

City of Roosevelt Park
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

November 30, 2020



City of Roosevelt Park

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Roosevelt Park
Roosevelt Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, Michigan, as of and for the year ended November 30, 2020, 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.

City Council
City of Roosevelt Park
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, Michigan, as of November 30, 2020, 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, budgetary comparison schedules, and pension and other post-employment benefits information on pages 3 through 12 and 49 through 56 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 of Roosevelt Park, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Muskegon, Michigan
March 25, 2021

As management of the City of Roosevelt Park, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended November 30, 2020. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the City had total assets/deferred outflows of resources of \$15,912,778 and total liabilities/deferred inflows of resources of \$9,661,698 leaving net position of \$6,251,080.
- Of the total \$6,251,079 in net position, the City has a deficit in unrestricted net position of \$2,416,831. The deficit in unrestricted net position is caused by the City's long-term net pension and other post-employment benefits liabilities.
- Total revenues, including all program and general revenues, were \$4,730,348. Of that total, the governmental activities revenues were \$3,250,375 and business-type revenues were \$1,479,973.
- Total expenses for all of the City's programs were \$5,651,729. Of that total, the governmental activities expenses were \$3,900,957 and the business-type expenses were \$1,750,772.
- The City's General Fund reported a total fund balance of \$1,095,911 at year-end, an increase of \$29,846 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 fiscal year. All changes in net position are reported when the 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 the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the City include general government, public safety, public works and culture and recreation activities. The business-type activities of the City include water distribution and sewer services.

The government-wide financial statements include not only the City (the primary government) but also the legally separate discretely presented component unit (Downtown Development Authority). The board of this organization is appointed by the City and given the interrelation of the two; there is some potential liability for the City due to the City's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-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 government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, and Local Streets Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds both of which are major funds.

Fiduciary Funds

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

Notes to 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. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net position for the City. As stated earlier, the net position may be used as an indicator of a government's financial health. As of November 30, 2020, the City's net position from governmental activities totaled \$1,295,813 (21%) and \$4,955,267 (79%) from business-type activities, creating a total government-wide net position total of \$6,251,080.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for government-type activities actually depicts a deficit of (\$3,017,334). This represents the amount of discretionary cash or investments that can be used for general governmental operations. The deficit in unrestricted net position is caused by the City's long-term net pension and other post-employment benefits liabilities (OPEB).

The business-type activities show a total of \$4,955,267 in net position and \$600,503 in unrestricted net position. The Sewer Fund and Water Fund unrestricted net position are \$327,507 and \$273,503, respectively.

Governmental activities capital assets decreased because depreciation exceeded current year capital asset additions.

Business-type current assets decreased due to a meter replacement program. Current liabilities increased due to a higher payables balance at year-end.

Fluctuation in deferred inflows and outflows of resources are due to differences in experience, assumptions, and investment return related to the pension and other post-employment benefits plans which are being amortized over average expected remaining service lives of all employees.

Net Position

| | Governmental | | Business-type | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current assets and other assets | \$ 2,103,089 | \$ 1,990,798 | \$ 1,358,199 | \$ 1,578,360 | \$ 3,461,288 | \$ 3,569,158 |
| Capital assets | 7,069,037 | 7,359,113 | 4,261,292 | 4,371,020 | 11,330,329 | 11,730,133 |
| Total assets | 9,172,126 | 9,349,911 | 5,619,491 | 5,949,380 | 14,791,617 | 15,299,291 |
| Deferred outflows of resources | 1,009,045 | 1,212,480 | 112,116 | 134,721 | 1,121,161 | 1,347,201 |
| Total assets and deferred outflows of resources | 10,181,171 | 10,562,391 | 5,731,607 | 6,084,101 | 15,912,778 | 16,646,492 |
| Current liabilities | 394,651 | 384,352 | 189,570 | 248,157 | 584,221 | 632,509 |
| Noncurrent liabilities | 7,552,904 | 7,633,857 | 482,570 | 543,457 | 8,035,474 | 8,177,314 |
| Total liabilities | 7,947,555 | 8,018,209 | 672,140 | 791,614 | 8,619,695 | 8,809,823 |
| Deferred inflows of resources | 937,803 | 597,787 | 104,200 | 66,421 | 1,042,003 | 664,208 |
| Total liabilities and deferred inflows of resources | 8,885,358 | 8,615,996 | 776,340 | 858,035 | 9,661,698 | 9,474,031 |
| Net position | | | | | | |
| Net investment in capital assets | 3,716,383 | 3,826,881 | 4,354,764 | 4,406,415 | 8,071,147 | 8,233,296 |
| Restricted | 596,764 | 584,178 | - | - | 596,764 | 584,178 |
| Unrestricted | (3,017,334) | (2,464,664) | 600,503 | 819,651 | (2,416,831) | (1,645,013) |
| Total net position | \$ 1,295,813 | \$ 1,946,395 | \$ 4,955,267 | \$ 5,226,066 | \$ 6,251,080 | \$ 7,172,461 |

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows changes in net position.

Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 679,717 | \$ 682,746 | \$ 1,478,854 | \$ 1,483,372 | \$ 2,158,571 | \$ 2,166,118 |
| Operating grants | 474,688 | 395,759 | - | - | 474,688 | 395,759 |
| General revenues | | | | | | |
| Property taxes | 1,642,320 | 1,598,468 | - | - | 1,642,320 | 1,598,468 |
| Franchise fees | 58,724 | 61,362 | - | - | 58,724 | 61,362 |
| Grants and contributions not restricted | 374,291 | 366,612 | - | - | 374,291 | 366,612 |
| Unrestricted investment earnings | 2,831 | 9,940 | 1,119 | 3,197 | 3,950 | 13,137 |
| Miscellaneous | 13,804 | 13,982 | - | - | 13,804 | 13,982 |
| Gain on disposal of capital assets | 4,000 | 5,650 | - | - | 4,000 | 5,650 |
| Total revenues | 3,250,375 | 3,134,519 | 1,479,973 | 1,486,569 | 4,730,348 | 4,621,088 |
| Expenses: | | | | | | |
| General government | 880,281 | 897,406 | - | - | 880,281 | 897,406 |
| Public safety | 1,457,079 | 1,310,914 | - | - | 1,457,079 | 1,310,914 |
| Public works | 1,410,204 | 1,333,947 | - | - | 1,410,204 | 1,333,947 |
| Culture and recreation | 61,950 | 90,807 | - | - | 61,950 | 90,807 |
| Interest on long term debt | 91,443 | 96,128 | - | - | 91,443 | 96,128 |
| Sewer | - | - | 856,727 | 916,370 | 856,727 | 916,370 |
| Water | - | - | 894,045 | 901,264 | 894,045 | 901,264 |
| Total expenses | 3,900,957 | 3,729,202 | 1,750,772 | 1,817,634 | 5,651,729 | 5,546,836 |
| Change in net position | (650,582) | (594,683) | (270,799) | (331,065) | (921,381) | (925,748) |
| Net position - Beginning | 1,946,395 | 2,541,078 | 5,226,066 | 5,557,131 | 7,172,461 | 8,098,209 |
| Net position - Ending | \$ 1,295,813 | \$ 1,946,395 | \$ 4,955,267 | \$ 5,226,066 | \$ 6,251,080 | \$ 7,172,461 |

For the year ended November 30, 2020, net position decreased by \$650,582 in governmental activities and decreased by \$270,799 in business-type activities, respectively. This resulted in an overall net decrease of \$921,381 in government-wide net position.

