,196	322,196
2022	292,000	28,424	320,424
2023	298,000	20,420	318,420
2024-2026	477,000	21,126	498,126
Total	<u>\$ 1,905,000</u>	<u>\$ 201,097</u>	<u>\$ 2,106,097</u>

Bond Refunding

The City defeased certain bonds in a prior period by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2018, \$1,050,000 of bonds outstanding is considered defeased.

Note 8 - Restricted Assets

At June 30, 2018, restricted assets are composed of the following:

	Governmental Activities
Funds held for insurance claims	\$ 356,422

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 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, Michigan 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 and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Benefit terms, including contribution requirements, for the City of Northville Defined Contribution Pension Plan are established and may be amended by the members of the City Council. For each employee in the pension plan, the City is required to contribute a percent of annual salary (ranging from 5.5 to 12 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.

June 30, 2018

Note 9 - Pension Plans (Continued)***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, 2017
Inactive plan members or beneficiaries currently receiving benefits	61
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	8
Total employees covered by the plan	79

Contributions

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

The City's total payroll during the current year was \$3,755,033. For the City of Northville Defined Contribution Plan, the current year contribution (including DDA) was calculated based on covered payroll of \$1,678,648, resulting in an employer contribution of \$191,775.

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, 2018 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, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 19,905,529	\$ 11,481,583	\$ 8,423,946
Changes for the year:			
Service cost	98,211	-	98,211
Interest	1,534,515	-	1,534,515
Differences between expected and actual experience	370,870	-	370,870
Contributions - Employer	-	1,441,908	(1,441,908)
Contributions - Employee	-	12,583	(12,583)
Net investment income	-	1,517,589	(1,517,589)
Benefit payments, including refunds	(1,546,397)	(1,546,397)	-
Administrative expenses	-	(23,990)	23,990
Net changes	457,199	1,401,693	(944,494)
Balance at December 31, 2017	\$ 20,362,728	\$ 12,883,276	\$ 7,479,452

June 30, 2018

Note 9 - Pension Plans (Continued)

The plan's fiduciary net position represents 63.3 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, 2018, the City and the Parks and Recreation Commission reported a liability of \$7,013,531 and \$465,921, 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, 2018, the City recognized pension expense of \$1,158,364.

At June 30, 2018, 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	\$ -	\$ (223,463)
Employer contributions to the plan subsequent to the measurement date	586,329	-
Total	<u>\$ 586,329</u>	<u>\$ (223,463)</u>

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
2019	\$ 53,685
2020	16,981
2021	(180,911)
2022	(113,218)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses, gross of administrative expenses) of 8.0 percent; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted in 2015 for the period from January 1, 2009 through December 31, 2013.

Discount Rate

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

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

June 30, 2018

Note 9 - Pension Plans (Continued)***Investment Rate of Return***

Best estimates of arithmetic real rates of return as of the December 31, 2017 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the plan	\$ 9,408,284	\$ 7,479,452	\$ 5,825,427

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 or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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

The City provides OPEB for all employees, retirees, and beneficiaries who meet eligibility requirements. The benefits are provided through the Retiree Health Care Plan, an agent multiple-employer plan, administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan does not issue a publicly available financial report.

Management of the plan is vested in the pension board, which consists of seven members, three elected by plan members, three appointed by the City, and the city treasurer, who serves as an exofficio member.

Benefits Provided

Retiree Health Care Plan provides healthcare and vision 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.

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Retiree Health Care Plan
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	73
Active plan members	19
Total plan members	92

Contributions

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment health benefit premiums of \$630,978.

Net OPEB Liability

The City's net OPEB liability of \$3,767,818 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

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

Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2017	\$ 13,134,347	\$ 8,647,497	\$ 4,486,850
Changes for the year:			
Service cost	130,093	-	130,093
Interest	831,247	-	831,247
Contributions - Employer	-	593,069	(593,069)
Net investment income	-	1,108,749	(1,108,749)
Benefit payments, including refunds	(691,872)	(691,872)	-
Administrative expenses	-	(21,446)	21,446
Net changes	269,468	988,500	(719,032)
Balance at December 31, 2017	<u>\$ 13,403,815</u>	<u>\$ 9,635,997</u>	<u>\$ 3,767,818</u>

The plan's fiduciary net position represents 71.9 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$314,493.

