NORTHVILLE PARKS & RECREATION

northvilleparksandrec.org

2018

2018 FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Contents

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Independent Auditor's Report

To the Board of Commissioners
Northville Parks and Recreation Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Northville Parks and Recreation Commission (the "Commission") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Northville Parks and Recreation Commission'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 and the General Fund of the Northville Parks and Recreation Commission as of December 31, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in 2018, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the Board of Commissioners
Northville Parks and Recreation Commission

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the General Fund, schedule of the Commission's proportionate share of the net pension liability and related ratios, schedule of pension contributions, schedule of changes in the Commission's net OPEB liability and related ratios, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

March 28, 2019

The Northville Parks and Recreation Commission (the "Commission") is a shared service provided through an agreement between the City of Northville, Michigan (the "City") and the Charter Township of Northville (the "Township"). The following discussion and analysis of the financial performance of the Commission provides an overview of the Commission's financial activities for the year ended December 31, 2018. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

Financial Highlights

Effective January 1, 2018, administration of the Commission was transferred from the City to the Township. Therefore, for financial reporting purposes, the Commission now follows the Township's fiscal year beginning January 1 and ending December 31.

- Total assets and deferred outflows of the Commission exceeded liabilities and deferred inflows at December 31, 2018 by $3,973,179.
- Net position increased during the year by $320,204, as restated (see Note 10). This increase was driven by total revenue exceeding total expenses by $562,789 during the year.
- During the year, the Commission adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). As a result of implementing this statement, the beginning unrestricted net position was reduced by $242,585.
- As of December 31, 2018, the Commission reported an ending fund balance of $1,639,551, which represents a decrease of $98,044 in comparison with the prior year. This decrease is a result of additional contributions totaling $444,576 made to MERS during the year to increase the pension plan's fiduciary net position and accelerate to a 100 percent funded ratio.

A separate irrevocable Parks and Recreation OPEB trust was established in 2017 to effectively create a single-employer plan to provide retiree healthcare benefits for Parks and Recreation retirees. As a result, contributions from both the Township and City can be used only to pay Parks and Recreation retiree healthcare benefits. The Commission also approved a funding policy to fund 100 percent of the actuarially determined contribution and begin paying retiree healthcare benefits directly from the trust. As a result, the plan's fiduciary net position has increased from 38.1 percent as of the valuation dated December 31, 2016 to 109 percent of the total OPEB liability. The net OPEB asset totals $68,310 as of December 31, 2018.

Outstanding debt consists of an interest-free loan from Northville Township which totals $243,822.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Commission as a whole in a manner similar to a private sector business and presents a longer-term view of the Commission's finances.

Governmental fund financial statements are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year; this information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the measurement focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The government-wide statements give readers a better understanding of the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

Government-wide Overall Financial Analysis

Changes in net position may serve as a useful indicator of a government's financial position. The Commission's total assets and deferred outflows exceeded its liabilities and deferred inflows by $3,973,179 (net position) at the close of December 31, 2018. The following table shows, in a condensed format, the Commission's net position as of December 31, 2018 and 2017:

	2017	2018
Assets		
Current and other assets	$ 2,068,522	$ 1,972,928
Capital assets	2,462,765	2,353,660
Total assets	4,531,287	4,326,588
Deferred Outflows of Resources	78,693	573,695
Liabilities		
Current liabilities	185,112	247,478
Noncurrent liabilities	771,893	663,530
Total liabilities	957,005	911,008
Deferred Inflows of Resources	-	16,096
Net position		
Net investment in capital assets	2,075,685	2,109,838
Restricted	307,104	215,342
Unrestricted	1,270,186	1,647,999
Total net position	**$ 3,652,975**	**$ 3,973,179**

The majority of the increase in deferred outflows of resources is related to contributions made to the defined benefit pension plan subsequent to the plan's year end. Additional contributions totaling $444,576 were made to MERS during the year to increase the pension plan's fiduciary net position and accelerate to a 100 percent funded ratio.

The increase in current liabilities is related to unearned revenue for recreation program payments received during 2018 in advance of programs to be held subsequent to year end.

