



CITY OF NORTON SHORES, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC
CPA's

CITY OF NORTON SHORES

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INDEPENDENT AUDITORS' REPORT

November 18, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton Shores, Michigan, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton Shores, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Uredaxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Norton Shores (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2015 fiscal year as follows:

- Investment income occurred due to positive market value fluctuations.
- State of Michigan eliminated personal property tax on equipment valued under \$80,000, resulting in a decrease in anticipated property tax revenue.
- The City finalized the grant with the State of Michigan which was used to purchase 13 more acres of land that was added to Black Lake Park. Construction of a trail system throughout the park has begun and will be done in 5 phases.
- Building permit revenue has returned to pre housing market crash levels.
- Water and sewer rates remained the same due to the result of switching over to buying water from the City of Muskegon through the West Michigan Regional Water Authority.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and other post-employment benefits information and major fund budget and actual presentations. Supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$47,994,468 at the close of the most recent fiscal year. The following chart illustrates the composition of net position at June 30:

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 9,319,900	\$10,957,993	\$12,611,877	\$12,401,040	\$ 21,931,777	\$23,359,033
Capital assets	28,930,039	26,257,376	30,843,598	29,830,739	59,773,637	56,088,115
Total assets	38,249,939	37,215,369	43,455,475	42,231,779	81,705,414	79,447,148
Deferred outflows	1,046,378	-	123,413	-	1,169,791	-
Liabilities						
Current liabilities	719,408	566,783	1,106,058	350,844	1,825,466	917,627
Long-term liabilities	29,369,627	8,801,443	3,685,644	1,601,835	33,055,271	10,403,278
Total liabilities	30,089,035	9,368,226	4,791,702	1,952,679	34,880,737	11,320,905
Net position						
Net investment in capital assets	28,088,627	26,257,376	29,672,636	28,416,967	57,761,263	54,674,343
Restricted	4,156,548	5,015,466	950	950	4,157,498	5,016,416
Unrestricted (deficit)	(23,037,893)	(3,425,699)	9,113,600	11,861,183	(13,924,293)	8,435,484
Total net position	\$ 9,207,282	\$27,847,143	\$38,787,186	\$40,279,100	\$ 47,994,468	\$68,126,243

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension liability in conjunction with implementation of new accounting standards.

A portion of the City's net position reflects an unrestricted deficit which is not available for future operations; by far the largest portion of the City's net is its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of \$4,157,498 represents resources that are subject to external restrictions on how they may be used.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2015, was \$25,915,801 while total cost of all programs and services was \$26,905,679. This results in a decrease in net position of \$989,878. The following table presents a summary of the changes in net position for the years ended June 30:

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$3,130,183	\$3,071,165	\$7,258,643	\$7,458,327	\$10,388,826	\$10,529,492
Operating grants and contributions	2,055,751	1,965,133	104,821	164,108	2,160,572	2,129,241
Capital grants and contributions	632,696	430,960	1,036,793	-	1,669,489	430,960
General revenues						
Property taxes	8,435,765	8,351,959	-	-	8,435,765	8,351,959
State shared revenues	1,906,917	1,847,935	-	-	1,906,917	1,847,935
Investment earnings (loss)	420,874	(34,523)	726,147	(200,871)	1,147,021	(235,394)
Other	176,422	160,271	30,789	22,217	207,211	182,488
Total revenues	16,758,608	15,792,900	9,157,193	7,443,781	25,915,801	23,236,681
Expenses						
General government	4,392,936	3,394,610	-	-	4,392,936	3,394,610
Public safety	8,260,348	7,618,872	-	-	8,260,348	7,618,872
Highways and streets	3,328,718	3,161,242	-	-	3,328,718	3,161,242
Sanitation	703,245	679,973	-	-	703,245	679,973
Culture and recreation	817,732	762,759	-	-	817,732	762,759
Administration	676,007	616,339	-	-	676,007	616,339
Community development	85,745	120,401	-	-	85,745	120,401
Interest on long-term debt	11,311	-	-	-	11,311	-
Water and sewer	-	-	8,629,637	8,215,521	8,629,637	8,215,521
Total expenses	18,276,042	16,354,196	8,629,637	8,215,521	26,905,679	24,569,717
Increase (decrease) in net position	(1,517,434)	(561,296)	527,556	(771,740)	(989,878)	(1,333,036)
Net position – beginning	10,724,716	28,408,439	38,259,630	41,050,840	48,984,346	69,459,279
Net position – ending	\$9,207,282	\$27,847,143	\$38,787,186	\$40,279,100	\$47,994,468	\$68,126,243

Governmental Activities The preceding table shows that the governmental activities decreased the City's net position by \$1,517,434 during this fiscal year. The decrease is primarily the result of an increase in the City's OPEB liability.

Business-type Activities Business-type activities increased the City's net position by \$527,556 during the year. This increase is primarily the result of capital grants received to cover a portion of construction activities as well as positive investment returns during the year.

Beginning net position of governmental activities for 2015 was reduced by \$17,122,427 and business-type activities was reduced by \$2,019,470 to recognize a net pension liability at the beginning of the year in accordance with the implementation of GASB 68.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,871,026, a decrease of \$1,457,713 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$1,881,696, a decrease of \$499,439 from the prior year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance totaled \$1,428,384 or 13.5% of total general fund expenditures.

The major streets fund is used to account for the receipt and expenditure of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The fund balance at the end of the year amounted to \$599,001, a decrease of \$238,298 from the previous year due to the maintenance, repairs and construction of major streets.

The capital improvement fund is used to account for the resources of a tax millage that are to be used for improvements. The fund balance at the end of the year amounted to \$1,899,800, a decrease of \$335,715 from the previous year. The decrease is due to current year capital improvement expenditures exceeding the current tax levy and other revenues.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operation consists of the water and sewer fund which provides services to most residents and businesses of the City. This fund experienced an increase in net position of \$527,556 during the year.

Budgetary Highlights

- Property tax revenue budget was reduced to more accurately reflect the amount to be received.
- The major streets fund budget was increased to reflect additional administrative costs.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$59,773,637 (net of accumulated depreciation). Of this amount, \$28,930,039 was for its governmental type activities and \$30,843,598 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions consisted of work on the City's public works building and various infrastructure projects. Additional information on the City's capital assets can be found in Note 6 to these financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term debt, including compensated absences, other post-employment benefits obligations, and net pension liability, outstanding of \$33,055,271. Of this amount, \$29,369,627 was for governmental activities while \$3,685,644 was for business-type activities. Additional information on the City's long-term debt can be found in Note 9 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2015-2016 fiscal year:

- Property values increased for the 3rd year in a row.
- State revenue sharing is expected to increase again next fiscal year according to the State of Michigan.
- The State of Michigan is beginning to replace the lost revenue from personal property tax.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Norton Shores, 4814 Henry Street, Norton Shores, MI 49441.