Governmental Activities

Governmental activities operating grants increased due to grants for the COVID pandemic.

Expenses for all governmental functions increased by a total of \$171,755. Most of the change was due to higher pension and OPEB costs.

Business-type activities

Business-type activities revenues were similar to the prior year.

Expenses for all business-type functions decreased by a total of \$66,862. Most of the change was due to a Citywide meter replacement project in fiscal year 2019 that finished during the current year.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the 2020 fiscal year, the City governmental funds reported a combined unassigned fund balance of \$1,084,397, all of which is in the General Fund. The remainder of the fund balance is nonspendable as it has been spent on prepaid items for the following year or is restricted for streets and highways or Roosevelt Park Day, or is assigned to the subsequent year's budget appropriation of fund balance.

The General Fund is the chief operating fund of the City. The General Fund ended the year with a fund balance of \$1,095,911, an increase of \$29,846 from fiscal year 2019. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. The unassigned fund balance represents 38% of the General Fund's expenditures and transfers (42% in the prior year).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the Sewer Fund and Water Fund decreased by \$88,487 and \$186,333, respectively. The result was an overall net decrease in the proprietary funds of \$274,820.

General Fund Budget

During the current fiscal year, the City made several amendments to its original General Fund budget. The most significant of those is listed below:

- Charges for services were originally budgeted for \$646,425, amended down to \$595,809 as the City overestimated interfund charges for labor reimbursements on the initial budget.
- Personnel expenditures were originally budgeted for \$237,700, amended down to \$218,295 due to the City opting not making a payment into the OPEB trust.
- Police department expenditures were originally budgeted for \$771,492, amended up to \$815,740 to reflect actual overtime and adjustments to retirement and insurance costs.
- Inspections expenditures were originally budgeted for \$36,940, amended up to \$46,827 to reflect additional inspection activity.
- Public works expenditures were originally budgeted for \$395,100, amended down to \$379,165 due to no seasonal staff and reduced equipment usage due to COVID pandemic restrictions.
- Sanitation expenditures were originally budgeted for \$223,205, amended down to \$203,258 as the initial budget overestimated the actual cost of the sanitation contract.
- Culture and recreation expenditures were originally budgeted for \$68,005, amended down to \$52,466 due to no seasonal staff nor special projects due to COVID pandemic restrictions.

Budget Variations

There were no significant variations between the final budget and actual revenues and expenditures.

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of November 30, 2020 totaled \$11,330,329 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- Replacement of the City Hall roof for \$38,125.
- Local street improvements of \$173,600.
- A police cruiser for \$45,363

**CAPITAL ASSETS
(Net of Accumulated Depreciation)**

| | Governmental | | Business-type | | Total | |
|----------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 291,547 | \$ 291,547 | \$ 600 | \$ 600 | \$ 292,147 | \$ 292,147 |
| Land improvements | 32,222 | 36,368 | - | - | 32,222 | 36,368 |
| Buildings and improvements | 846,468 | 846,812 | - | - | 846,468 | 846,812 |
| Vehicles and equipment | 332,258 | 356,223 | - | - | 332,258 | 356,223 |
| Infrastructure | 5,566,542 | 5,828,163 | - | - | 5,566,542 | 5,828,163 |
| Sewer system | - | - | 1,665,191 | 1,710,981 | 1,665,191 | 1,710,981 |
| Water system | - | - | 2,595,501 | 2,659,439 | 2,595,501 | 2,659,439 |
| Total | \$ 7,069,037 | \$ 7,359,113 | \$ 4,261,292 | \$ 4,371,020 | \$ 11,330,329 | \$ 11,730,133 |

Additional information on the City’s capital assets can be found in Note E of the “Notes to Financial Statements” of this report.

Debt Administration

At the end of the 2020 fiscal year, the City had total outstanding debt of \$3,414,784 consisting of capital leases, general obligation bonds, and compensated absences. The \$70,000 in the business-type activities is backed by the full-faith and credit of the City. The payment of these bonds is through the revenues generated from the Water and Sewer funds.

OUTSTANDING DEBT

| | Governmental | | Business-type | | Total | |
|--------------------------|---------------------|---------------------|----------------------|-------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Capital leases | \$ - | \$ 17,208 | \$ - | \$ - | \$ - | \$ 17,208 |
| General obligation bonds | 3,352,654 | 3,515,024 | 70,000 | 140,000 | 3,422,654 | 3,655,024 |
| Compensated absences | 62,130 | 55,719 | - | - | 62,130 | 55,719 |
| Total | \$ 3,414,784 | \$ 3,587,951 | \$ 70,000 | \$ 140,000 | \$ 3,484,784 | \$ 3,727,951 |

The City’s total debt decreased by \$243,167 during the fiscal year. This decrease is a result of normal scheduled debt service payments.

Additional information on the City’s long-term debt can be found in Note G of the “Notes to Financial Statements” of this report.

General Economic Overview

The City continues to see fiscal accountability and financial stability as its top priority. The operating margin between revenues and typical expenses for all services is small and will continue to be an on-going challenge.

| <u>YEAR</u> | <u>TOTAL PROPERTY TAXES</u> <u>(percentage change)</u> | <u>STATE SHARED REVENUE</u> <u>(percentage change)</u> |
|-------------|---|---|
| 2020 | \$ 1,642,320 (+ 2.7%) | \$ 366,285 (-0.1%) |
| 2019 | 1,598,468 (+ 3.8%) | 366,612 (+3.9%) |
| 2018 | 1,540,370 (+ .9%) | 352,849 (+2.4%) |
| 2017 | 1,527,169 (+ 3.5%) | 344,500 (+7.8%) |
| 2016 | 1,476,048 (- .1%) | 319,509 (+1.0%) |
| 2015 | 1,477,660 (+ 40.7%) | 316,465 (-0.3%) |
| 2014 | 1,050,439 (+ .1%) | 317,374 (+2.1%) |
| 2013 | 1,049,071 (- 4.3%) | 310,593 (+1.7%) |
| 2012 | 1,096,674 (-2.8%) | 305,343 (+5.4%) |
| 2011 | 1,128,474 | 289,666 |

For fiscal year 2021, the City will maintain its millage rate at 16.6 mills. The additional 5 mills that were levied beginning in 2015 will continue to be used primarily to fund the debt service of the Roosevelt Road construction project. The City has also budgeted a slight decrease in State Revenue Sharing based on projections from the State. For the third year in a row, the taxable value of real property has risen and an increased tax capture within the General Fund is expected. No other significant changes are expected in General Fund revenues.