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

At June 30, 2018, 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
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (440,456)
Employer contributions to the plan subsequent to the measurement date	320,357	-
Total	<u>\$ 320,357</u>	<u>\$ (440,456)</u>

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

Years Ending June 30	Amount
2019	\$ (110,114)
2020	(110,114)
2021	(110,114)
2022	(110,114)

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2.5 percent; an investment rate of return (net of investment expenses) of 6.5 percent; a healthcare cost trend rate of 8.5 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2025 and later years; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period 2000-2013.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 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.

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

	1 Percent Decrease (5.5%)	Current Discount Rate (6.5%)	1 Percent Increase (7.5%)
Net OPEB liability of the Retiree Health Care Plan	\$ 5,659,818	\$ 3,767,818	\$ 2,218,818

June 30, 2018

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.5 percent (decreasing to 5.0 percent), as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.5%, Decreasing to 4.0%)	Current Healthcare Cost Trend Rate (8.5%, Decreasing to 5.0%)	1 Percent Increase (9.5%, Decreasing to 6.0%)
Net OPEB liability of the Retiree Health Care Plan	\$ 2,189,818	\$ 3,767,818	\$ 5,697,818

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, 2018, the investment in the Recreation Commission was \$591,782. During the current year, the City contributed \$194,014 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, Michigan 48167.

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

The City participates in the Northville Youth Assistance Commission (the "Commission") as a joint venture with the Charter Township of Northville and Northville Public Schools. The City appoints three members to the governing board of the Commission. Approval of the annual budget is required by the City and the Charter Township of Northville. At June 30, 2018, the investment in the Commission was \$18,705. 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, Michigan 48167.

June 30, 2018

Note 11 - Jointly Governed Organizations (Continued)

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, Michigan 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 2018, the City paid \$815,443 for sewage disposal, operation and maintenance, and debt in this system. Payment of these charges is funded through the collection of sewer fees to city residents.

Note 12 - Risk Management

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

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

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, as well as claims that may have been incurred but not reported. During the year ended June 30, 2018, 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 \$4,962 to the property owners.

Note 14 - Reporting Change

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for unfunded legacy costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement and part will be deferred and recognized over future years. Refer to the OPEB note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new accounting standard was a decrease in net position to record the net OPEB liability and deferred outflows at June 30, 2017.

June 30, 2018

Note 14 - Reporting Change (Continued)

The beginning net position of governmental activities, business-type activities, the Water and Sewer Fund, and the Refuse and Recycling Fund have been restated as follows:

	Governmental Activities	Business-type Activities	Water and Sewer	Refuse and Recycling
Net position - June 30, 2017 - As previously reported	\$ 28,810,661	\$ 6,012,296	\$ 6,153,760	\$ 137,579
Reversal of GASB Statement No. 45 OPEB liability	1,049,645	343,897	312,927	30,970
Adjustment for implementation of GASB Statement No. 75	(3,300,663)	(541,123)	(486,977)	(54,146)
Net position - June 30, 2017 - As restated	<u>\$ 26,559,643</u>	<u>\$ 5,815,070</u>	<u>\$ 5,979,710</u>	<u>\$ 114,403</u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,636,578	\$ 5,631,276	\$ 5,631,764	\$ 488
State-shared revenue and grants:				
Federal grants	-	18,397	21,836	3,439
State-shared revenue and grants	574,126	612,174	612,174	-
Sales and services:				
Cemetery	77,000	125,500	132,830	7,330
Charges for overhead services	208,170	200,395	200,395	-
Sales and services	598,009	618,403	590,920	(27,483)
Fines and forfeitures	29,450	20,245	22,447	2,202
Licenses and permits	365,500	451,391	469,772	18,381
Interest and rentals:				
Investment income	10,500	220	15,281	15,061
Rental income	181,710	203,899	198,891	(5,008)
Other revenue:				
Local contribution	135,650	50,990	50,991	1
Other	16,200	39,365	44,091	4,726
Racetrack breakage	18,409	15,785	16,007	222
Total revenue	7,851,302	7,988,040	8,007,399	19,359
Expenditures				
Current services:				
General government:				
City Council	14,265	14,450	14,041	409
City manager and communications	398,120	427,940	427,326	614
Finance and administrative services	344,870	352,950	351,772	1,178
Technology costs	74,615	80,725	67,857	12,868
Tax and assessing	188,160	178,095	178,015	80
City clerk	151,964	150,420	148,311	2,109
Buildings and grounds	185,155	191,565	183,954	7,611
City attorney	100,000	177,525	164,327	13,198
Clerk - Elections	50,185	74,600	73,339	1,261
Insurance	24,130	26,410	26,406	4
Planning, zoning, and inspection	304,362	336,922	322,374	14,548
Central supply	24,025	24,025	19,591	4,434
Public safety:				
Police department	2,964,819	2,905,282	2,888,512	16,770
Fire department	879,285	909,585	871,758	37,827
Public works:				
Civic events	36,440	39,710	29,725	9,985
Administration	255,910	304,636	300,841	3,795
Parking system maintenance	94,975	-	-	-
Street lighting and miscellaneous public works	174,355	159,560	155,100	4,460
Beautification	5,950	7,165	5,623	1,542
Cemetery	136,300	136,745	133,437	3,308
Recreation and culture	220,706	224,700	224,699	1
Contributions to MERS trusts	-	68,000	68,000	-
Debt service	52,306	52,306	52,306	-
Total expenditures	6,680,897	6,843,316	6,707,314	136,002
Excess of Revenue Over Expenditures	1,170,405	1,144,724	1,300,085	155,361