The following table shows the change in net position during the current year and as compared to the two prior periods:

	June 30, 2017	Six Months Ended December 31, 2017 (see note below)	December 31, 2018
Revenue			
Contributions:			
Township contributions	$ 1,011,228	$ 504,649	$ 1,011,229
City contributions	193,481	97,274	193,481
Program activities	627,074	281,406	742,032
Facility rentals	273,528	171,738	243,967
Park rentals and user fees	65,992	34,442	31,970
Donations and sponsorships	20,518	4,846	21,609
External athletic associations	180,513	99,219	193,248
Other revenue:			
Interest income	1,885	3,742	21,481
Other income	67,554	21,741	12,637
Total revenue	2,441,773	1,219,057	2,471,654
Expenditures			
Administration	642,936	354,021	142,577
Recreation	547,130	241,480	627,076
Senior services	109,535	51,726	247,114
Parks maintenance and facilities	884,254	484,010	892,098
Total expenditures	2,183,855	1,131,237	1,908,865
Other Financing Sources - Sale of capital assets	-	4,291	-
Net Change in Net Position	257,918	92,111	562,789
Net Position - Beginning of year, as restated (Note 10)	3,302,946	3,560,864	3,410,390
Net Position - End of year	**$ 3,560,864**	**$ 3,652,975**	**$ 3,973,179**

Note: Effective January 1, 2018, administration of the Commission was transferred from the City to the Township. Therefore, statements were issued representing the six-month period from July 1 through December 31, 2017. Beginning in 2018, all statements will be reported on a December 31 fiscal year end.

The Commission continues to evaluate and modify program offerings and events, while offering new program initiatives that address key trends facing the Northville community. Program revenue and expenses fluctuate year to year based upon participation levels and available offerings.

General Fund Budgetary Highlights

During the year, the Northville Parks and Recreation Commission changed the presentation of the fund-based statements from four separate funds to one General Fund, which is classified as a major fund. The General Fund accounts for all the resources of the Commission.

The Commission recognized favorable budget results for the fiscal year ended December 31, 2018. In total, revenue of the General Fund came in just slightly under budget estimates for the year by $22,135, or 0.9 percent. The General Fund expenditures as of December 31, 2018 were under budget in total by $359,601. During the year, the Commission did not incur expenditures that were in excess of the amounts budgeted.

Capital Assets and Debt Administration

As of December 31, 2018, the Commission had $2.35 million (net of depreciation) invested in capital assets, which includes leasehold improvements, park improvements, and equipment. Most of the outdoor recreation amenities in the Northville community are owned by either the City of Northville, Michigan or the Charter Township of Northville. The level of debt continues to decrease. The Hillside Center loan has been paid in full, and three years remain on the Community Center loan. Both are payable interest free to the Charter Township of Northville. No new debt is being contemplated by the Commission.

Economic Factors and Next Year's Budgets and Rates

To accelerate to a 100 percent funding ratio, the Commission contributed $444,576 to MERS during 2018 in addition to the required minimum pension contributions. The financial impact of these actions will result in a reduction of approximately $65,000 in the annual pension contribution beginning fiscal year 2019. In addition, the Parks and Recreation retiree healthcare plan's fiduciary net position is now 109 percent of the total OPEB liability. This has resulted in a reduction of $64,013 in the retiree healthcare contribution for 2019.

Northville Township voters approved 0.7574 mills for shared services in August 2014. Due to Headlee rollbacks, this authorized millage rate was reduced to 0.7381 mills in 2018. The City pays for its share with the general operating tax levy.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Northville Parks and Recreation Commission's office at 44405 Six Mile Rd., Northville, Michigan 48168 or via the Commission's website at: http://twp.northville.mi.us/your_government/departments/parks_and_recreation.

Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2018

	General Fund - Modified Accrual	Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	$ 1,871,683	$ -	$ 1,871,683
Receivables:			
Customer receivables	27,437	-	27,437
Accrued interest receivable	1,898	-	1,898
Prepaid expenses and other assets	3,600	-	3,600
Net OPEB asset (Note 9)	-	68,310	68,310
Capital assets - Net (Note 4)	-	2,353,660	2,353,660
Total assets	1,904,618	2,421,970	4,326,588
Deferred Outflows of Resources			
Deferred outflows related to pension (Note 8)	-	505,417	505,417
Deferred outflows related to OPEB (Note 9)	-	68,278	68,278
Total deferred outflows of resources	-	573,695	573,695
Total assets and deferred outflows of resources	**$ 1,904,618**	2,995,665	4,900,283
Liabilities			
Accounts payable	$ 71,237	-	71,237
Accrued liabilities and other	15,008	-	15,008
Unearned revenue	161,233	-	161,233
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	-	18,890	18,890
Current portion of long-term debt (Note 6)	-	115,000	115,000
Due in more than one year:			
Compensated absences (Note 6)	-	7,390	7,390
Net pension liability (Note 8)	-	393,428	393,428
Long-term debt, net of current portion (Note 6)	-	128,822	128,822
Total liabilities	247,478	663,530	911,008
Deferred Inflows of Resources			
Unavailable revenue	17,589	(17,589)	-
Deferred inflows related to pension (Note 8)	-	16,096	16,096
Total deferred inflows of resources	17,589	(1,493)	16,096
Total liabilities and deferred inflows of resources	265,067	662,037	927,104
Equity			
Fund balance			
Nonspendable - Prepaids	3,600	(3,600)	-
Restricted - Senior adult services	215,342	(215,342)	-
Assigned:			
Community Center improvements	30,366	(30,366)	-
General donated funds	82,322	(82,322)	-
Compensated absences	26,280	(26,280)	-
Unassigned	1,281,641	(1,281,641)	-
Total fund balance	1,639,551	(1,639,551)	-
Total liabilities, deferred inflows of resources, and fund balance	**$ 1,904,618**		
Net position:			
Net investment in capital assets		2,109,838	2,109,838
Restricted - Senior adult services		215,342	215,342
Unrestricted		1,647,999	1,647,999
Total net position		**$ 3,973,179**	**$ 3,973,179**

Northville Parks and Recreation Commission

Statement of Activities/Statement of Revenue, Expenditures, and Change in Fund Balance

Year Ended December 31, 2018

	General Fund - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Contributions:			
Township contributions	$ 1,011,229	$ -	$ 1,011,229
City contributions	193,481	-	193,481
Recreation program activities	587,080	17,589	604,669
Senior programs and transportation	137,363	-	137,363
Facility rentals	243,967	-	243,967
Park rentals and user fees	31,970	-	31,970
Donations and sponsorships	21,609	-	21,609
External athletic associations	193,248	-	193,248
Other revenue:			
Interest income	21,481	-	21,481
Other income	12,637	-	12,637
Total revenue	2,454,065	17,589	2,471,654
Expenditures			
Administration	751,668	(609,091)	142,577
Recreation	627,076	-	627,076
Senior services	247,114	-	247,114
Parks maintenance and facilities	782,993	109,105	892,098
Debt service	143,258	(143,258)	-
Total expenditures	2,552,109	(643,244)	1,908,865
Net Change in Fund Balance/Net Position	(98,044)	660,833	562,789
Fund Balance/Net Position - Beginning of year, as restated (Note 10)	1,737,595	1,672,795	3,410,390
Fund Balance/Net Position - End of year	**$ 1,639,551**	**$ 2,333,628**	**$ 3,973,179**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Reporting Entity

The Northville Parks and Recreation Commission (the "Commission") is governed by an appointed six-member board (three elected officials from the Township, two elected officials from the City and one from the Northville School Board). The Commission operates under a shared services agreement between the Charter Township of Northville (the "Township") and the City of Northville (the "City"). In accordance with this agreement, administrative services are provided by the Township. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Accounting and Reporting Principles

The Commission follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Fund Accounting

The Commission accounts for its various activities in one fund in order to demonstrate accountability for how the Commission has spent certain resources.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. The Commission's only governmental fund is the General Fund, which is classified as a major fund. The General Fund accounts for all financial resources of the Commission. General Fund activities are financed by revenue from contributions from both the Township and the City based on the percentage share of each community's respective taxable value and population, program fees, and other sources. The General Fund is used for the maintenance of land for parks and recreational purposes; for the operation of public facilities; and to provide senior, youth, and community recreation programs.