The current and upcoming fiscal year challenges related to the ongoing COVID-19 pandemic are still be realized and has resulted in reduced operational revenues along with possible grants and stimulus revenue through state and federal sources.

The City has budgeted funds for continued zoning ordinance updates because of the creation and approval of the first ever City of Roosevelt Park Master Plan. Along with the adoption of a master plan, the City updated its five-year Parks and Recreation Master Plan. The upcoming fiscal year will see the implementation of the plan and the beginning of larger scale park and recreation upgrades throughout the community.

The City continues to budget capital and maintenance funds for parks and playground improvements throughout the nine City parks. The City will be investing in safer equipment and other quality of life focused maintenance and upkeep items throughout the City's parks. Along with continued investments in current facilities, the City Council and Planning Commission continue to utilize the Master Plan as a guide to new parks and community features.

The City has budgeted \$133,000 for local street improvement and will begin the mill and overlay projects throughout the community in the spring of 2021. As in the past, there are several grant sources that the City staff will continue to pursue in order to leverage additional street improvement funding within the upcoming year.

Projects planned in the Water and Sewer funds include basic maintenance and system upkeep as the multiyear installation of water meters and fixed based read systems were completed in 2020. The ongoing COVID response throughout the community will undoubtedly have an effect on the revenue and expenses within both the Water and Sewer funds.

Health insurance is a focus area of the City as it works to limit cost increases. Retiree cost sharing consisting of a ten percent contribution has been implemented since 2011 and the City has adopted the hard cap provision for all full-time employees to further alleviate the costs and to comply with the State's Economic Vitality Incentive Program (EVIP).

2021 will be the third year of the City's collective bargaining agreements with the Police Department and the Department of Public Works. As of December 31, 2018, the collective bargaining units closed the defined benefit and retiree health insurance offerings for new hires. Along with the significant long-term savings of closing these programs within the collective bargaining units, the general employee unit of City has eliminated any retiree health care benefits for future hires. With the strength of the economy and reduced part-time labor within the Police Department, possible structural changes to increase efficiencies and reduce overtime will be explored.

The City has adopted a defined contribution plan for both the Teamsters and POLC unions, as well as non-union new hires, in an effort to lower the long-term legacy costs for future retirees. Along with the adoption of defined contribution plans for all new hires, the City Council continues to review the pension and OPEB liabilities in order to ensure the long-term fiscal health of the City.

Overall, during this upcoming year the City Council and staff continue their goals to build strong infrastructure, update community assets, and provide as effective and efficient services as possible.

Requests for Information

This financial report is designed to provide a general overview of the City of Roosevelt Park's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Roosevelt Park, 900 Oak Ridge Road, Roosevelt Park, MI, 49441, or telephone (231) 755-3721.

City of Roosevelt Park
STATEMENT OF NET POSITION
November 30, 2020

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Component Unit</u> |
|---|------------------------------------|-------------------------------------|---------------------|---------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and investments | \$ 1,955,073 | \$ 964,712 | \$ 2,919,785 | \$ 1,067,329 |
| Receivables | 3,079 | 369,684 | 372,763 | - |
| Due from other governmental units | 137,805 | - | 137,805 | - |
| Internal balances | 507 | (507) | - | - |
| Inventories | - | 24,299 | 24,299 | - |
| Prepaid items | 6,625 | 11 | 6,636 | 56 |
| Total current assets | 2,103,089 | 1,358,199 | 3,461,288 | 1,067,385 |
| Noncurrent assets | | | | |
| Capital assets, net | | | | |
| Nondepreciable | 291,547 | 600 | 292,147 | 133,071 |
| Depreciable | 6,777,490 | 4,260,692 | 11,038,182 | - |
| Total noncurrent assets | 7,069,037 | 4,261,292 | 11,330,329 | 133,071 |
| Total assets | 9,172,126 | 5,619,491 | 14,791,617 | 1,200,456 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pension | 232,990 | 25,888 | 258,878 | - |
| Related to other postemployment benefits | 776,055 | 86,228 | 862,283 | - |
| Total deferred outflows of resources | 1,009,045 | 112,116 | 1,121,161 | - |
| Total assets and deferred outflows of resources | 10,181,171 | 5,731,607 | 15,912,778 | 1,200,456 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 91,969 | 186 | 92,155 | 269 |
| Due to other governmental units | 97,682 | 119,384 | 217,066 | - |
| Bonds and other obligations, due within one year | 205,000 | 70,000 | 275,000 | - |
| Total current liabilities | 394,651 | 189,570 | 584,221 | 269 |
| Noncurrent liabilities | | | | |
| Bonds and other obligations, less amounts due within one year | 3,209,784 | - | 3,209,784 | - |
| Net pension liability | 2,871,873 | 319,098 | 3,190,971 | - |
| Net other postemployment benefits liability | 1,471,247 | 163,472 | 1,634,719 | - |
| Total noncurrent liabilities | 7,552,904 | 482,570 | 8,035,474 | - |
| Total liabilities | 7,947,555 | 672,140 | 8,619,695 | 269 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to other postemployment benefits | 937,803 | 104,200 | 1,042,003 | - |
| Total liabilities and deferred inflows of resources | 8,885,358 | 776,340 | 9,661,698 | 269 |
| NET POSITION | | | | |
| Net investment in capital assets | 3,716,383 | 4,191,292 | 7,907,675 | 133,071 |
| Restricted | | | | |
| Streets and highways | 569,040 | - | 569,040 | - |
| Roosevelt Park Day | 27,724 | - | 27,724 | - |
| Unrestricted | (3,017,334) | 763,975 | (2,253,359) | 1,067,116 |
| Total net position | <u>\$ 1,295,813</u> | <u>\$ 4,955,267</u> | <u>\$ 6,251,080</u> | <u>\$ 1,200,187</u> |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF ACTIVITIES
For the year ended November 30, 2020

| Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|---------------------|----------------------|------------------------------------|---|--------------------------|---------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | | Total | |
| | | | | Governmental Activities | Business-type Activities | | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 880,281 | \$ 41,545 | \$ - | \$ (838,736) | \$ - | \$ (838,736) | \$ - |
| Public safety | 1,457,079 | 157,495 | 72,280 | (1,227,304) | - | (1,227,304) | - |
| Public works | 1,410,204 | 480,677 | 402,408 | (527,119) | - | (527,119) | - |
| Culture and recreation | 61,950 | - | - | (61,950) | - | (61,950) | - |
| Interest on long-term debt | 91,443 | - | - | (91,443) | - | (91,443) | - |
| Total governmental activities | 3,900,957 | 679,717 | 474,688 | (2,746,552) | - | (2,746,552) | - |
| Business-type activities | | | | | | | |
| Sewer | 856,727 | 768,531 | - | - | (88,196) | (88,196) | - |
| Water | 894,045 | 710,323 | - | - | (183,722) | (183,722) | - |
| Total business-type activities | 1,750,772 | 1,478,854 | - | - | (271,918) | (271,918) | - |
| Total primary government | \$ 5,651,729 | \$ 2,158,571 | \$ 474,688 | (2,746,552) | (271,918) | (3,018,470) | - |
| Component unit | | | | | | | |
| Downtown Development Authority | | | | | | | |
| General government | \$ 35,522 | \$ - | \$ - | - | - | - | (35,522) |
| Public safety | 80,000 | - | - | - | - | - | (80,000) |
| Public works | 59,839 | - | - | - | - | - | (59,839) |
| Total component unit | \$ 175,361 | \$ - | \$ - | - | - | - | (175,361) |
| General revenues | | | | | | | |
| Property taxes | | | | 1,642,320 | - | 1,642,320 | 242,026 |
| Franchise fees | | | | 58,724 | - | 58,724 | - |
| Grants and contributions not restricted to specific programs | | | | 374,291 | - | 374,291 | 220,530 |
| Unrestricted investment earnings | | | | 2,831 | 1,119 | 3,950 | 744 |
| Miscellaneous | | | | 13,804 | - | 13,804 | - |
| Gain on disposal of capital assets | | | | 4,000 | - | 4,000 | - |
| Total general revenues | | | | 2,095,970 | 1,119 | 2,097,089 | 463,300 |
| Change in net position | | | | (650,582) | (270,799) | (921,381) | 287,939 |
| Net position at beginning of year | | | | 1,946,395 | 5,226,066 | 7,172,461 | 912,248 |
| Net position at end of year | | | | \$ 1,295,813 | \$ 4,955,267 | \$ 6,251,080 | \$ 1,200,187 |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
BALANCE SHEET
 Governmental Funds
 November 30, 2020

| | General Fund | Major Streets Fund | Local Streets Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|-----------------------------------|-----------------------------------|---|---|
| ASSETS | | | | | |
| Cash and investments | \$ 1,183,877 | \$ 450,149 | \$ 65,597 | \$ 27,724 | \$ 1,727,347 |
| Accounts receivable | 2,969 | - | - | - | 2,969 |
| Due from other governmental units | 76,255 | 44,859 | 16,691 | - | 137,805 |
| Prepaid items | 6,625 | - | - | - | 6,625 |
| Total assets | \$ 1,269,726 | \$ 495,008 | \$ 82,288 | \$ 27,724 | \$ 1,874,746 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 38,515 | \$ 8,256 | \$ - | \$ - | \$ 46,771 |
| Accrued liabilities | 37,618 | - | - | - | 37,618 |
| Due to other governmental units | 97,682 | - | - | - | 97,682 |
| Total liabilities | 173,815 | 8,256 | - | - | 182,071 |
| FUND BALANCES | | | | | |
| Nonspendable - prepaid items | 6,625 | - | - | - | 6,625 |
| Restricted | | | | | |
| Streets and highways | - | 486,752 | 82,288 | - | 569,040 |
| Roosevelt Park Day | - | - | - | 27,724 | 27,724 |
| Assigned to subsequent year's budget appropriation of fund balance | 4,889 | - | - | - | 4,889 |
| Unassigned | 1,084,397 | - | - | - | 1,084,397 |
| Total fund balances | 1,095,911 | 486,752 | 82,288 | 27,724 | 1,692,675 |
| Total liabilities and fund balances | \$ 1,269,726 | \$ 495,008 | \$ 82,288 | \$ 27,724 | \$ 1,874,746 |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 November 30, 2020

Total fund balance—governmental funds \$ 1,692,675

Amounts reported for governmental activities 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 governmental funds.

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 10,943,786 | |
| Accumulated depreciation | <u>(4,038,678)</u> | 6,905,108 |

Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | |
|--|--------------------|-------------|
| Accrued interest payable | (7,300) | |
| Bonds and notes payable | (3,352,654) | |
| Compensated absences | (62,130) | |
| Net pension liability and related deferred outflows/inflows of resources | (2,638,883) | |
| Other postemployment benefits and related deferred outflows/inflows of resources | <u>(1,632,995)</u> | (7,693,962) |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position.

| | | |
|--|------------|----------------|
| Net position of the internal service funds | 391,485 | |
| Internal balances representing the cumulative differences between actual costs and amounts charged to business-type activities | <u>507</u> | <u>391,992</u> |

| | |
|---|----------------------------|
| Net position of governmental activities | <u>\$ 1,295,813</u> |
|---|----------------------------|

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended November 30, 2020

| | General Fund | Major Streets Fund | Local Streets Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 1,642,320 | \$ - | \$ - | \$ - | \$ 1,642,320 |
| Licenses and permits | 131,411 | - | - | - | 131,411 |
| Intergovernmental revenues | | | | | |
| Federal | 79,519 | - | - | - | 79,519 |
| State | 371,046 | 282,814 | 105,231 | - | 759,091 |
| Charges for services | 595,477 | - | - | - | 595,477 |
| Fines and forfeitures | 7,358 | - | - | - | 7,358 |
| Investment earnings | 2,147 | 770 | 141 | 21 | 3,079 |
| Other | 13,804 | 13,452 | 200 | - | 27,456 |
| Total revenues | 2,843,082 | 297,036 | 105,572 | 21 | 3,245,711 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 710,297 | - | - | - | 710,297 |
| Public safety | 1,093,954 | - | - | - | 1,093,954 |
| Public works | 597,850 | 148,544 | 241,499 | - | 987,893 |
| Culture and recreation | 53,912 | - | - | - | 53,912 |
| Other governmental functions | 23,822 | - | - | - | 23,822 |
| Debt service | | | | | |
| Principal | - | - | - | 165,000 | 165,000 |
| Interest | - | - | - | 88,913 | 88,913 |
| Capital outlay | 83,488 | - | - | - | 83,488 |
| Total expenditures | 2,563,323 | 148,544 | 241,499 | 253,913 | 3,207,279 |
| Excess of revenues over (under) expenditures | 279,759 | 148,492 | (135,927) | (253,892) | 38,432 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of capital assets | 4,000 | - | - | - | 4,000 |
| Transfers in | - | - | 135,000 | 253,913 | 388,913 |
| Transfers out | (253,913) | (135,000) | - | - | (388,913) |
| Total other financing sources (uses) | (249,913) | (135,000) | 135,000 | 253,913 | 4,000 |
| Net change in fund balances | 29,846 | 13,492 | (927) | 21 | 42,432 |
| Fund balances at beginning of year | 1,066,065 | 473,260 | 83,215 | 27,703 | 1,650,243 |
| Fund balances at end of year | \$1,095,911 | \$ 486,752 | \$ 82,288 | \$ 27,724 | \$ 1,692,675 |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended November 30, 2020