City of Northville, Michigan

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

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing Sources (Uses)				
Transfers in	\$ 27,368	\$ 10,724	\$ 10,724	\$ -
Transfers out	(766,155)	(729,951)	(856,806)	(126,855)
Total other financing uses	(738,787)	(719,227)	(846,082)	(126,855)
Net Change in Fund Balance	431,618	425,497	454,003	28,506
Fund Balance - Beginning of year	3,632,038	3,632,038	3,632,038	-
Fund Balance - End of year	\$ 4,063,656	\$ 4,057,535	\$ 4,086,041	\$ 28,506

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Four Fiscal Years			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 98,211	\$ 90,532	\$ 105,071	\$ 108,463
Interest	1,534,515	1,547,682	1,518,738	1,508,044
Differences between expected and actual experience	370,870	(287,626)	(45,461)	-
Changes in assumptions	-	-	881,953	-
Benefit payments, including refunds	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Total Pension Liability	457,199	(141,033)	920,004	186,438
Total Pension Liability - Beginning of year	19,905,529	20,046,562	19,126,558	18,940,120
Total Pension Liability - End of year	\$ 20,362,728	\$ 19,905,529	\$ 20,046,562	\$ 19,126,558
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,441,908	\$ 1,319,184	\$ 1,307,640	\$ 1,099,108
Contributions - Member	12,583	11,156	11,969	11,676
Net investment income (loss)	1,517,589	1,191,540	(167,140)	661,980
Administrative expenses	(23,990)	(23,515)	(23,783)	(24,342)
Benefit payments, including refunds	(1,546,397)	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Plan Fiduciary Net Position	1,401,693	1,006,744	(411,611)	318,353
Plan Fiduciary Net Position - Beginning of year	11,481,583	10,474,839	10,886,450	10,568,097
Plan Fiduciary Net Position - End of year	\$ 12,883,276	\$ 11,481,583	\$ 10,474,839	\$ 10,886,450
City's Net Pension Liability - Ending	\$ 7,479,452	\$ 8,423,946	\$ 9,571,723	\$ 8,240,108
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27 %	57.68 %	52.25 %	56.92 %
Covered Employee Payroll	\$ 731,856	\$ 706,615	\$ 825,019	\$ 855,589
City's Net Pension Liability as a Percentage of Covered Employee Payroll	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,052,112	\$ 901,164	\$ 851,664	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696	\$ 558,240	\$ 544,825
Contributions in relation to the actuarially determined contribution	1,441,908	1,319,184	1,307,640	1,099,108	1,042,329	717,456	663,972	639,696	558,240	544,825
Contribution (excess) deficiency	\$ (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	21 years
Asset valuation method	10-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense and gross of administrative expenses
Retirement age	60
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend.
Other information	None