Basis of Accounting

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

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

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: grant revenue associated with the current fiscal period. Conversely, certain grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The General Fund column presents the activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, buildings and structures, furniture and equipment, and vehicles, are reported in the statement of net position. Capital assets are defined by the Commission as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	Depreciable Life - Years
Buildings and structures	5 - 50
Park improvements	5 - 50
Equipment and furniture	3 - 20
Vehicles	3 - 15

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as “other financing sources,” as well as bond premiums and discounts. The General Fund is used to liquidate governmental long-term debt.

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission reports deferred outflows related to pension expenses as part of the defined benefit pension plan and deferred outflows related to OPEB expenses as part of the OPEB plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future periods and will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to revenue and deferred inflows related to the defined benefit pension plan. The inflows related to revenue are made up of grant revenue and other revenue, which will be recognized as revenue in the period that the amounts become available. The Commission reports deferred inflows related to the defined benefit pension plan that represent an inflow of resources (revenue) in a future period.

Net Position

Net position of the Commission is classified in three components: (1) net investment in capital assets consists of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets; (2) restricted for senior adult programs; and (3) unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets.

Net Position Flow Assumption

The Commission will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, 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 consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Pension

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

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

The Commission offers healthcare benefits to retirees. The Commission records a net OPEB asset or liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. As of December 31, 2018, the Commission has recorded a net OPEB asset (see Note 9). Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All compensated absence pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund is used to liquidate the obligations.

Use of Estimates

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

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Commission's financial statements for the year ending December 31, 2020.

Presentation

During 2018, the Northville Parks and Recreation Commission changed the presentation of the fund-based statements from four separate funds to one General Fund. As such, beginning fund balance of the General Fund has been restated to include all governmental funds.

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the Statement of Net Position column is different than the fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Funds	$	1,639,551
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		2,353,660
Long-term debt is not due and payable in the current period and is not reported in the funds		(243,822)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:		
Employee compensated absences		(26,280)
Pension benefits		95,893
Retiree healthcare benefits		136,588
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		17,589
Net Position of Governmental Activities	**$**	**3,973,179**

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Funds	$	(98,044)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		59,931
Depreciation expense		(169,036)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		17,589
Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		143,258
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		609,091
Change in Net Position of Governmental Activities	**$**	**562,789**

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools organized under the Surplus Funds Investment Pool Acts of the State of Michigan. The investment policy adopted in accordance with Public Act 196 of 1997 has authorized investments in all vehicles covered by the state statute listed above.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

The Commission's cash and investments are subject to several types of risk, which are examined in more detail below. At period end, the carrying amount of the Commission's cash and investments is held by the Township's cash and investments pool. For the purpose of risk disclosure, it is not practical to allocate risk to each entity in the investment fund. The disclosures below are related to the overall risk for the cash and investments totals that are presented in the Township's financial statements.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The policy for custodial credit risk limits bank options to those approved by the Commission. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the investment policy. At year end, the Commission had $853,569 held in depository accounts, of which $603,569 was uninsured and uncollateralized. The Commission believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of December 31, 2018, two banks are utilized for the deposit of commission funds.

External Investment Pool

The Commission has $1,004,889 invested with the Comerica J Fund (the "Fund"). The Fund is classified as a bank Collective Investment Fund and exempt from registration with the SEC; therefore, it is not required to comply with the 2a7 rules. It is regulated by the Office of the Comptroller of the Currency (OCC) under Regulation 12CFR 9.18 Collective Investment Funds (CIFs). The Fund reports its investments at amortized cost. The Fund's dollar weighted-average maturity will not exceed 60 days, and the dollar weighted-average life will not exceed 120 days.