BASIC FINANCIAL STATEMENTS

CITY OF NORTON SHORES

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Tax	Brownfield
	Activities	Activities		Increment	Redevelopment
			Finance	Authority	
Assets					
Cash and pooled investments	\$ 7,592,353	\$ 10,149,002	\$ 17,741,355	\$ 3,380,556	\$ 247,388
Accounts receivable	405,127	1,719,069	2,124,196	-	-
Due from other governments	820,987	-	820,987	-	-
Special assessments receivable	62,758	382,073	444,831	-	-
Prepaid and other assets	259,218	51,090	310,308	15	-
Inventory	179,457	309,693	489,150	-	-
Restricted assets					
Cash and pooled investments	-	950	950	-	-
Capital assets					
Land	2,221,937	250	2,222,187	456,627	-
Construction in progress	-	559,288	559,288	-	-
Depreciable capital assets, net	26,708,102	30,284,060	56,992,162	786,144	-
Total assets	38,249,939	43,455,475	81,705,414	4,623,342	247,388
Deferred outflows					
Deferred outflows related to pensions	1,046,378	123,413	1,169,791	-	-
Liabilities					
Accounts payable	402,180	1,080,622	1,482,802	27	-
Accrued liabilities	269,046	25,436	294,482	376	-
Unearned revenue	48,182	-	48,182	-	-
Noncurrent liabilities					
Compensated absences	851,753	62,089	913,842	-	-
Net other post-employment benefits	9,487,298	307,308	9,794,606	-	-
Net pension liability	18,189,164	2,145,285	20,334,449	-	-
Due within one year	74,862	231,418	306,280	-	-
Due in more than one year	766,550	939,544	1,706,094	-	-
Total liabilities	30,089,035	4,791,702	34,880,737	403	-
Net position					
Net investment in capital assets	28,088,627	29,672,636	57,761,263	1,242,771	-
Restricted for					
Major/local streets	599,001	-	599,001	-	-
Local streets	54,759	-	54,759	-	-
Municipal roads	594,319	-	594,319	-	-
Building	317,681	-	317,681	-	-
Community development program	1,597	-	1,597	-	-
Perpetual care	689,391	-	689,391	-	-
Capital improvements	1,899,800	950	1,900,750	-	-
Unrestricted (deficit)	(23,037,893)	9,113,600	(13,924,293)	3,380,168	247,388
Total net position	\$ 9,207,282	\$ 38,787,186	\$ 47,994,468	\$ 4,622,939	\$ 247,388

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

CITY OF NORTON SHORES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 4,392,936	\$ 2,092,049	\$ -	\$ 94,833	\$ (2,206,054)
Public safety	8,260,348	807,481	21,752	-	(7,431,115)
Highways and streets	3,328,718	14,890	2,033,999	403,661	(876,168)
Sanitation	703,245	-	-	55,762	(647,483)
Culture and recreation	817,732	215,763	-	-	(601,969)
Administration	676,007	-	-	-	(676,007)
Community development	85,745	-	-	78,440	(7,305)
Interest on long-term debt	11,311	-	-	-	(11,311)
Total governmental activities	18,276,042	3,130,183	2,055,751	632,696	(12,457,412)
Business-type activities					
Water and Sewer	8,629,637	7,258,643	104,821	1,036,793	(229,380)
Total primary government	\$ 26,905,679	\$ 10,388,826	\$ 2,160,572	\$ 1,669,489	\$ (12,686,792)
Component units					
Tax Increment Finance Authority	\$ 542,718	\$ -	\$ -	\$ -	\$ (542,718)
Brownfield Redevelopment Authority	124,506	-	-	-	(124,506)
Total component units	\$ 667,224	\$ -	\$ -	\$ -	\$ (667,224)

(Continued)

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

CITY OF NORTON SHORES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Tax</u>	<u>Brownfield</u>
	<u>Activities</u>	<u>Activities</u>		<u>Increment</u>	
				<u>Finance</u>	<u>Authority</u>
Changes in net position					
Net (expense) revenue	\$ (12,457,412)	\$ (229,380)	\$ (12,686,792)	\$ (542,718)	\$ (124,506)
General revenues					
Property taxes					
General	5,231,817	-	5,231,817	1,459,168	126,891
Sanitation	531,052	-	531,052	-	-
Road improvements	1,137,968	-	1,137,968	-	-
Capital projects	1,534,928	-	1,534,928	-	-
State shared revenues	1,906,917	-	1,906,917	-	-
Unrestricted investment earnings (loss)	420,874	726,147	1,147,021	-	-
Other general revenues	<u>176,422</u>	<u>30,789</u>	<u>207,211</u>	<u>6,899</u>	<u>-</u>
Total general revenues and transfers	<u>10,939,978</u>	<u>756,936</u>	<u>11,696,914</u>	<u>1,466,067</u>	<u>126,891</u>
Change in net position	(1,517,434)	527,556	(989,878)	923,349	2,385
Net position, beginning of year, as restated	<u>10,724,716</u>	<u>38,259,630</u>	<u>48,984,346</u>	<u>3,699,590</u>	<u>245,003</u>
Net position, end of year	<u>\$ 9,207,282</u>	<u>\$ 38,787,186</u>	<u>\$ 47,994,468</u>	<u>\$ 4,622,939</u>	<u>\$ 247,388</u>

(Concluded)

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

CITY OF NORTON SHORES

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	<u>General</u>	<u>Major Streets Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,547,342	\$ 103,968	\$ 1,906,499	\$ 3,469,570	\$ 7,027,379
Accounts receivable	286,268	47,752	24,000	-	358,020
Special assessments receivable	-	-	-	62,758	62,758
Prepaid items	193,400	23,383	-	18,999	235,782
Due from other funds	26,869	-	-	-	26,869
Due from other governments	312,626	335,400	94,833	78,128	820,987
Inventory	9,912	129,264	-	-	139,176
Total assets	\$ 2,376,417	\$ 639,767	\$ 2,025,332	\$ 3,629,455	\$ 8,670,971
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 223,381	\$ 24,616	\$ 122,856	\$ 29,492	\$ 400,345
Accrued liabilities	225,834	16,150	-	19,807	261,791
Due to other funds	-	-	-	26,869	26,869
Unearned revenue	45,506	-	2,676	-	48,182
Total liabilities	494,721	40,766	125,532	76,168	737,187
Deferred inflows					
Unavailable revenues	-	-	-	62,758	62,758
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	689,391	689,391
Inventory	9,912	129,264	-	-	139,176
Prepaid items	193,400	23,383	-	18,999	235,782
Restricted					
Streets	-	446,354	-	640,194	1,086,548
Building	-	-	-	315,658	315,658
Community development	-	-	-	1,597	1,597
Capital improvements	-	-	1,899,800	-	1,899,800
Assigned					
Subsequent years expenditures	250,000	-	-	-	250,000
Capital projects	-	-	-	1,842,076	1,842,076
Unassigned	1,428,384	-	-	(17,386)	1,410,998
Total fund balances	1,881,696	599,001	1,899,800	3,490,529	7,871,026
Total liabilities, deferred inflows, and fund balances	\$ 2,376,417	\$ 639,767	\$ 2,025,332	\$ 3,629,455	\$ 8,670,971

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

CITY OF NORTON SHORES

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2015

Fund balances - governmental funds	\$ 7,871,026
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,221,937
Add - capital assets (net of accumulated depreciation)	25,653,086
Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenues in the funds.	
Add - deferred inflows	62,758
An internal service fund is used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	836,678
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(835,033)
Deduct - net pension liability	(17,349,352)
Add - deferred outflows related to pensions	998,066
Deduct - bonds and notes payable	(841,412)
Deduct - post-employment benefits payable	<u>(9,410,472)</u>
Net position of governmental activities	<u>\$ 9,207,282</u>