Required Supplemental Information

Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last One Fiscal Year
	2018
Total OPEB Liability	
Service cost	\$ 130,093
Interest	831,247
Benefit payments, including refunds	(691,872)
Net Change in Total OPEB Liability	269,468
Total OPEB Liability - Beginning of year	13,134,347
Total OPEB Liability - End of year	\$ 13,403,815
Plan Fiduciary Net Position	
Contributions - Employer	\$ 593,069
Net investment income	1,108,749
Administrative expenses	(21,446)
Benefit payments, including refunds	(691,872)
Net Change in Plan Fiduciary Net Position	988,500
Plan Fiduciary Net Position - Beginning of year	8,647,497
Plan Fiduciary Net Position - End of year	\$ 9,635,997
Net OPEB Liability - Ending	\$ 3,767,818
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	71.89 %
Covered Payroll	\$ 1,552,588
Net OPEB Liability as a Percentage of Covered Payroll	242.68 %

Required Supplemental Information
Schedule of OPEB Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 391,691	\$ 808,187	\$ 993,116	\$ 840,692	\$ 820,187	\$ 1,012,634	\$ 982,988	\$ 1,733,557	\$ 1,733,557	\$ 1,733,557
Contributions in relation to the actuarially determined contribution	847,194	1,001,872	1,109,503	961,787	1,129,194	1,305,128	956,325	907,052	1,023,794	1,138,764
Contribution excess (deficiency)	<u>\$ 455,503</u>	<u>\$ 193,685</u>	<u>\$ 116,387</u>	<u>\$ 121,095</u>	<u>\$ 309,007</u>	<u>\$ 292,494</u>	<u>\$ (26,663)</u>	<u>\$ (826,505)</u>	<u>\$ (709,763)</u>	<u>\$ (594,793)</u>

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 Percent of Payroll, Closed
Remaining amortization period	26 years
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	5.00 to 8.50 percent
Salary increase	2.50 percent
Investment rate of return	6.50 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

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 work papers 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.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

Operating Transfers - Operating transfers out were approximately \$127,000 higher than budgeted. The majority of the unfavorable variance is due to a \$125,000 transfer to the Public Improvement Fund resulting from an operating surplus realized by the General Fund. The transfer to the Public Improvement Fund to be set aside for contingency/grant match opportunities was approved by City Council subsequent to year end.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Combining General Fund

June 30, 2018

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
Assets					
Cash and investments	\$ 2,932,955	\$ 1,189,472	\$ (41,794)	\$ 329,851	\$ 4,410,484
Receivables:					
Property taxes receivable	1,937	-	-	-	1,937
Accrued interest	-	-	41,794	-	41,794
Other	76,712	399	-	-	77,111
Due from other governmental units	192,755	3,839	-	-	196,594
Inventory	14,866	-	-	-	14,866
Prepaid expenses and other assets	78,209	-	-	66,798	145,007
Total assets	\$ 3,297,434	\$ 1,193,710	\$ -	\$ 396,649	\$ 4,887,793
Liabilities					
Accounts payable	\$ 86,144	\$ 223	\$ -	\$ 4,615	\$ 90,982
Due to other governmental units	21,656	-	-	15,097	36,753
Refundable deposits, bonds, etc.	117,870	-	-	-	117,870
Accrued liabilities and other	151,771	-	-	376,937	528,708
Total liabilities	377,441	223	-	396,649	774,313
Deferred Inflows of Resources -					
Unavailable revenue	27,439	-	-	-	27,439
Total liabilities and deferred inflows of resources	404,880	223	-	396,649	801,752
Fund Balances					
Nonspendable:					
Inventory/Assets held for resale	14,866	-	-	-	14,866
Prepays	78,209	-	-	66,798	145,007
Restricted:					
Streets, drains, and sidewalk improvements	-	1,193,487	-	-	1,193,487
Police forfeitures	28,768	-	-	-	28,768
Assigned - Beautification commission	991	-	-	-	991
Unassigned	2,769,720	-	-	(66,798)	2,702,922
Total fund balances	2,892,554	1,193,487	-	-	4,086,041
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,297,434	\$ 1,193,710	\$ -	\$ 396,649	\$ 4,887,793