Note 4 - Capital Assets

Capital asset activity of the Commission's governmental activities was as follows:

	Balance January 1, 2018	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets being depreciated:				
Community Center improvements	$ 3,185,414	$ 23,557	$ (145,523)	$ 3,063,448
Hillside improvements	856,734	-	(856,734)	-
Ford Field Park improvements	65,901	-	(65,901)	-
Fish Hatchery Park improvements	50,508	-	(50,508)	-
Henningsen Park improvements	9,693	-	(9,693)	-
Marv Gans Community Park improvements	303,242	-	(53,242)	250,000
Millennium Park improvements	2,246	-	(2,246)	-
Park land and improvements	83,509	-	(83,509)	-
Park equipment and furniture	78,051	-	(78,051)	-
Office equipment and furniture	44,422	12,715	(34,086)	23,051
Parks maintenance and equipment	353,072	23,659	(308,672)	68,059
Subtotal	5,032,792	59,931	(1,688,165)	3,404,558
Accumulated depreciation - Furniture and equipment	2,570,027	169,036	(1,688,165)	1,050,898
Net capital assets being depreciated	$ 2,462,765	$ (109,105)	$ -	$ 2,353,660

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

Governmental activities:	
Facility center	$ 124,252
Program activities	8,323
Parks	36,461
Total governmental activities	$ 169,036

Note 5 - Budget Information

Budgetary Information

The annual budget is prepared by the Director of Parks, Recreation & Senior Services, adopted by the Northville Parks and Recreation Commission, and approved by the Township Board and City Council. Subsequent amendments are approved by the Commission.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by activity. The legal level of budgetary control adopted by the Commission (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Commission to have its budget in place by January 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. During the year, the budget was amended in a legally permissible manner.

Note 5 - Budget Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds

The Commission did not have significant expenditure budget variances.

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2018 includes interest-free amounts borrowed from the Charter Township of Northville. Long-term debt is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Note payable	$ 387,080	$ -	$ (143,258)	$ 243,822	$ 115,000
Compensated absences	29,287	15,883	(18,890)	26,280	18,890
Total governmental activities long-term debt	$ 416,367	$ 15,883	$ (162,148)	$ 270,102	$ 133,890

Debt Service Requirements to Maturity

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

Years Ending December 31	Principal	Interest	Total
2019	$ 115,000	$ -	$ 115,000
2020	115,000	-	115,000
2021	13,822	-	13,822
Total	$ 243,822	$ -	$ 243,822

Note 7 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. As an affiliate of the Township, the Commission participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to property loss, torts, errors, and omissions.

The Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township and City in accordance with the terms of the shared services agreement.

The Commission estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. During the year ended December 31, 2018, there were no uninsured claims paid by the Commission and no significant outstanding balances at year end.

The Michigan Municipal League Worker's Compensation Fund operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Pension Plans

Plan Description

The Northville Parks and Recreation Commission provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan, administered by the MERS of Michigan Plan Board.

The pension system issues a publicly available financial report that can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

The Northville Parks and Recreation Commission also provides pension benefits to all of its full-time employees not enrolled in the defined benefit plan through a defined contribution plan administered by Allerus Financial. As established by the Township board of trustees, the Commission contributes 11 percent of employees' base earnings, and voluntary contributions are allowed in accordance with these requirements. The Commission contributed $37,917 during the current year.

Benefits Provided

MERS provides retirement, disability, and death benefits to members and beneficiaries. Retirement benefits are calculated as 2.5 percent of the employee's final four-year or five-year average compensation times the employee's years of service. To be eligible, employees must have a minimum number of years of service (ranging from 12 to 25) and meet the minimum retirement age (ranging from 50 to 60). The benefits also include nonduty disability benefits and disability retirement benefits, in limited situations. An employee who leaves commission service may withdraw his or her contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, five members (inactive plan members or beneficiaries) were covered by the benefit terms.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. For the year ended December 31, 2018, the Commission's required contribution was $60,468.

Net Pension Liability

At December 31, 2018, the Commission reported a liability of $393,428 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's accrued actuarial liability for the year ended December 31, 2018 relative to all other contributing employers. At December 31, 2018, the Commission estimated its proportion to be 5.42 percent.

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

For the year ended December 31, 2018, the Commission recognized pension expense of $153,968.