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

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Major Streets Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 4,207,683	\$ -	\$ 1,534,928	\$ 2,693,154	\$ 8,435,765
Intergovernmental revenues					
Federal	21,752	-	-	78,440	100,192
State	1,906,917	1,578,383	94,833	528,416	4,108,549
Local	-	-	55,762	-	55,762
Licenses and permits	385,839	-	-	461,797	847,636
Charges for services	2,167,233	-	-	30,885	2,198,118
Fines	69,539	-	-	-	69,539
Special assessments	-	-	-	7,530	7,530
Investment earnings (loss)	204,498	22,346	75,317	89,850	392,011
Miscellaneous	58,113	58,322	52,102	7,885	176,422
Total revenues	<u>9,021,574</u>	<u>1,659,051</u>	<u>1,812,942</u>	<u>3,897,957</u>	<u>16,391,524</u>
Expenditures					
Current					
General government	2,458,466	-	-	-	2,458,466
Public safety	6,814,672	-	-	479,077	7,293,749
Highway and streets	520,546	1,005,502	-	381,389	1,907,437
Sanitation	-	-	-	667,266	667,266
Culture and recreation	776,738	-	-	-	776,738
Administration	-	324,010	211,896	107,490	643,396
Community development	-	-	-	79,375	79,375
Debt service					
Principal	-	-	85,175	-	85,175
Interest	-	-	11,311	-	11,311
Capital outlay	-	567,837	2,766,862	1,518,212	4,852,911
Total expenditures	<u>10,570,422</u>	<u>1,897,349</u>	<u>3,075,244</u>	<u>3,232,809</u>	<u>18,775,824</u>
Revenues over (under) expenditures	<u>(1,548,848)</u>	<u>(238,298)</u>	<u>(1,262,302)</u>	<u>665,148</u>	<u>(2,384,300)</u>
Other financing sources (uses)					
Issuance of debt	-	-	926,587	-	926,587
Transfers in	1,049,409	-	-	-	1,049,409
Transfers out	-	-	-	(1,049,409)	(1,049,409)
Total other financing sources (uses)	<u>1,049,409</u>	<u>-</u>	<u>926,587</u>	<u>(1,049,409)</u>	<u>926,587</u>
Net changes in fund balances	(499,439)	(238,298)	(335,715)	(384,261)	(1,457,713)
Fund balances, beginning of year	<u>2,381,135</u>	<u>837,299</u>	<u>2,235,515</u>	<u>3,874,790</u>	<u>9,328,739</u>
Fund balances, end of year	<u>\$ 1,881,696</u>	<u>\$ 599,001</u>	<u>\$ 1,899,800</u>	<u>\$ 3,490,529</u>	<u>\$ 7,871,026</u>

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

CITY OF NORTON SHORES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds \$ (1,457,713)

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, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	4,568,834
Deduct - depreciation expense	(2,061,913)

Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Add - long-term receivable addition	7,360
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Issuance of bonds or notes provides current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on debt	85,175
Deduct - issuance of debt	(926,587)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(98,863)
Deduct - increase in post-employment benefits liability	(1,392,782)
Deduct - increase in net pension liability	(397,668)
Add - increase in deferred outflows related to pensions	378,249

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Deduct - decrease in net position from the internal service funds	<u>(221,526)</u>
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Change in net position of governmental activities \$ (1,517,434)

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

CITY OF NORTON SHORES

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2015

	Enterprise Fund Water and Sewer Fund	Governmental Activities Equipment Revolving Internal Service Fund
Assets		
Current assets		
Cash and pooled investments	\$ 10,149,002	\$ 564,974
Accounts receivable	1,719,069	47,107
Special assessment receivable	382,073	-
Prepaid and other assets	51,090	23,436
Inventory	309,693	40,281
Restricted cash and pooled investments	<u>950</u>	<u>-</u>
 Total current assets	 <u>12,611,877</u>	 <u>675,798</u>
 Capital assets		
Land	250	-
Construction in progress	559,288	-
Depreciable capital assets	64,379,098	4,822,171
Less accumulated depreciation	<u>(34,095,038)</u>	<u>(3,767,155)</u>
 Net capital assets	 <u>30,843,598</u>	 <u>1,055,016</u>
 Total assets	 <u>43,455,475</u>	 <u>1,730,814</u>
 Deferred outflows		
Deferred outflows related to pensions	<u>123,413</u>	<u>48,312</u>
 Liabilities		
Current liabilities		
Accounts payable	1,080,622	1,835
Accrued liabilities	25,436	7,255
Current portion of long-term debt	<u>231,418</u>	<u>-</u>
 Total current liabilities	 <u>1,337,476</u>	 <u>9,090</u>
 Long-term liabilities		
Compensated absences	62,089	16,720
Net other post-employment benefits obligation	307,308	76,826
Net pension liability	2,145,285	839,812
Bonds payable, net of current portion	<u>939,544</u>	<u>-</u>
 Total long-term liabilities	 <u>3,454,226</u>	 <u>933,358</u>
 Total liabilities	 <u>4,791,702</u>	 <u>942,448</u>
 Net Position		
Net investment in capital assets	29,672,636	1,055,016
Restricted for capital improvements	950	-
Unrestricted	<u>9,113,600</u>	<u>(218,338)</u>
 Total net position	 <u>\$ 38,787,186</u>	 <u>\$ 836,678</u>

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

CITY OF NORTON SHORES
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Fund Water and Sewer Fund	Governmental Activities Equipment Revolving Internal Service Fund
Operating revenue		
Charges for services	\$ 7,258,643	\$ 1,213,221
Water service installations and direct sewer connections	104,821	-
Other	<u>30,789</u>	<u>28,243</u>
Total operating revenue	<u>7,394,253</u>	<u>1,241,464</u>
Operating expense		
Personnel services	1,653,674	426,497
Other operating expenses	5,370,853	584,253
Depreciation	<u>1,229,857</u>	<u>553,861</u>
Total operating expense	<u>8,254,384</u>	<u>1,564,611</u>
Operating income (loss)	<u>(860,131)</u>	<u>(323,147)</u>
Non-operating revenue (expense)		
Gain on disposal of assets	-	72,758
Investment earnings (loss)	726,147	28,863
Interest expense	<u>(375,253)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>350,894</u>	<u>101,621</u>
Income (loss) before transfers and capital contributions	<u>(509,237)</u>	<u>(221,526)</u>
Capital contributions		
State grant	378,956	-
Federal grant	<u>657,837</u>	<u>-</u>
Total capital contributions	<u>1,036,793</u>	<u>-</u>
Changes in net position	527,556	(221,526)
Net position, beginning of year, as restated	<u>38,259,630</u>	<u>1,058,204</u>
Net position, end of year	<u>\$ 38,787,186</u>	<u>\$ 836,678</u>