Net change in fund balances—total governmental funds \$ 42,432

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|----------------|-----------|
| Depreciation expense | \$ (503,235) | |
| Capital outlay | <u>257,088</u> | (246,147) |

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

| | | |
|--|--|---------|
| Repayment of principal on long-term debt | | 165,000 |
|--|--|---------|

| | | |
|--|----------------|---------|
| Change in accrual of interest and amortization of premiums and discounts | | |
| Change in accrued interest payable | 100 | |
| Amortization of premiums and discounts | <u>(2,630)</u> | (2,530) |

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 governmental funds.

| | | |
|--|------------------|-----------|
| Change in compensated absences | (6,411) | |
| Change in net pension liability and related deferred outflows/inflows of resources | (490,919) | |
| Change in other postemployment benefits and related deferred outflows/inflows of resources | <u>(134,538)</u> | (631,868) |

The internal service fund is used by management to charge the costs of equipment used to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

| | | |
|---|----------------|---------------|
| Change in net position of the internal service fund | 26,552 | |
| Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities | <u>(4,021)</u> | <u>22,531</u> |

| | | |
|---|--|----------------------------|
| Change in net position of governmental activities | | <u>\$ (650,582)</u> |
|---|--|----------------------------|

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF NET POSITION
 Proprietary Funds
 November 30, 2020

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--|---------------------|---------------------|--|
| | Sewer | Water | Total | Fund |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and investments | \$ 518,490 | \$ 446,222 | \$ 964,712 | \$ 227,726 |
| Receivables | | | | |
| Accounts receivable | 190,222 | 179,462 | 369,684 | 110 |
| Inventories | - | 24,299 | 24,299 | - |
| Prepaid items | 11 | - | 11 | - |
| Total current assets | 708,723 | 649,983 | 1,358,706 | 227,836 |
| Noncurrent assets | | | | |
| Capital assets | | | | |
| Land | - | 600 | 600 | - |
| Utility systems | 3,133,178 | 3,474,976 | 6,608,154 | - |
| Vehicles and equipment | - | - | - | 842,065 |
| Less accumulated depreciation | (1,467,987) | (879,475) | (2,347,462) | (678,136) |
| Total noncurrent assets | 1,665,191 | 2,596,101 | 4,261,292 | 163,929 |
| Total assets | 2,373,914 | 3,246,084 | 5,619,998 | 391,765 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pension | 12,944 | 12,944 | 25,888 | - |
| Related to other postemployment benefits | 43,114 | 43,114 | 86,228 | - |
| Total deferred outflows of resources | 56,058 | 56,058 | 112,116 | - |
| Total assets and deferred outflows of resources | 2,429,972 | 3,302,142 | 5,732,114 | 391,765 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 66 | 120 | 186 | 280 |
| Due to other governmental units | 62,087 | 57,297 | 119,384 | - |
| Bonds and other obligations, due within one year | 28,500 | 41,500 | 70,000 | - |
| Total current liabilities | 90,653 | 98,917 | 189,570 | 280 |
| Noncurrent liabilities | | | | |
| Net pension liability | 159,549 | 159,549 | 319,098 | - |
| Net other postemployment benefits liability | 81,736 | 81,736 | 163,472 | - |
| Total noncurrent liabilities | 241,285 | 241,285 | 482,570 | - |
| Total liabilities | 331,938 | 340,202 | 672,140 | 280 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to other postemployment benefits | 52,100 | 52,100 | 104,200 | - |
| Total liabilities and deferred inflows of resources | 384,038 | 392,302 | 776,340 | 280 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,636,691 | 2,554,601 | 4,191,292 | 163,929 |
| Unrestricted | 409,243 | 355,239 | 764,482 | 227,556 |
| Total net position | \$ 2,045,934 | \$ 2,909,840 | 4,955,774 | \$ 391,485 |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time | | | (507) | |
| Net position of business-type activities | | | \$ 4,955,267 | |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended November 30, 2020

| | Business-type Activities - Enterprise Funds | | | Governmental |
|--|--|---------------------|---------------------|---------------------|
| | Activities - | | | Internal |
| | Sewer | Water | Total | Service |
| OPERATING REVENUES | Enterprise Funds | | | Fund |
| Charges for services | \$ 767,031 | \$ 708,323 | \$ 1,475,354 | \$ 129,987 |
| OPERATING EXPENSES | | | | |
| Administration | 113,672 | 104,664 | 218,336 | 18,364 |
| Operations | 696,288 | 725,847 | 1,422,135 | 28,143 |
| Depreciation | 45,790 | 63,938 | 109,728 | 57,591 |
| Total operating expenses | 855,750 | 894,449 | 1,750,199 | 104,098 |
| Operating income (loss) | (88,719) | (186,126) | (274,845) | 25,889 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment earnings | 616 | 503 | 1,119 | 663 |
| Connection fees | 1,500 | 2,000 | 3,500 | - |
| Interest expense | (1,884) | (2,710) | (4,594) | - |
| Total nonoperating revenues (expenses) | 232 | (207) | 25 | 663 |
| Change in net position | (88,487) | (186,333) | (274,820) | 26,552 |
| Net position at beginning of year | 2,134,421 | 3,096,173 | | 364,933 |
| Net position at end of year | \$ 2,045,934 | \$ 2,909,840 | | \$ 391,485 |
| Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds | | | 4,021 | |
| Change in net position of business-type activities | | | \$ (270,799) | |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended November 30, 2020

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--|--------------------|---------------------|--|
| | Sewer | Water | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 769,210 | \$ 738,122 | \$ 1,507,332 | \$ - |
| Receipts from interfund services provided | - | - | - | 129,987 |
| Payments to suppliers | (793,353) | (748,736) | (1,542,089) | (43,977) |
| Payments to employees | (25,518) | (56,905) | (82,423) | (7,199) |
| Payment for interfund services used | (4,549) | (15,641) | (20,190) | - |
| Net cash provided by (used for) operating activities | (54,210) | (83,160) | (137,370) | 78,811 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Connection fees | 1,500 | 2,000 | 3,500 | - |
| Purchases of capital assets | - | - | - | (13,662) |
| Principal paid on capital debt | (28,500) | (41,500) | (70,000) | (17,208) |
| Interest paid on capital debt | (1,884) | (2,710) | (4,594) | - |
| Net cash provided by (used for) capital and related financing activities | (28,884) | (42,210) | (71,094) | (30,870) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Investment earnings | 616 | 503 | 1,119 | 663 |
| Net increase (decrease) in cash and investments | (82,478) | (124,867) | (207,345) | 48,604 |
| Cash and investments at beginning of year | 600,968 | 571,089 | 1,172,057 | 179,122 |
| Cash and investments at end of year | \$ 518,490 | \$ 446,222 | \$ 964,712 | \$ 227,726 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Operating income (loss) | \$ (88,719) | \$ (186,126) | \$ (274,845) | \$ 25,889 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation expense | 45,790 | 63,938 | 109,728 | 57,591 |
| Change in assets and liabilities | | | | |
| Accounts receivable | 2,179 | 29,799 | 31,978 | - |
| Inventories | - | (15,130) | (15,130) | - |
| Prepaid items | (11) | - | (11) | - |
| Accounts payable | (15,266) | (612) | (15,878) | (1,921) |
| Due to other governmental units | (32,931) | (9,778) | (42,709) | (2,748) |
| Accrued liabilities | 34,748 | 34,749 | 69,497 | - |
| Net cash provided by (used for) operating activities | \$ (54,210) | \$ (83,160) | \$ (137,370) | \$ 78,811 |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
November 30, 2020