Note 8 - Pension Plans (Continued)

At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ (16,096)
Employer contributions to the plan subsequent to the measurement date	505,417	-
Total	$ 505,417	$ (16,096)

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

Years Ending December 31	Amount
2019	$ 907
2020	(746)
2021	(9,652)
2022	(6,605)
Total	$ (16,096)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.0 percent, and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from January 1, 2009 through December 31, 2013.

Discount Rate

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

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

Note 8 - Pension Plans (Continued)

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.65 %
Global fixed income	18.50	1.76
Real assets	13.50	7.72
Diversifying strategies	12.50	5.50

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

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

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Commission	$ 497,868	$ 393,428	$ 303,590

Pension Plan Fiduciary Net Position

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

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Commission provides retiree healthcare benefits to eligible employees and their spouses through the City of Northville - Parks & Recreation Retiree Healthcare Plan, a single-employer defined benefit plan administered by the City of Northville, Michigan. The benefits are provided under collective bargaining agreements (or other legal authority for providing benefits). Benefit provisions are established by negotiated labor contracts and the nonunion benefits policy established by the City Council. The plan does not issue a separate stand-alone financial statement. The plan is closed to new hires effective June 30, 2008.

Eligible employees hired after July 1, 2008 are provided a defined contribution plan. As established by City Council action, the City contributes 2 percent to 6 percent of gross earnings, based upon years of service, into a healthcare savings plan. The City's contribution vests after five years of service. In addition, employees must contribute 1 percent of earnings into the plan. In accordance with these requirements, the Commission contributed $0 during the year ended December 31, 2018.

Note 9 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The plan provides medical and prescription drug coverage for employees hired prior to July 1, 2008 who retire under normal or disability retirement. Retirees may receive payment in lieu of medical and prescription drug coverage in an amount that corresponds to an underlying city-sponsored medical plan. Certain grandfathered retirees receive dental coverage and a reimbursement of their Medicare Part B premiums.

Employees Covered by Benefit Terms

At the December 31, 2018 measurement date, 12 members (inactive plan members or beneficiaries) were covered by the benefit terms.

Contributions

Retiree healthcare costs are paid by the Commission on a "pay-as-you-go" basis. The Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment. However, the Commission has made certain discretionary contributions to advance-fund these benefits. For the fiscal year ended December 31, 2018, the Commission contributed $64,013 to the plan.

Net OPEB Liability (Asset)

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

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

	Increase (Decrease)		
Changes in Net OPEB Liability (Asset)	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at January 1, 2018	$ 929,677	$ 832,907	$ 96,770
Changes for the year:			
Interest	58,635	-	58,635
Differences between expected and actual experience	(122,088)	-	(122,088)
Changes in assumptions	(70,657)	-	(70,657)
Contributions - Employer	-	64,013	(64,013)
Net investment income	-	(30,989)	30,989
Benefit payments, including refunds	(55,200)	(55,200)	-
Miscellaneous other charges	-	(2,054)	2,054
Net changes	(189,310)	(24,230)	(165,080)
Balance at December 31, 2018	$ 740,367	$ 808,677	$ (68,310)

The plan's fiduciary net position represents 109 percent of the total OPEB liability.

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

For the year ended December 31, 2018, the Commission recognized OPEB expense reduction of $169,345.

Note 9 - Other Postemployment Benefit Plan (Continued)

At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 68,278	$ -

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

Years Ending December 31	Amount
2019	$ 17,070
2020	17,070
2021	17,069
2022	17,069
2023	-
Thereafter	-
Total	$ 68,278

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 2.50 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a healthcare cost trend rate of 8.5 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2035 and later years; and using the RP-2014 Mortality Tables. These assumptions were applied to all periods included in the measurement.

Inactive plan members share in the cost of OPEB. The City pays a percentage of the medical, prescription drug, and dental premium for each covered person or a payment-in-lieu equal to a percentage of the medical, prescription drug, and dental premium for each covered person based on the following vesting schedule. The retiree is responsible for any remaining costs.