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

CITY OF NORTON SHORES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Water and Sewer Fund</u>	<u>Equipment Revolving Internal Service Fund</u>
Cash flows from operating activities		
Receipts from internal services provided	\$ -	\$ 1,195,508
Receipts from customers and users	7,947,004	-
Payments to employees	(1,466,445)	(379,215)
Payments to suppliers	<u>(4,609,314)</u>	<u>(580,772)</u>
Net cash provided by (used in) operating activities	<u>1,871,245</u>	<u>235,521</u>
Cash flows from capital and related financing activities		
Payments on contract obligations	(242,810)	-
Interest expense	(383,587)	-
Capital grants	1,036,793	-
Proceeds from sale of capital assets	-	72,758
Acquisitions of capital assets	<u>(2,242,716)</u>	<u>(719,603)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,832,320)</u>	<u>(646,845)</u>
Cash flows from investing activities		
Investment earnings (loss)	<u>726,147</u>	<u>28,863</u>
Net increase (decrease) in cash and pooled investments	765,072	(382,461)
Cash and pooled investments, beginning of year	<u>9,384,880</u>	<u>947,435</u>
Cash and pooled investments, end of year	<u>\$ 10,149,952</u>	<u>\$ 564,974</u>
Cash flows from operating activities		
Operating income (loss)	\$ (860,131)	\$ (323,147)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,229,857	553,861
Deferred outflows related to pensions	(46,771)	(18,309)
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(181,667)	(45,956)
Assessments receivable	68,771	-
Due from other governments	665,647	-
Inventory	(5,691)	2,215
Prepaid assets and other items	7,175	9,257
Accounts payable	760,055	(7,991)
Accrued liabilities	3,493	379
Other post-employment benefits	177,958	44,489
Net pension liability	49,173	19,249
Compensated absences	<u>3,376</u>	<u>1,474</u>
Net cash provided by (used in) operating activities	<u>\$ 1,871,245</u>	<u>\$ 235,521</u>

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

CITY OF NORTON SHORES

FIDUCIARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2015

	Other Post- employment Benefits Trust Fund	Agency Funds
Assets		
Cash and pooled investments	\$ 1,737,094	\$ 48,485
Liabilities		
Accounts payable	-	\$ 3,055
Due to other governmental units	-	45,430
Total liabilities	-	\$ 48,485
Net Position		
Net position - held in trust for post-employment benefits	\$ 1,737,094	

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

CITY OF NORTON SHORES
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Other Post- employment Benefits <u>Trust Fund</u>
Additions	
Contributions	
City contributions	\$ 657,183
Investment earnings	
Interest	<u>48,530</u>
Total additions	705,713
Deductions	
Health insurance premiums paid	<u>657,183</u>
Changes in net position	48,530
Net position, beginning of year	<u>1,688,564</u>
Net position, end of year	<u>\$ 1,737,094</u>

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

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Norton Shores, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Tax Increment Financing Authority (the "TIFA") and the Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The TIFA was created to correct and prevent deterioration and to promote economic growth within the downtown area. The TIFA governing body consists of individuals that are approved by the City's Council. The City Council approves the TIFA's budget and the TIFA is fiscally dependent on the City. Financial statements are not separately issued for the TIFA.

The Brownfield Redevelopment Authority accounts for captured tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenditures incurred for brownfield cleanup. The City Council approves the governing body of the Brownfield Redevelopment Authority. The Brownfield Redevelopment Authority is fiscally dependent on the City since the City approves the Brownfield Redevelopment Authority's budget. Financial statements are not separately issued for the Brownfield Redevelopment Authority.

Joint Venture

The City of Norton Shores is a participant in the West Michigan Regional Water Authority (the Authority) (a joint venture). The purpose of the Authority is to develop and maintain water infrastructure. The City utilizes the Authority for transportation of water from the Muskegon water system. The City pays for these services based on its share of water flow through the system to cover debt service, maintenance and administration of the Authority. For the year ended June 30, 2015, the City paid \$359,548 to the Authority for engineering of system infrastructure and other costs. The City received no payments from the Authority for the provision of administrative services during the year. The City owes the Authority \$361,797 for water purchases. Financial statements of the Authority can be obtained by contacting the Treasurer c/o City of Norton Shores, 4814 Henry Street, Norton Shores, MI 49441.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants, state shared revenue and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service fund is charges to City departments for repairs and equipment utilization. Operating expenses for the enterprise fund includes depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the construction and maintenance of streets. Financing is provided by the City's share of the State's fuel and weight taxes.

The *Capital Improvement Fund* is used to account for the City Charter authorized two (2) mill property tax levy and related restricted revenues for the acquisition of land, equipment, facilities, improvements and similar items for general governmental use.

The City reports the following major enterprise fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the City's sewer and water department that provides sewer and water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Internal Service Fund* is used to account for shared equipment usage provided to the City departments and funds on a cost reimbursement basis.

The *Other Post-employment Benefits Trust Fund* is used to account for the operations of the Other Post-employment Benefits Plan which provides post-employment benefits to the City's employees.

The *Agency Funds* are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted at the program level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

Receivables/Due from Other Governments

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

Special Assessments Receivable

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

Prepaid Items

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

Inventory

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

Restricted Cash and Pooled Investments

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

Capital Assets

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

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

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20-50
Infrastructure	20
Equipment	10
Vehicles	4-8

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received, but not yet earned.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Pensions

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

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FOR THE YEAR ENDED JUNE 30, 2015

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expense/expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the net pension liability which are discussed in Note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments which are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position/Fund Balance

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund balance can only be committed by resolution of the City Council. The City has not delegated the authority to assign fund balance.

City Council has adopted a minimum fund balance policy which requires fund balance of the general fund to equal at least 10% of subsequent years budgeted expenditures and transfers out.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Net Position and Fund Balance Flow Assumptions

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

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Changes between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

2. DEFICIT NET POSITION/FUND BALANCE

At June 30, 2015 the Solid Waste fund had a fund balance deficit of \$16,625.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2015, the City incurred expenditures in the general fund legal services activity which was in excess of the amounts appropriated by \$34,782.

4. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$17,741,355	\$3,627,944	\$1,785,579	\$23,154,878
Restricted cash and pooled investments	950	-	-	950
	\$17,742,305	\$3,627,944	\$1,785,579	\$23,155,828

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

Deposits	\$ 746,500
Investments	22,405,728
Petty cash	3,600
Total	\$23,155,828

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City minimizes this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$1,122,547 of the City's bank balance of \$1,451,321 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investment and deposit risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1. It is the City's policy to reduce interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

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FOR THE YEAR ENDED JUNE 30, 2015

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1. The investment policy does not have specific limits in excess of state law on investment credit risk.

The ratings and maturity for investments held at year-end are summarized as follows:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money market accounts	N/A	\$ 386,724	Unrated	
MERS total market fund	N/A	1,737,094		
Certificates of deposit	2018-2029	1,333,628		
Municipal bonds:				
Grand Blanc Community Schools	2028	224,490	AA-	S&P
Hudsonville Public Schools	2029	231,909	AA-	S&P
Allegan District Schools	2042	511,833	AA-	S&P
Michigan TOB Settlement Fin Authority	2048	373,090	B-	S&P
Corporate Bonds				
Toyota Motor Credit Corporation	2031	648,880	AA-	S&P
Government securities				
GNMA Pools	2015-2036	4,426	Unrated	
FHLMC Note	2019	994,554	AA+	S&P
FHLB Bond	2028	1,008,953	AAA	S&P
FNMA Step	2028	412,783	AA+	S&P
FNMA	2030	662,496	AA+	S&P
FNMA	2032	524,560	AA+	S&P
FHLB	2032	1,231,497	AA+	S&P
FHR	2040	748,728	Unrated	
FHLMC	2042	998,779	Unrated	
FHLMC	2042	278,570	Unrated	
FNR	2042	668,866	Unrated	
FNMA	2042	554,144	Unrated	
FHR	2040	947,667	Unrated	
FHLMC	2042	935,478	Unrated	
GNR	2042	341,994	Unrated	
FHLMC	2043	389,424	Unrated	
FNMA	2043	405,615	Unrated	
FHLMC	2043	965,803	Unrated	
FNMA	2043	630,545	Unrated	
GNMA	2043	557,390	Unrated	
FHLMC	2043	769,389	Unrated	
FHLMC	2044	1,011,239	Unrated	
FHLMC	2044	928,671	Unrated	
FHLMC	2045	493,104	Unrated	
FNMA	2045	493,405	Unrated	
		<u>\$22,405,728</u>		

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the City's investment policy.