| | <u>Agency Fund</u> <u>Escrow Tax</u> <u>Trust</u> |
|---------------------------------|---|
| ASSETS | |
| Cash and investments | <u>\$ 2,648</u> |
| LIABILITIES | |
| Due to other governmental units | <u>\$ 2,648</u> |

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Roosevelt Park (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City is a municipal corporation governed by an elected seven member City Council with an appointed mayor and is administered by a city manager appointed by the City Council. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

Downtown Development Authority (DDA). The DDA's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the City's downtown district. Board members of the DDA are appointed by the City and the Authority is fiscally dependent on the City since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Basis of Presentation—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 unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As discussed earlier, the City's discretely presented component unit is reported in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-Wide and Fund Financial Statements—Continued

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of the City's major streets.

The Local Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of the City's local streets.

The City reports the following major enterprise funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the County's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The Agency Fund is custodial in nature and used to account for assets held by the City as an agent for another organization or individual.

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

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

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a 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.

The 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be 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 government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value (generally based on quoted market prices).

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component unit's cash and investments are maintained within the City's investment pool.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since December 1, 2003 as allowed by generally accepted accounting principles.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

| <u>Capital Asset Classes</u> | <u>Years</u> |
|------------------------------|--------------|
| Land improvements | 10-20 |
| Buildings and improvements | 10-40 |
| Vehicles and equipment | 5-30 |
| Infrastructure | 10-50 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Defined Benefit Plan

The City offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's 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.

Other Postemployment Benefit Costs

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

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, 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/expenditures) until then.

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, 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.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and lienied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2019 state taxable value for real/personal property of the City totaled approximately \$104,123,000 of which approximately \$8,919,000 was captured by the component unit. The ad valorem taxes levied consisted of 16.6 mills for operations. These amounts are recognized in the General Fund with captured amounts shown in the DDA component unit.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE C—DEPOSITS AND INVESTMENTS

As of November 30, 2020, the City had the following investments:

| Investment Type | <u>Fair value</u> | <u>Weighted Average Maturity (Days)</u> | <u>Moody's</u> | <u>Percent</u> |
|--------------------------|--------------------------|--|-----------------------|-----------------------|
| Money market mutual fund | \$ 498,653 | 27 | Aaa | 100 % |

Deposit and Investment Risks

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of November 30, 2020, \$3,270,456 of the City's bank balance of \$3,520,456 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

The City does not have a custodial credit risk policy for investments. This 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.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2020.

Money market funds: Valued at amortized cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| | Assets at Fair Value as of November 30, 2020 | | | |
|--------------------|---|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ - | \$498,653 | \$ - | \$498,653 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2020 was as follows:

| | Balance December 1, 2019 | Additions | De ductions | Balance November 30, 2020 |
|---|---|---------------------|--------------------|--|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 291,547 | \$ - | \$ - | \$ 291,547 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 74,716 | - | - | 74,716 |
| Buildings and improvements | 1,588,328 | 38,125 | - | 1,626,453 |
| Vehicles and equipment | 1,294,738 | 59,025 | 32,169 | 1,321,594 |
| Infrastructure | 8,297,941 | 173,600 | - | 8,471,541 |
| Total capital assets, being depreciated | 11,255,723 | 270,750 | 32,169 | 11,494,304 |
| Less accumulated depreciation: | | | | |
| Land improvements | 38,348 | 4,146 | - | 42,494 |
| Buildings and improvements | 741,516 | 38,469 | - | 779,985 |
| Vehicles and equipment | 938,515 | 82,990 | 32,169 | 989,336 |
| Infrastructure | 2,469,778 | 435,221 | - | 2,904,999 |
| Total accumulated depreciation | 4,188,157 | 560,826 | 32,169 | 4,716,814 |
| Total capital assets, being depreciated, net | 7,067,566 | (290,076) | - | 6,777,490 |
| Capital assets, net | \$ 7,359,113 | \$ (290,076) | \$ - | \$ 7,069,037 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE E—CAPITAL ASSETS—Continued

| | Balance December 1, 2019 | Additions | De du ctions | Balance November 30, 2020 |
|---|---|---------------------|---------------------|--|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 600 | \$ - | \$ - | \$ 600 |
| Capital assets, being depreciated: | | | | |
| Sewer system | 3,133,178 | - | - | 3,133,178 |
| Water system | 3,474,976 | - | - | 3,474,976 |
| Total capital assets, being depreciated | 6,608,154 | - | - | 6,608,154 |
| Less accumulated depreciation: | | | | |
| Sewer system | 1,422,197 | 45,790 | - | 1,467,987 |
| Water system | 815,537 | 63,938 | - | 879,475 |
| Total accumulated depreciation | 2,237,734 | 109,728 | - | 2,347,462 |
| Total capital assets, being depreciated, net | 4,370,420 | (109,728) | - | 4,260,692 |
| Capital assets, net | \$ 4,371,020 | \$ (109,728) | \$ - | \$ 4,261,292 |

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 20,458 |
| Public safety | 12,219 |
| Public works | 456,580 |
| Culture and recreation | 13,978 |
| Internal Service Fund depreciation is charged to the various programs based on their usage of the assets | 57,591 |
| | \$ 560,826 |

Business-type activities:

| | |
|-------|-------------------|
| Sewer | \$ 45,790 |
| Water | 63,938 |
| | \$ 109,728 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE E—CAPITAL ASSETS—Continued

| | Balance December 1, 2019 | Additions | Deductions | Balance November 30, 2020 |
|---|---|------------------|-------------------|--|
| Component unit activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 133,071 | \$ - | \$ - | \$ 133,071 |
| | | | | |

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of November 30, 2020 is as follows:

Interfund Transfers

The General Fund transferred \$253,913 to the Roosevelt Road Debt Service Fund for debt service payments. The Major Streets Fund transferred \$135,000 to the Local Streets Fund for street improvements.