- Less than 10 years of full-time service: No coverage
- 10 years of full-time service: 40%
- Each additional year of service: +4%
- 25th year of full-time service: 100%

Discount Rate

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

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

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

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

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability (asset) of the Commission	$ 20,917	$ (68,310)	$ (143,134)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

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

	1 Percent Decrease (7.5% to 3.5%)	Current Healthcare Cost Trend Rate (8.5% to 4.5%)	1 Percent Increase (9.5% to 5.5%)
Net OPEB (asset) liability of the Commission	$ (141,580)	$ (68,310)	$ 17,511

Note 10 - Change in Accounting Principle

During the current year, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements now include a liability for the unfunded portion of the Commission's retiree healthcare costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund.

Note 10 - Change in Accounting Principle (Continued)

As a result of implementing this statement, the beginning net position of the governmental activities has been restated as follows:

Net position - December 31, 2017 - As previously reported	$ 3,652,975
To eliminate the net OPEB asset under GASB Statement No. 45	145,815
To record the net OPEB liability	96,770
Net position - December 31, 2017 - As restated	$ 3,410,390

The impact on the prior year changes in net position could not be determined.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - Parks and Recreation General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Contributions - City and Township	$ 1,204,710	$ 1,204,710	$ 1,204,710	$ -
Recreation program activities	543,500	543,500	587,080	43,580
Senior programs and transportation	179,340	179,340	137,363	(41,977)
Facility rentals	300,870	300,870	243,967	(56,903)
Park rentals and user fees	44,030	44,030	31,970	(12,060)
Donations and sponsorships	7,000	7,000	21,609	14,609
External athletic associations - Donations	184,750	184,750	193,248	8,498
Other revenue:				
Interest income	2,000	2,000	21,481	19,481
Other income	10,000	10,000	12,637	2,637
Total revenue	2,476,200	2,476,200	2,454,065	(22,135)
Expenditures				
Administration	350,840	795,420	751,668	43,752
Recreation	800,970	800,970	627,076	173,894
Senior services	299,550	299,550	247,114	52,436
Parks maintenance and facilities	872,510	872,510	782,993	89,517
Debt service	143,260	143,260	143,258	2
Total expenditures	2,467,130	2,911,710	2,552,109	359,601
Net Change in Fund Balance	9,070	(435,510)	(98,044)	337,466
Fund Balance - Beginning of year	1,737,595	1,737,595	1,737,595	-
Fund Balance - End of year	**$ 1,746,665**	**$ 1,302,085**	**$ 1,639,551**	**$ 337,466**

Required Supplemental Information
Schedule of the Commission's Proportionate Share of the Net Pension Liability
City of Northville Defined Benefit Pension Plan

Last Three Plan Years

	2017	2016	2015
Commission's proportion of the net pension liability	5.42000 %	4.22000 %	4.00000 %
Commission's proportionate share of the net pension liability	$ 393,428	$ 355,526	$ 383,988
Commission's covered payroll	$ -	$ 51,820	$ 59,757
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	- %	686.08 %	642.58 %
Plan fiduciary net position as a percentage of total pension liability	63.98 %	57.70 %	52.30 %

*Note: The Commission's only active employee in the defined benefit pension plan retired prior to 2017. Therefore, covered payroll subsequent to the period ended 2016 is $0.

Required Supplemental Information
Schedule of Pension Contributions
City of Northville Defined Benefit Pension Plan

Last Four Fiscal Years

	12 Months Ended December 31, 2018	Six Months Ended December 31, 2017	12 Months Ended June 30, 2017	12 Months Ended June 30, 2016
Statutorily required contribution	$ 60,458	$ 30,234	$ 51,840	$ 51,840
Contributions in relation to the statutorily required contribution	505,417	42,291	83,290	68,635
Contribution Excess	**$ (444,959)**	**$ (12,057)**	**$ (31,450)**	**$ (16,795)**
Commission's Covered Payroll	$ -	$ -	$ 51,820	$ 59,757
Contributions as a Percentage of Covered Payroll	- %	- %	160.73 %	114.86 %

*Note: The Commission's only active employee in the defined benefit pension plan retired prior to 2017. Therefore, covered payroll subsequent to the period ending 2016 is $0.