CITY OF NORTON SHORES

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FOR THE YEAR ENDED JUNE 30, 2015

Of the \$22,405,728 of investments, the City has custodial credit risk of \$18,948,282 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments, \$2,123,819 is invested in pooled or mutual funds for which the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2015 consist of \$1,049,409 transferred into the general fund from nonmajor governmental funds.

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

Interfund receivables and payables at June 30, 2015 consist of \$26,689 receivable in the general fund from nonmajor governmental funds. These balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,013,798	\$ 208,139	\$ -	\$ 2,221,937
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	2,013,798	208,139	-	2,221,937
Capital assets, being depreciated				
Buildings	9,274,921	1,078,520	-	10,353,441
Land improvements	1,741,970	386,014	-	2,127,984
Equipment	8,864,501	1,135,589	695,966	9,304,124
Infrastructure	33,478,654	2,480,175	-	35,958,829
Total capital assets, being depreciated	53,360,046	5,080,298	695,966	57,744,378
Less accumulated depreciation for				
Buildings	2,558,531	367,137	-	2,925,668
Land improvements	996,678	106,370	-	1,103,048
Equipment	5,703,777	974,519	695,966	5,982,330
Infrastructure	19,857,482	1,167,748	-	21,025,230
Total accumulated depreciation	29,116,468	2,615,774	695,966	31,036,276
Net capital assets, being depreciated	24,243,578	2,464,524	-	26,708,102
Governmental Activities capital assets, net	\$26,257,376	\$2,672,663	\$ -	\$28,930,039

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 250	\$ -	\$ -	\$ 250
Construction in progress	-	559,288	-	559,288
Total capital assets, not being depreciated	250	559,288	-	559,538
Capital assets being depreciated				
Regional water system				
water mains and hydrants	17,950,738	1,253,991	-	19,204,729
Building	1,527,203	-	-	1,527,203
Sewers and lift stations	37,509,664	365,079	-	37,874,743
Machinery and equipment	307,457	64,358	-	371,815
Wastewater treatment	5,400,608	-	-	5,400,608
Total capital assets, being depreciated	62,695,670	1,683,428	-	64,379,098
Less accumulated depreciation for				
Regional water system				
water mains and hydrants	5,890,705	287,972	-	6,178,677
Building	76,360	38,180	-	114,540
Sewers and lift stations	22,437,234	753,193	-	23,190,427
Machinery and equipment	169,017	43,113	-	212,130
Wastewater treatment	4,291,865	107,399	-	4,399,264
Total accumulated depreciation	32,865,181	1,229,857	-	34,095,038
Net capital assets, being depreciated	29,830,489	453,571	-	30,284,060
Business-type Activities capital assets, net	\$29,830,739	\$1,012,859	\$ -	\$30,843,598
Component Units				
Capital assets, not being depreciated				
Land	\$ 456,627	\$ -	\$ -	\$ 456,627
Capital assets being depreciated				
Buildings and infrastructure	899,666	-	-	899,666
Less accumulated depreciation for				
Buildings and infrastructure	91,030	22,492	-	113,522
Net capital assets, being depreciated	808,636	(22,492)	-	786,144
Component Units capital assets, net	\$1,265,263	\$(22,492)	\$ -	\$1,242,771

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

Governmental Activities	
General government	\$ 259,718
Public safety	551,900
Public works and streets	1,250,295
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	553,861
Total depreciation expense - governmental activities	\$2,615,774

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

7. PENSION PLANS

Defined Benefit Plan

Plan Description

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

Benefits provided

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

Active plan members	92
Inactive employees entitled but not yet receiving benefits	6
Inactive employees or beneficiaries currently receiving benefits	<u>102</u>
Total	<u>200</u>

Contributions

The City is required to contribute at an actuarially determined rate. The employer makes monthly employer contributions of \$135,794. Participating employees are required to contribute from 0.0% to 4.0% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 1/1/14	\$38,936,329	\$19,067,970	\$19,868,359
Changes for the Year:			
Service cost	661,697	-	661,697
Interest	3,133,296	-	3,133,296
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	2,082,734	(2,082,734)
Contributions: employee	-	99,216	(99,216)
Net investment income	-	1,190,601	(1,190,601)
Benefit payments, including refunds	(2,575,661)	(2,575,661)	-
Administrative expense	-	(43,648)	43,648
Other changes	-	-	-
Net changes	1,219,332	753,242	466,090
Balance at 12/31/14	\$40,155,661	\$19,821,212	\$20,334,449

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FOR THE YEAR ENDED JUNE 30, 2015

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total Pension Liability	\$44,440,527	\$40,155,661	\$36,497,909
Fiduciary Net Position	19,821,212	19,821,212	19,821,212
Net Pension Liability	<u>\$24,619,315</u>	<u>\$20,334,449</u>	<u>\$16,676,697</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015 the City recognized pension expense of \$2,257,250. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences in experience	\$ -
Differences in assumptions	-
Excess(Deficit) Investment Returns	291,572
Contributions subsequent to the Measurement date*	<u>878,219</u>
Total	<u><u>\$1,169,791</u></u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2016.

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

2016	\$ 72,893
2017	72,893
2018	72,893
2019	72,893
2020	<u>-</u>
Total	<u><u>\$291,572</u></u>

8. OTHER POST-EMPLOYMENT BENEFITS

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. In accordance with the City's policy, the City provides an annual payment until the retiree is eligible for full social security benefits. As of June 30, 2015, the date of the last plan valuation, the Plan covered 174 members. The Plan does not issue a publically available financial report.

CITY OF NORTON SHORES

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FOR THE YEAR ENDED JUNE 30, 2015

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2015):

Retirees and beneficiaries receiving benefits	81
Active plan members	<u>93</u>
Total	<u><u>174</u></u>

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2015 the City contributed \$657,183 to the Plan.

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculation.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 4% discount rate, 4% salary rate increase and a 4% expected rate of return on assets. Amortization of the Unfunded Actuarial Accrued Liability was Level Dollar - Open method since retiree benefits are not related to salary level. The amortization period at June 30, 2015 is 30 years.

CITY OF NORTON SHORES

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FOR THE YEAR ENDED JUNE 30, 2015

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City OPEB obligation to the plan.