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

Year Ended June 30, 2018

	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
Revenue					
Property taxes	\$ 5,024,632	\$ 607,132	\$ -	\$ -	\$ 5,631,764
State-shared revenue and grants:					
Federal grants	21,836	-	-	-	21,836
State-shared revenue and grants	612,174	-	-	-	612,174
Sales and services:					
Cemetery	132,830	-	-	-	132,830
Charges for overhead services	200,395	-	-	-	200,395
Sales and services	590,920	-	-	-	590,920
Fines and forfeitures	22,447	-	-	-	22,447
Licenses and permits	469,772	-	-	-	469,772
Interest and rentals	210,555	3,617	-	-	214,172
Other revenue:					
Local contribution	50,991	-	-	-	50,991
Other	21,591	22,500	-	-	44,091
Racetrack breakage	16,007	-	-	-	16,007
Total revenue	7,374,150	633,249	-	-	8,007,399
Expenditures					
Current services -					
General government	1,977,313	-	-	-	1,977,313
Public safety:					
Police department	2,888,512	-	-	-	2,888,512
Fire department	871,758	-	-	-	871,758
Public works	624,726	-	-	-	624,726
Recreation and culture	224,699	-	-	-	224,699
Contributions to MERS trusts	68,000	-	-	-	68,000
Debt service	52,306	-	-	-	52,306
Total expenditures	6,707,314	-	-	-	6,707,314
Excess of Revenue Over Expenditures	666,836	633,249	-	-	1,300,085
Other Financing Sources (Uses)					
Transfers in	10,724	-	-	-	10,724
Transfers out	(637,092)	(219,714)	-	-	(856,806)
Total other financing uses	(626,368)	(219,714)	-	-	(846,082)
Net Change in Fund Balances	40,468	413,535	-	-	454,003
Fund Balances - Beginning of year	2,852,086	779,952	-	-	3,632,038
Fund Balances - End of year	<u>\$ 2,892,554</u>	<u>\$ 1,193,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,086,041</u>

City of Northville, Michigan

Special Revenue Funds						
	Major Streets	Local Streets	Parking	Housing Commission	Cemetery	Arts Commission
Assets						
Cash and investments	\$ 552,161	\$ 108,234	\$ 704,398	\$ 404,172	\$ 975,491	\$ 55,267
Receivables:						
Special assessments	-	-	60,737	-	-	-
Accrued interest	-	-	-	-	8,759	-
Other	213	-	220	698	26	2,054
Due from other governmental units	63,283	27,127	161	2,547	-	-
Inventory	-	-	3,716	-	-	-
Prepaid expenses and other assets	1,001	4,818	-	7,041	-	-
Total assets	\$ 616,658	\$ 140,179	\$ 769,232	\$ 414,458	\$ 984,276	\$ 57,321
Liabilities						
Accounts payable	\$ 10,741	\$ 28,474	\$ 12,406	\$ 7,065	\$ 15	\$ 2,768
Accrued liabilities and other	719	2,861	656	4,335	-	1,138
Unearned revenue	-	-	-	26,468	-	8,294
Total liabilities	11,460	31,335	13,062	37,868	15	12,200
Deferred Inflows of Resources -						
Unavailable revenue	-	-	47,463	-	-	-
Fund Balances						
Nonspendable:						
Inventory/Assets held for resale	-	-	3,716	-	-	-
Prepays	1,001	4,818	-	7,041	-	-
Restricted - Roads	604,197	104,026	-	-	-	-
Committed:						
Capital projects	-	-	-	-	-	-
Cemetery improvements	-	-	-	-	984,261	-
Arts commission	-	-	-	-	-	45,121
Parking	-	-	704,991	-	-	-
Allen Terrace	-	-	-	369,549	-	-
Debt service	-	-	-	-	-	-
Total fund balances	605,198	108,844	708,707	376,590	984,261	45,121
Total liabilities, deferred inflows of resources, and fund balances	\$ 616,658	\$ 140,179	\$ 769,232	\$ 414,458	\$ 984,276	\$ 57,321

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	
\$ 2,554	\$ 2,780	\$ 260,927	\$ 1,321,335	\$ 983,180	\$ 5,370,499
-	-	-	-	-	60,737
-	-	-	-	-	8,759
-	-	65	368	286	3,930
-	-	-	-	-	93,118
-	-	-	-	-	3,716
-	-	-	-	-	12,860
\$ 2,554	\$ 2,780	\$ 260,992	\$ 1,321,703	\$ 983,466	\$ 5,553,619
\$ -	\$ -	\$ 36	\$ 205	\$ 159	\$ 61,869
-	-	-	-	-	9,709
-	-	-	-	-	34,762
-	-	36	205	159	106,340
-	-	-	-	-	47,463
-	-	-	-	-	3,716
-	-	-	-	-	12,860
-	-	-	-	-	708,223
-	-	260,956	1,321,498	983,307	2,565,761
-	-	-	-	-	984,261
-	-	-	-	-	45,121
-	-	-	-	-	704,991
-	-	-	-	-	369,549
2,554	2,780	-	-	-	5,334
2,554	2,780	260,956	1,321,498	983,307	5,399,816
\$ 2,554	\$ 2,780	\$ 260,992	\$ 1,321,703	\$ 983,466	\$ 5,553,619