Northville Parks and Recreation Commission

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

Last Ten Fiscal Years, built prospectively from 2018. Additional information will be displayed as it comes available

	2018
Total OPEB Liability	
Interest	$ 58,635
Net benefits paid by employer	(55,200)
Differences between expected and actual experience	(122,088)
Changes in assumptions	(70,657)
Net Change in Total OPEB Liability	(189,310)
Total OPEB Liability - Beginning of year	929,677
Total OPEB Liability - End of year	**$ 740,367**
Plan Fiduciary Net Position	
Contributions - Employer	$ 64,013
Net investment income	(30,989)
Benefit payments, including refunds	(55,200)
Other	(2,054)
Net Change in Plan Fiduciary Net Position	(24,230)
Plan Fiduciary Net Position - Beginning of year	832,907
Plan Fiduciary Net Position - End of year	**$ 808,677**
Net OPEB Liability (Asset)	**$ (68,310)**
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	109.23 %
Covered Payroll*	$ -

*Plan is composed of inactive members (retirees) and is closed to new hires. The Commission's only active employee in the defined benefit OPEB plan terminated employment in January 2018. Covered payroll for the year ended December 31, 2018 is $0.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years

Year Ended December 31

	12/31/18	12/31/17**	6/30/17	6/30/16*	6/30/15*	6/30/14*	6/30/13*	6/30/12*	6/30/11*	6/30/10*
Actuarially determined contribution	$ 64,013	$ 38,181	$ 74,666	$ 993,116	$ 840,692	$ 820,187	$ 1,012,634	$ 982,988	$ 1,733,557	$ 1,733,557
Contributions in relation to the actuarially determined contribution	64,013	78,030	180,962	1,109,503	961,787	1,129,194	1,305,128	956,325	907,052	1,023,794
Contribution Excess (Deficiency)	**$ -**	**$ 39,849**	**$ 106,296**	**$ 116,387**	**$ 121,095**	**$ 309,007**	**$ 292,494**	**$ (26,663)**	**$ (826,505)**	**$ (709,763)**
Covered Employee Payroll	$ -	$ 118,363	$ 169,460	$ 2,689,840	$ 2,618,278	$ 2,618,278	$ 2,722,596	$ 2,715,073	$ 3,399,337	$ 3,399,339
Contributions as a Percentage of Covered Employee Payroll	- %	65.92 %	106.79 %	41.25 %	36.73 %	43.13 %	47.94 %	35.22 %	26.68 %	30.12 %

* Disclosures through fiscal year ended June 30, 2016 include both the City and Parks & Recreation participants.

** Reflects half-year amounts from 7/1/2017 - 12/31/2017 due to change in fiscal year

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal as a level percentage of payroll
Amortization method	Not applicable
Remaining amortization period	1 year
Asset valuation method	Market value
Inflation	2.5 percent
Healthcare cost trend rates	8.5 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2035 and later years
Salary increase	2.5 percent
Investment rate of return	7.0 percent
Retirement age	Not applicable
Mortality	50 percent female/50 percent male RP-2014 Mortality Table
Other information	None

NORTHVILLE PARKS & RECREATION

northvilleparksandrec.org

2018 FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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March 28, 2019

To the Board of Commissioners
Northville Parks and Recreation Commission

We have audited the financial statements of the Northville Parks and Recreation Commission (the "Commission") as of and for the year ended December 31, 2018 and have issued our report thereon dated March 28, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 4, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 7, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements.

As described in Note 10, during the year ended December 31, 2018, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to employees of governmental employers through postemployment benefit plans. As a result, the government-wide statements now include an asset for the Commission's estimated overfunded OPEB costs. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were related to the calculation of the net pension liability and other postemployment benefit asset. Management's estimate of the net pension liability and other postemployment benefit asset are based on third-party actuarial valuations performed. We evaluated the key factors and assumptions used to develop the net pension liability and other postemployment benefit asset in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Commission, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2019.

To the Board of Commissioners
Northville Parks and Recreation Commission

March 28, 2019

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the commissioners and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Beth Bialy

Beth Bialy
Partner

Michelle Lewis

Michelle Lewis
Manager