Annual required contribution	\$2,411,190
Interest on Net OPEB obligation	355,706
Adjustment to annual required contribution	<u>(494,484)</u>
Annual OPEB cost (expense)	2,272,412
Contribution made	<u>657,183</u>
Increase in net OPEB obligation	1,615,229
Net OPEB obligation, beginning of year	<u>8,179,377</u>
Net OPEB obligation, end of year	<u>\$9,794,606</u>

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/13	\$2,033,031	47%	\$7,068,842
6/30/14	2,013,328	45%	8,179,377
6/30/15	2,272,412	29%	9,794,606

Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/15	\$1,737,094	\$39,890,968	\$38,153,874	4%	Not available	n/a

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2015</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
Governmental Activities					
\$926,587 installment purchase with payments due in annual installments of \$74,862 to \$94,069 through May 2025, plus interest at 2.57%	\$ -	\$ 926,587	\$85,175	\$ 841,412	\$74,862
Compensated absences	751,416	100,337	-	851,753	85,175
Other post-employment benefits	8,050,027	1,437,271	-	9,487,298	-
Total Governmental Activities	\$8,801,443	\$2,464,195	\$85,175	\$11,180,463	\$160,037

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Business-type Activities					
Obligations under contract with the County of Muskegon	\$1,413,772	\$ -	\$242,810	\$1,170,962	\$231,418
Compensated absences	58,713	3,376	-	62,089	6,209
Other post-employment benefits	129,350	177,958	-	307,308	-
Total Business-type Activities	<u>\$1,601,835</u>	<u>\$181,334</u>	<u>\$242,810</u>	<u>\$1,540,359</u>	<u>\$237,627</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Governmental activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 74,862	\$ 21,624	\$ 231,418	\$ 36,892
2017	76,786	19,700	238,478	29,950
2018	78,760	17,727	245,731	22,796
2019	80,784	15,703	253,205	15,424
2020	82,860	13,627	202,129	7,828
2021-2025	447,360	35,076	-	-
Total	<u>\$841,412</u>	<u>\$123,457</u>	<u>\$1,170,961</u>	<u>\$112,890</u>

The 2000 Muskegon County Water Supply System No. 1, Series II contract was entered into with the County for the construction of a regional transmission water main, enhancements for water supply storage, and construction of distribution water mains in the City. This contractual agreement is treated as a capital lease with approximately 60% of the constructed asset recorded within the sewer/water fund. The City of Norton Shores is responsible for annual debt service in the amount equal to its share of system construction costs, currently estimated at 60% of the total. The City has pledged its limited full faith and credit toward the retirement of its share of the \$6,500,000 bond issue. The interest rate ranges from 4.75 to 6.75 percent over the life of the contract. In compliance with constitutional limitations, the City is utilizing water service revenue for this debt.

In 2014, the West Michigan Regional Water Authority issued its bonds totaling \$15,700,000 and made improvements to the water system and completed an inter-connect pipeline to the City of Muskegon water system. Under contractual agreements as wholesale users of the system, the City of Norton Shores and the Charter Township of Fruitport have agreed to pay a portion of the debt service on these bonds based on actual water usage pursuant to the Regional Water System Agreement between the entities. Based on usage, the City's share of the debt outstanding on June 30, 2015 was approximately 69% of the outstanding balance or \$10,939,000. The City has not recorded a liability for any portion of the West Michigan Water Resources Authority debt. Terms of the contractual agreement require the City and the Charter Township of Fruitport to pay debt service on these bonds regardless of water usage.

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance and participates in the Michigan Municipal Liability and Property Pool (the Pool). The City is covered for property and liability coverage through the pool. The City's contributions to the Pool are combined with other member contributions to provide members with coverage for property and liability claims. Funds not needed to pay claims or maintain reserves are either distributed to the members or credited toward future contributions. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year.

The City manages its workers compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its member by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The City is self-funded for medical, dental, and optical insurance. The claims liability of \$0 reported at June 30, 2015 is based on the requirements of accounting standards which require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in each fund based on payroll. An independent administrator is contracted to process the daily claims. An excess coverage (reinsurance) insurance policy covers individual claims in excess of \$70,000 per family. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in the funds. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

The change in the claims liability for the year ended June 30, 2015 was as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2014	\$ -	\$1,639,681	\$1,639,681	\$ -
2015	-	1,870,316	1,870,316	-

CITY OF NORTON SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

11. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

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

12. COMMITMENTS

At year-end, the City had outstanding commitments of approximately \$1,502,000 related to various construction projects.

13. PRIOR PERIOD ADJUSTMENT

Beginning net position of the City was decreased to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 68 as follows:

<u>Opinion Unit</u>	<u>Amount</u>
Governmental Activities	\$17,772,247
Business-type activities	2,096,112
Water and Sewer Fund	2,096,112
Equipment Revolving Internal Service Fund	820,563

Beginning net position of the City was increased to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board Statement No. 71 as follows:

<u>Opinion Unit</u>	<u>Amount</u>
Governmental Activities	\$649,820
Business-type activities	76,642
Water and Sewer Fund	76,642
Equipment Revolving Internal Service Fund	30,003

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,278,618	\$ 4,251,094	\$ 4,207,683	\$ (43,411)
Intergovernmental revenues				
Federal	76,798	76,798	21,752	(55,046)
State	1,945,600	1,954,200	1,906,917	(47,283)
Licenses and permits	352,300	379,300	385,839	6,539
Charges for services	2,154,110	2,169,110	2,167,233	(1,877)
Fines	74,000	74,000	69,539	(4,461)
Investment earnings	165,225	105,250	204,498	99,248
Miscellaneous	45,000	60,000	58,113	(1,887)
Total revenues	<u>9,091,651</u>	<u>9,069,752</u>	<u>9,021,574</u>	<u>(48,178)</u>
Expenditures				
Current				
General government	2,472,661	2,444,656	2,458,466	(13,810)
Public safety	6,820,275	6,852,129	6,814,672	37,457
Highway and streets	533,294	530,255	520,546	9,709
Culture and recreation	807,397	822,989	776,738	46,251
Total expenditures	<u>10,633,627</u>	<u>10,650,029</u>	<u>10,570,422</u>	<u>79,607</u>
Revenues over (under) expenditures	(1,541,976)	(1,580,277)	(1,548,848)	31,429
Other financing sources (uses)				
Transfers in	1,037,548	1,048,649	1,049,409	760
Net changes in fund balance	(504,428)	(531,628)	(499,439)	32,189
Fund balance, beginning of year	<u>2,381,135</u>	<u>2,381,135</u>	<u>2,381,135</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,876,707</u>	<u>\$ 1,849,507</u>	<u>\$ 1,881,696</u>	<u>\$ 32,189</u>

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 1,654,846	\$ 1,650,538	\$ 1,578,383	\$ (72,155)
Investment earnings	19,000	19,000	22,346	3,346
Miscellaneous	43,000	43,000	58,322	15,322
Total revenues	<u>1,716,846</u>	<u>1,712,538</u>	<u>1,659,051</u>	<u>(53,487)</u>
Expenditures				
Current				
Highway and streets	1,009,500	1,008,100	1,005,502	2,598
Administration	272,010	324,010	324,010	-
Capital outlay	590,400	595,900	567,837	28,063
Total expenditures	<u>1,871,910</u>	<u>1,928,010</u>	<u>1,897,349</u>	<u>30,661</u>
Net changes in fund balance	(155,064)	(215,472)	(238,298)	(22,826)
Fund balance, beginning of year	<u>837,299</u>	<u>837,299</u>	<u>837,299</u>	<u>-</u>
Fund balance, end of year	<u>\$ 682,235</u>	<u>\$ 621,827</u>	<u>\$ 599,001</u>	<u>\$ (22,826)</u>

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 661,697
Interest	3,133,296
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including employee refunds	(2,575,661)
Other	-
Net change in total pension liability	<u>1,219,332</u>
Total pension liability, beginning of year	<u>38,936,329</u>
Total pension liability, ending of year	<u>\$ 40,155,661</u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 2,082,734
Contributions-employee	99,216
Net Investment income	1,190,601
Benefit payments including employee refunds	(2,575,661)
Administrative expense	(43,648)
Net change in plan fiduciary net position	<u>753,242</u>
Plan fiduciary net position, beginning of year	<u>19,067,970</u>
Plan fiduciary net position, ending of year	<u>\$ 19,821,212</u>
Employer net pension liability	<u>\$ 20,334,449</u>
Plan fiduciary net position as a percentage of the total pension liability	49%
Covered employee payroll	\$ 5,685,103
Employer's net pension liability as a percentage of covered employee payroll	358%

Notes to schedule:

The above data is based on a December 31, 2014 measurement date.