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended November 30, 2020:

| | Balance December 1, 2019 | Additions | Reductions | Balance November 30, 2020 | Due Within One Year |
|--|---|------------------|-------------------|--|--------------------------------|
| Governmental activities: | | | | | |
| Public placement debt | | | | | |
| General obligation bonds | \$ 3,540,000 | \$ - | \$ 165,000 | \$ 3,375,000 | \$ 170,000 |
| Discount | (24,976) | - | (2,630) | (22,346) | - |
| Direct borrowings and direct placements | | | | | |
| Capital lease | 17,208 | - | 17,208 | - | - |
| Compensated absences | 55,719 | 72,091 | 65,680 | 62,130 | 35,000 |
| | | | | | |
| Governmental activities long-term liabilities | \$ 3,587,951 | \$ 72,091 | \$ 245,258 | \$ 3,414,784 | \$ 205,000 |
| Business-type activities: | | | | | |
| Public placement debt | | | | | |
| General obligation bonds | \$ 140,000 | \$ - | \$ 70,000 | \$ 70,000 | \$ 70,000 |
| | | | | | |

General obligation bonds are a direct obligation and pledge the full faith and credit of the City. If the City defaults, the bonds are callable.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Public placement debt and debt from direct borrowings and direct placements consist of the following:

| | Interest Rate | Date of Maturity | Balance |
|---|--------------------------|-----------------------------|----------------|
| Governmental activities: | | | |
| Public placement debt | | | |
| General obligation bonds | | | |
| 2016 General Obligation Capital Improvement Bonds | 2-3% | May 2036 | \$ 3,375,000 |
| Business-type activities: | | | |
| Public placement debt | | | |
| General obligation bonds | | | |
| 2007 General Obligation Capital Improvement Bonds | 4.375% | April 2021 | 70,000 |

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on November 30, 2020 was \$544,450. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for public placement debt outstanding as of November 30, 2020 follow:

| Year Ending November 30, | Governmental Activities | | Business-type Activities | |
|-------------------------------------|--------------------------------|-------------------|---------------------------------|-----------------|
| | Public Placement Debt | | Public Placement Debt | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 170,000 | \$ 85,563 | \$ 70,000 | \$ 1,531 |
| 2022 | 170,000 | 82,162 | - | - |
| 2023 | 175,000 | 78,713 | - | - |
| 2024 | 180,000 | 75,162 | - | - |
| 2025 | 185,000 | 71,512 | - | - |
| 2026-2030 | 1,010,000 | 290,744 | - | - |
| 2031-2035 | 1,210,000 | 134,550 | - | - |
| 2036 | 275,000 | 4,125 | - | - |
| | \$ 3,375,000 | \$ 822,531 | \$ 70,000 | \$ 1,531 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE H—OTHER INFORMATION

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by carrying commercial workers' compensation insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant 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 the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

The City 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.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Benefits Provided

The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees hired prior to February 2013. Beginning in February 2013, the various employee divisions began to be closed. By November 2015, all employee divisions were closed except for the police union division, which was closed to new entrants in December 2018.

Benefits provided by the Plan have a multiplier of 2.5 percent. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service or reduced early retirement at 50 with 25 years of service. Final average compensation is calculated based on 5 years.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 20 |
| Inactive employees entitled to but not yet receiving benefits | 9 |
| Active employees | 5 |
| Total employees covered by MERS | 34 |

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

For the year ended November 30, 2020, the City had a flat-dollar employer contribution to the Plan of \$269,892 annually in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. No contribution is required from employees.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.5 percent |
| Salary increases | 3.75 percent changed to 3.0 percent in the long-term effective with the December 31, 2019 valuation |
| Investment rate of return | 7.75 percent changed to 7.35 percent, net of administrative and investment expenses effective with the December 31, 2019 valuation |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions—Continued

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 through 2013.

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:

| Asset Class | Target Allocation | Target Allocation Gross Rate of Return | Long-Term Expected Gross Rate of Return | Inflation Assumption | Long-Term Expected Real Rate of Return |
|---------------------|--------------------------|---|--|---------------------------------|---|
| Global equity | 60.0% | 7.75% | 4.65% | 2.50% | 3.15% |
| Global fixed income | 20.0% | 3.75% | 0.75% | 2.50% | 25.00% |
| Private assets | <u>20.0%</u> | 9.75% | <u>1.95%</u> | 2.50% | <u>1.45%</u> |
| Total | <u>100.0%</u> | | <u>7.35%</u> | | <u>4.85%</u> |

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent for 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to 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. The discount rate used to calculate the liability at the beginning of the year was 8.00 percent.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Position (b) | Net Pension Liability (a)-(b) |
| Balance at January 1, 2019 | \$ 6,228,569 | \$ 3,247,953 | \$ 2,980,616 |
| Changes for the year | | | |
| Service cost | 52,455 | - | 52,455 |
| Interest | 485,987 | - | 485,987 |
| Difference between expected and actual experience | 132,603 | - | 132,603 |
| Changes in assumptions | 247,386 | - | 247,386 |
| Contributions - employer | - | 276,391 | (276,391) |
| Net investment income | - | 439,254 | (439,254) |
| Administrative expenses | - | (7,569) | 7,569 |
| Benefit payments including refund of employee contributions | (359,918) | (359,918) | - |
| Net changes | 558,513 | 348,158 | 210,355 |
| Balance at December 31, 2019 | \$ 6,787,082 | \$ 3,596,111 | \$ 3,190,971 |

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

| | 1% Decrease (6.60%) | Current Discount Rate (7.60%) | 1% Increase (8.60%) |
|------------------------------|------------------------------------|--|------------------------------------|
| City's net pension liability | \$ 4,030,471 | \$ 3,190,971 | \$ 2,487,899 |

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

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

For the year ended November 30, 2020, the City recognized pension expense of \$815,359. At November 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Net difference between projected and actual net investment income | \$ 11,477 | \$ - |
| Contributions subsequent to the measurement date* | 247,401 | - |
| Total | \$ 258,878 | \$ - |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending November 30, 2021.

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

| Year Ending November 30, | Amount |
|-------------------------------------|---------------|
| 2021 | \$ (8,705) |
| 2022 | 11,447 |
| 2023 | 45,349 |
| 2024 | (36,614) |

Payables to the Pension Plan

At November 30, 2020, the City reported a payable of \$22,491 for the outstanding amount of contributions to the pension plan payable required for the year ended November 30, 2020.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Contribution Pension Plan

The City also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Council as determined by negotiated labor contracts. The City is required to contribute 6 percent of a qualified employees' annual compensation each year. Qualified employees are required to contribute 3 percent to 10 percent of annual compensation depending on employee group. For the year ended November 30, 2020, City and employee contributions were \$18,931 and \$13,604, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended November 30, 2020, there were no forfeitures.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE J—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The City's defined benefit OPEB Plan, the City of Roosevelt Park Retiree Health Plan (OPEB Plan), provides healthcare benefits to certain employees and their spouses upon retirement. The Plan is a single-employer defined benefit plan administered by the City Council. The benefits are provided under collective bargaining agreements and at the discretion of the City Council. The OPEB Plan does not issue a publicly available report.