City of Northville, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Parking	Housing Commission	Cemetery	Arts Commission
Revenue						
Special assessments	\$ -	\$ -	\$ 17,715	\$ -	\$ -	\$ -
State-shared revenue and grants:						
Federal grants	-	-	-	2,547	-	-
State-shared revenue and grants	372,741	209,098	-	-	-	-
Community Development Block Grant	-	-	-	-	-	-
Sales and services	-	-	-	8,057	-	-
Interest and rentals:						
Investment income	2,317	170	2,611	1,958	10,584	150
Rental income	-	-	-	817,370	-	560
Other revenue:						
Local contribution	-	-	114,840	-	-	6,036
Other	380	-	5,356	27,598	-	123,562
Michigan Housing Authority subsidies	-	-	-	35,237	-	-
Total revenue	375,438	209,268	140,522	892,767	10,584	130,308
Expenditures						
Current services:						
Public safety	-	-	-	-	-	-
Public works	307,818	464,714	138,811	-	-	-
Senior housing	-	-	-	676,759	-	-
Recreation and culture	-	-	-	-	-	148,776
Debt service	-	-	-	-	-	-
Total expenditures	307,818	464,714	138,811	676,759	-	148,776
Excess of Revenue Over (Under) Expenditures	67,620	(255,446)	1,711	216,008	10,584	(18,468)
Other Financing Sources (Uses)						
Transfers in	87,506	255,446	18,541	15,470	-	-
Transfers out	(123,238)	-	-	(208,647)	-	(2,056)
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing (uses) sources	(35,732)	255,446	18,541	(193,177)	-	(2,056)
Net Change in Fund Balances	31,888	-	20,252	22,831	10,584	(20,524)
Fund Balances - Beginning of year	573,310	108,844	688,455	353,759	973,677	65,645
Fund Balances - End of year	<u>\$ 605,198</u>	<u>\$ 108,844</u>	<u>\$ 708,707</u>	<u>\$ 376,590</u>	<u>\$ 984,261</u>	<u>\$ 45,121</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended June 30, 2018

Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,715
-	-	-	-	-	2,547
-	-	-	-	-	581,839
-	-	-	-	17,466	17,466
-	-	-	-	-	8,057
-	-	686	4,241	3,293	26,010
-	-	-	-	-	817,930
172,355	-	-	81,638	-	374,869
-	-	-	-	-	156,896
-	-	-	-	-	35,237
172,355	-	686	85,879	20,759	2,038,566
-	-	2,451	42,390	-	44,841
-	-	-	-	-	911,343
-	-	-	-	24,680	701,439
-	-	-	-	-	148,776
172,355	95,647	-	-	-	268,002
172,355	95,647	2,451	42,390	24,680	2,074,401
-	(95,647)	(1,765)	43,489	(3,921)	(35,835)
-	95,647	77,000	207,236	113,000	869,846
-	-	-	-	-	(333,941)
-	-	5,330	3,800	-	9,130
-	95,647	82,330	211,036	113,000	545,035
-	-	80,565	254,525	109,079	509,200
2,554	2,780	180,391	1,066,973	874,228	4,890,616
\$ 2,554	\$ 2,780	\$ 260,956	\$ 1,321,498	\$ 983,307	\$ 5,399,816

Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2018

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 388,601	\$ 1,005	\$ 485,085	\$ 874,691
Receivables	820	-	173	993
Inventory	23,214	-	-	23,214
Prepaid expenses and other assets	1,079	-	-	1,079
Total current assets	413,714	1,005	485,258	899,977
Noncurrent assets:				
Restricted assets	-	356,422	-	356,422
Capital assets - Assets subject to Depreciation	171,150	-	-	171,150
Total noncurrent assets	171,150	356,422	-	527,572
Total assets	584,864	357,427	485,258	1,427,549
Liabilities				
Current liabilities:				
Accounts payable	4,215	-	96	4,311
Accrued liabilities and other	584	128,921	-	129,505
Current portion of compensated absences	2,136	-	-	2,136
Total current liabilities	6,935	128,921	96	135,952
Noncurrent liabilities - Compensated absences - Net of current portion	3,800	-	-	3,800
Total liabilities	10,735	128,921	96	139,752
Net Position				
Net investment in capital assets	171,150	-	-	171,150
Restricted - Insurance retention	-	228,506	-	228,506
Unrestricted	402,979	-	485,162	888,141
Total net position	<u>\$ 574,129</u>	<u>\$ 228,506</u>	<u>\$ 485,162</u>	<u>\$ 1,287,797</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, 2018**

	<u>Municipal Equipment</u>	<u>Insurance Retention Fund</u>	<u>Employees' Accumulated Compensation</u>	<u>Total</u>
Operating Revenue				
Rental income	\$ 264,931	\$ -	\$ -	\$ 264,931
Recoveries	-	33,398	-	33,398
Other revenue	<u>2,415</u>	<u>108,735</u>	<u>-</u>	<u>111,150</u>
Total operating revenue	267,346	142,133	-	409,479
Operating Expenses				
Other operating and maintenance costs	285,651	-	-	285,651
Claims	-	20,095	-	20,095
Compensation pay-outs	-	-	41,368	41,368
Depreciation	<u>70,783</u>	<u>-</u>	<u>-</u>	<u>70,783</u>
Total operating expenses	<u>356,434</u>	<u>20,095</u>	<u>41,368</u>	<u>417,897</u>
Operating Income (Loss)	(89,088)	122,038	(41,368)	(8,418)
Nonoperating Revenue - Investment income	<u>1,608</u>	<u>7,878</u>	<u>2,056</u>	<u>11,542</u>
Change in Net Position	(87,480)	129,916	(39,312)	3,124
Net Position - Beginning of year	<u>661,609</u>	<u>98,590</u>	<u>524,474</u>	<u>1,284,673</u>
Net Position - End of year	<u><u>\$ 574,129</u></u>	<u><u>\$ 228,506</u></u>	<u><u>\$ 485,162</u></u>	<u><u>\$ 1,287,797</u></u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2018

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 264,845	\$ -	\$ (121)	\$ 264,724
Payments to suppliers	(175,642)	(65,922)	(23)	(241,587)
Payments to employees and fringes	(110,111)	-	(41,368)	(151,479)
Other receipts	1,724	142,133	-	143,857
Net cash and cash equivalents (used in) provided by operating activities	(19,184)	76,211	(41,512)	15,515
Cash Flows Used in Capital and Related Financing Activities - Purchase of capital assets	(37,940)	-	-	(37,940)
Cash Flows Provided by Investing Activities - Interest received on investments	1,608	7,878	2,056	11,542
Net (Decrease) Increase in Cash and Cash Equivalents	(55,516)	84,089	(39,456)	(10,883)
Cash and Cash Equivalents - Beginning of year	444,117	273,338	524,541	1,241,996
Cash and Cash Equivalents - End of year	<u><u>\$ 388,601</u></u>	<u><u>\$ 357,427</u></u>	<u><u>\$ 485,085</u></u>	<u><u>\$ 1,231,113</u></u>
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 388,601	\$ 1,005	\$ 485,085	\$ 874,691
Restricted cash	-	356,422	-	356,422
Total cash and cash equivalents	<u><u>\$ 388,601</u></u>	<u><u>\$ 357,427</u></u>	<u><u>\$ 485,085</u></u>	<u><u>\$ 1,231,113</u></u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (89,088)	\$ 122,038	\$ (41,368)	\$ (8,418)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	70,783	-	-	70,783
Changes in assets and liabilities:				
Receivables	(777)	-	(121)	(898)
Inventories	(1,524)	-	-	(1,524)
Prepaid and other assets	325	-	-	325
Accounts payable	(137)	(45,827)	(23)	(45,987)
Accrued and other liabilities	1,234	-	-	1,234
Total adjustments	69,904	(45,827)	(144)	23,933
Net cash and cash equivalents (used in) provided by operating activities	<u><u>\$ (19,184)</u></u>	<u><u>\$ 76,211</u></u>	<u><u>\$ (41,512)</u></u>	<u><u>\$ 15,515</u></u>