CITY OF NORTON SHORES

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarial determined contributions	\$ 1,629,528
Contributions in relation to the actuarially determined contribution	<u>2,129,528</u>
Contribution deficiency (excess)	<u>\$ (500,000)</u>
Covered employee payroll	\$ 5,685,103
Contributions as a percentage of covered employee payroll	37%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

CITY OF NORTON SHORES

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2011	\$ 632,445	\$ 38,406,428	\$ 37,773,983	1.65%	not available	not available
6/30/2013	1,313,598	33,759,069	32,445,471	3.89%	not available	not available
6/30/2015	1,737,094	39,890,968	38,153,874	4.35%	not available	not available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2010	\$ 2,346,697	\$ 1,068,057	46%
2011	2,539,731	748,109	29%
2012	2,610,051	990,843	38%
2013	2,033,031	949,729	47%
2014	2,013,328	902,793	45%
2015	2,272,412	657,183	29%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF NORTON SHORES

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2015

	Special Revenue				
	Local Streets	Municipal Road	Solid Waste	Building	Community Development Program
Assets					
Cash and pooled investments	\$ -	\$ 596,847	\$ -	\$ 338,409	\$ 2,847
Special assessments receivable	-	-	-	-	-
Prepaid items	8,884	-	761	2,023	-
Due from other governments	<u>78,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 87,012</u>	<u>\$ 596,847</u>	<u>\$ 761</u>	<u>\$ 340,432</u>	<u>\$ 2,847</u>
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 2,543	\$ 2,528	\$ 5,034	\$ 18,137	\$ 1,250
Accrued liabilities	5,269	-	9,924	4,614	-
Due to other funds	<u>24,441</u>	<u>-</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>32,253</u>	<u>2,528</u>	<u>17,386</u>	<u>22,751</u>	<u>1,250</u>
Deferred inflows					
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Prepaid items	8,884	-	761	2,023	-
Restricted					
Streets	45,875	594,319	-	-	-
Building	-	-	-	315,658	-
Community development	-	-	-	-	1,597
Assigned					
Capital Projects	-	-	-	-	-
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(17,386)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>54,759</u>	<u>594,319</u>	<u>(16,625)</u>	<u>317,681</u>	<u>1,597</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 87,012</u>	<u>\$ 596,847</u>	<u>\$ 761</u>	<u>\$ 340,432</u>	<u>\$ 2,847</u>

		Capital Projects		Permanent		
Public Safety	Local Improvement	Industrial Improvement	Cemetery Care		Total	
\$ -	\$ 1,345,749	\$ 496,327	\$ 689,391	\$	3,469,570	
-	62,758	-	-		62,758	
-	7,331	-	-		18,999	
-	-	-	-		78,128	
<u>\$ -</u>	<u>\$ 1,415,838</u>	<u>\$ 496,327</u>	<u>\$ 689,391</u>	<u>\$</u>	<u>3,629,455</u>	
\$ -	\$ -	\$ -	\$ -	\$	29,492	
-	-	-	-		19,807	
-	-	-	-		26,869	
-	-	-	-		76,168	
-	62,758	-	-		62,758	
-	-	-	689,391		689,391	
-	7,331	-	-		18,999	
-	-	-	-		640,194	
-	-	-	-		315,658	
-	-	-	-		1,597	
-	1,345,749	496,327	-		1,842,076	
-	-	-	-		(17,386)	
-	1,353,080	496,327	689,391		3,490,529	
<u>\$ -</u>	<u>\$ 1,415,838</u>	<u>\$ 496,327</u>	<u>\$ 689,391</u>	<u>\$</u>	<u>3,629,455</u>	

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue				
	<u>Local Streets</u>	<u>Municipal Road</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Community Development Program</u>
Revenues					
Taxes	\$ -	\$ 1,137,968	\$ 531,052	\$ -	\$ -
Intergovernmental revenues					
Federal	-	-	-	-	78,440
State	528,416	-	-	-	-
Licenses and permits	-	-	-	461,797	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	11,799	27,365	10,796	11,294	-
Miscellaneous	3,423	-	2,291	2,171	-
Total revenues	543,638	1,165,333	544,139	475,262	78,440
Expenditures					
Current					
Public safety	-	-	-	479,077	-
Highway and streets	381,389	-	-	-	-
Sanitation	-	-	667,266	-	-
Administration	107,490	-	-	-	-
Community development	-	-	-	-	79,375
Capital outlay	-	1,424,630	-	-	-
Total expenditures	488,879	1,424,630	667,266	479,077	79,375
Revenues over (under) expenditures	54,759	(259,297)	(123,127)	(3,815)	(935)
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Net changes in fund balances	54,759	(259,297)	(123,127)	(3,815)	(935)
Fund balances, beginning of year	-	853,616	106,502	321,496	2,532
Fund balances (deficit), end of year	\$ 54,759	\$ 594,319	\$ (16,625)	\$ 317,681	\$ 1,597

Capital Projects					Permanent
Public Safety	Local Improvement	Industrial Improvement	Cemetery Care	Total	
\$ 1,024,134	\$ -	\$ -	\$ -	\$ -	\$ 2,693,154
-	-	-	-	-	78,440
-	-	-	-	-	528,416
-	-	-	-	-	461,797
-	-	-	-	30,885	30,885
-	7,530	-	-	-	7,530
-	3,321	-	-	25,275	89,850
-	-	-	-	-	7,885
<u>1,024,134</u>	<u>10,851</u>	<u>-</u>	<u>-</u>	<u>56,160</u>	<u>3,897,957</u>
-	-	-	-	-	479,077
-	-	-	-	-	381,389
-	-	-	-	-	667,266
-	-	-	-	-	107,490
-	-	-	-	-	79,375
-	93,582	-	-	-	1,518,212
-	93,582	-	-	-	3,232,809
<u>1,024,134</u>	<u>(82,731)</u>	<u>-</u>	<u>-</u>	<u>56,160</u>	<u>665,148</u>
<u>(1,024,134)</u>	<u>-</u>	<u>-</u>	<u>(25,275)</u>	<u>-</u>	<u>(1,049,409)</u>
-	(82,731)	-	30,885	-	(384,261)
-	1,435,811	496,327	658,506	-	3,874,790
<u>\$ -</u>	<u>\$ 1,353,080</u>	<u>\$ 496,327</u>	<u>\$ 689,391</u>	<u>\$ -</u>	<u>\$ 3,490,529</u>

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 511,300	\$ 511,300	\$ 528,416	\$ 17,116
Investment earnings	-	-	11,799	11,799
Miscellaneous	-	-	3,423	3,423
Total revenues	<u>511,300</u>	<u>511,300</u>	<u>543,638</u>	<u>32,338</u>
Expenditures				
Current				
Highway and streets	403,800	381,000	381,389	(389)
Administration	<u>107,500</u>	<u>107,500</u>	<u>107,490</u>	<u>10</u>
Total expenditures	<u>511,300</u>	<u>488,500</u>	<u>488,879</u>	<u>(379)</u>
Net changes in fund balance	-	22,800	54,759	31,959
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 22,800</u>	<u>\$ 54,759</u>	<u>\$ 31,959</u>

CITY OF NORTON SHORES

MUNICIPAL ROAD FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,119,050	\$ 1,155,166	\$ 1,137,968	\$ (17,198)
Investment earnings	<u>25,000</u>	<u>25,000</u>	<u>27,365</u>	<u>2,365</u>
Total revenues	<u>1,144,050</u>	<u>1,180,166</u>	<u>1,165,333</u>	<u>(14,833)</u>
Expenditures				
Capital outlay	<u>1,551,000</u>	<u>1,439,632</u>	<u>1,424,630</u>	<u>15,002</u>
Net changes in fund balance	(406,950)	(259,466)	(259,297)	169
Fund balance, beginning of year	<u>853,616</u>	<u>853,616</u>	<u>853,616</u>	<u>-</u>
Fund balance, end of year	<u>\$ 446,666</u>	<u>\$ 594,150</u>	<u>\$ 594,319</u>	<u>\$ 169</u>

CITY OF NORTON SHORES

SOLID WASTE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 533,976	\$ 539,077	\$ 531,052	\$ (8,025)
Investment earnings	35,000	35,000	10,796	(24,204)
Miscellaneous	3,500	3,000	2,291	(709)
Total revenues	<u>572,476</u>	<u>577,077</u>	<u>544,139</u>	<u>(32,938)</u>
Expenditures				
Current				
Sanitation	<u>701,126</u>	<u>683,579</u>	<u>667,266</u>	<u>16,313</u>
Net changes in fund balance	(128,650)	(106,502)	(123,127)	(16,625)
Fund balance, beginning of year	<u>106,502</u>	<u>106,502</u>	<u>106,502</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (22,148)</u>	<u>\$ -</u>	<u>\$ (16,625)</u>	<u>\$ (16,625)</u>

CITY OF NORTON SHORES

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 603,000	\$ 596,579	\$ 461,797	\$ (134,782)
Investment earnings	5,000	7,000	11,294	4,294
Miscellaneous	2,000	2,000	2,171	171
Total revenues	<u>610,000</u>	<u>605,579</u>	<u>475,262</u>	<u>(130,317)</u>
Expenditures				
Current				
Public safety	<u>481,213</u>	<u>478,253</u>	<u>479,077</u>	<u>(824)</u>
Net changes in fund balance	128,787	127,326	(3,815)	(131,141)
Fund balance, beginning of year	<u>321,496</u>	<u>321,496</u>	<u>321,496</u>	<u>-</u>
Fund balance, end of year	<u>\$ 450,283</u>	<u>\$ 448,822</u>	<u>\$ 317,681</u>	<u>\$ (131,141)</u>

CITY OF NORTON SHORES

**COMMUNITY DEVELOPMENT PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 112,379	\$ 110,000	\$ 78,440	\$ (31,560)
Expenditures				
Current				
Community development	112,379	112,379	79,375	33,004
Net changes in fund balance	-	(2,379)	(935)	1,444
Fund balance, beginning of year	<u>2,532</u>	<u>2,532</u>	<u>2,532</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,532</u>	<u>\$ 153</u>	<u>\$ 1,597</u>	<u>\$ 1,444</u>

CITY OF NORTON SHORES

**PUBLIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,028,548	\$ 1,039,649	\$ 1,024,134	\$ (15,515)
Expenditures				
Current				
Public safety	-	-	-	-
Revenues over (under) expenditures	1,028,548	1,039,649	1,024,134	(15,515)
Other financing source (uses)				
Transfers out	(1,028,548)	(1,039,649)	(1,024,134)	15,515
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF NORTON SHORES

AGENCY FUNDS COMBINING BALANCE SHEET

JUNE 30, 2015

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ <u>1</u>	\$ <u>48,484</u>	\$ <u>48,485</u>
Liabilities			
Accounts payable	\$ -	\$ 3,055	\$ 3,055
Due to other governmental units	<u>1</u>	<u>45,429</u>	<u>45,430</u>
Total liabilities	\$ <u>1</u>	\$ <u>48,484</u>	\$ <u>48,485</u>

CITY OF NORTON SHORES

TAX INCREMENT FINANCING AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Fund Type		Statement of Net Position
	General Fund	Adjustments	
Assets			
Cash and pooled investments	\$ 3,380,556	\$ -	\$ 3,380,556
Prepaid items	15		15
Capital assets			
Land	-	456,627	456,627
Depreciable capital assets, net	<u>-</u>	<u>786,144</u>	<u>786,144</u>
Total assets	<u>\$ 3,380,571</u>	1,242,771	<u>4,623,342</u>
 Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 27	-	27
Accrued liabilities	<u>376</u>	<u>-</u>	<u>376</u>
Total liabilities	<u>403</u>	-	<u>403</u>
 Fund balance			
Nonspendable			
Prepaid items	15		
Unassigned	<u>3,380,153</u>		
Total liabilities and fund balances	<u>\$ 3,380,571</u>		
 Net position			
Net investment in capital assets			1,242,771
Unrestricted			<u>3,380,168</u>
Total net position			<u>\$ 4,622,939</u>

CITY OF NORTON SHORES

TAX INCREMENT FINANCING AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Governmental		Statement
	<u>Fund Type</u>		of
	General	<u>Adjustments</u>	Activities
	<u>Fund</u>		
Revenues			
Taxes	\$ 1,459,168	\$ -	\$ 1,459,168
Miscellaneous	<u>6,899</u>	<u>-</u>	<u>6,899</u>
	1,466,067	-	1,466,067
Expenditures/expenses			
Current			
General government	<u>520,226</u>	<u>22,492</u>	<u>542,718</u>
Net changes in fund balance	945,841	(945,841)	
Change in net position		(923,349)	923,349
Fund balance/net position, beginning of year	<u>2,434,327</u>		<u>3,699,590</u>
Fund balance/net position, end of year	<u>\$ 3,380,168</u>		<u>\$ 4,622,939</u>

CITY OF NORTON SHORES

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Fund Type General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	<u>\$ 247,388</u>	\$ -	\$ 247,388
Liabilities and fund balance			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance			
Unassigned	<u>247,388</u>		
Total liabilities and fund balances	<u>\$ 247,388</u>		
Net position			
Unrestricted			<u>\$ 247,388</u>

CITY OF NORTON SHORES

**BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2015

	Governmental <u>Fund Type</u> General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 126,891	\$ -	\$ 126,891
Expenditures/expenses			
Current			
General government	<u>124,506</u>	<u>-</u>	<u>124,506</u>
Net changes in fund balance	2,385	(2,385)	
Change in net position		(2,385)	2,385
Fund balance/net position, beginning of year	<u>245,003</u>		<u>245,003</u>
Fund balance/net position, end of year	<u>\$ 247,388</u>		<u>\$ 247,388</u>