Benefits Provided

The OPEB Plan provides medical insurance for retirees and their spouses who retire on or after age 55 with 20 years of service for public works employees or 10 years of service for police and non-union employees. The portion of medical insurance covered by the City varies depending on the retiree's length of service. Benefits are provided through a third party insurer. Effective December 1, 2018, the OPEB Plan is closed to new entrants.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Employees Covered by Benefit Terms

At the November 30, 2020 valuation, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefits | 7 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | <u>8</u> |
| Total employees covered by OPEB Plan | <u><u>15</u></u> |

Contributions

The OPEB Plan’s funding policy is that the City will make discretionary contributions. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. The City participates in the MERS Retiree Health Funding Vehicle, a legally established trust under section 401(a) of the Internal Revenue Code. For the year ended November 30, 2020, the City made payments for postemployment healthcare benefits for current retirees of \$26,682. The City did not make contributions to the OPEB Plan trust.

Net OPEB Liability

The City’s net OPEB liability was measured as of November 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of November 30, 2020.

Actuarial Assumptions

The total OPEB liability in the November 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|--|
| Inflation | 2.5 percent |
| Salary increases | 3.5 percent |
| Investment rate of return | 7.35 percent (including inflation), net of administrative and investment expenses |
| Healthcare cost trend rates | Pre-Medicare - 8.25 percent graded down to 4.5 percent by .25 percent per year Post-Medicare - 6.5 percent graded down to 4.5 percent by .25 percent per year |

Mortality

Mortality rates for police were as set forth in 2010 Employee and Healthy Retiree and for all others were as set forth in 2010 Public General Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Investment Rate of Return

The long-term rate of return on retirement 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of November 30, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Target Allocation Gross Rate of Return | Long-Term Expected Gross Rate of Return | Inflation Assumption | Long-Term Expected Real Rate of Return |
|---------------------|------------------------------|---|--|---------------------------------|---|
| Global equity | 60.0% | 7.75% | 4.65% | 2.50% | 3.15% |
| Global fixed income | 20.0% | 3.75% | 0.75% | 2.50% | 25.00% |
| Private assets | <u>20.0%</u> | 9.75% | <u>1.95%</u> | 2.50% | <u>1.45%</u> |
| Total | <u>100.0%</u> | | <u>7.35%</u> | | <u>4.85%</u> |

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79 percent. The projection of cash flows used to determine the discount rate assumed that the City’s assets recognize a portion of the benefit payments as contributions but only to the extent that they can reasonably be attributed to active employees. Based on this assumption, the OPEB Plan trust’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members into 2038, the crossover point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year was 3.83 percent.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|-----------------------------|--------------------------------------|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Position (b) | Net OPEB Liability (a)-(b) |
| Balance at December 1, 2019 | \$ 2,145,295 | \$ 391,340 | \$ 1,753,955 |
| Changes for the year | | | |
| Service cost | 144,659 | - | 144,659 |
| Interest | 87,194 | - | 87,194 |
| Difference between expected and actual experience | (549,707) | - | (549,707) |
| Changes of assumptions | 253,058 | - | 253,058 |
| Contributions - employer | - | 26,682 | (26,682) |
| Net investment income | - | 28,478 | (28,478) |
| Administrative expenses | - | (720) | 720 |
| Benefit payments including refund of employee contributions | (26,682) | (26,682) | - |
| Net changes | (91,478) | 27,758 | (119,236) |
| Balance at November 30, 2020 | \$ 2,053,817 | \$ 419,098 | \$ 1,634,719 |

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.79 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79 percent) or 1-percentage-point higher (3.79 percent) than the current rate:

| | 1% Decrease (1.79%) | Current Discount Rate (2.79%) | 1% Increase (3.79%) |
|---------------------------|---------------------------|-------------------------------------|---------------------------|
| City's net OPEB liability | \$ 1,967,558 | \$ 1,634,719 | \$ 1,365,862 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.25 percent for pre-Medicare or 6.5 percent for post-Medicare, decreasing to 4.5 percent, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% | Current Healthcare Cost Trend Rates | 1% |
|---------------------------|-----------------|--|-----------------|
| | Decrease | | Increase |
| City's net OPEB liability | \$ 1,302,164 | \$ 1,634,719 | \$ 2,062,627 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan’s fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by the City. For these purposes, 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.

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

For the year ended November 30, 2020, the City recognized OPEB expense of \$176,170. At November 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences in experience | \$ - | \$ 725,732 |
| Differences in assumptions | 849,296 | 316,271 |
| Net difference between projected and actual net investment income | 12,987 | - |
| Total | \$ 862,283 | \$ 1,042,003 |

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
 November 30, 2020

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

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

| <u>Year Ending</u> <u>November 30,</u> | <u>Amount</u> |
|---|---------------|
| 2021 | \$ (26,102) |
| 2022 | (26,102) |
| 2023 | (25,988) |
| 2024 | (29,909) |
| 2025 | (30,272) |
| Thereafter | (41,347) |

Payables to the OPEB Plan

At November 30, 2020, the City did not have a payable to the OPEB Plan.

Healthcare Savings Plan

The City also maintains a defined contribution Health Care Savings Plan (HCSP) offered by MERS. In this plan, post-employment healthcare benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan covers all employee divisions except for the police union division. The authority for establishing or amending the Plan’s provisions and for establishing or amending contribution requirements rests with the City Council as determined by negotiated labor contracts. The City is not required to contribute to the HCSP. Qualified employees are also required to contribute 1 percent of annual compensation.

NOTE K—COMMITMENTS

In September 2020, the City entered into agreements to purchase two vehicles for a total of approximately \$66,000. These vehicles were purchased in December 2020 and January 2021.

NOTE L—RISKS AND UNCERTANTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the City’s operations. As of November 30, 2020, the City is in the process of implementing risk mitigation tactics including all aspects of the City’s business transactions with customers, vendors and human interaction within and outside of the City.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2020

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the City’s 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the City’s 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring 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, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

City of Roosevelt Park
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended November 30, 2020

| | Budgeted Amounts | | Actual | Variance With Final Budget- Positive (Negative) |
|--|-------------------------|------------------|----------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,649,203 | \$ 1,642,321 | \$ 1,642,320 | \$ (1) |
| Licenses and permits | 122,000 | 128,934 | 131,411 | 2,477 |
| Intergovernmental revenues | | | | |
| Federal | 21,000 | 72,795 | 79,519 | 6,724 |
| State | 365,860 | 364,728 | 371,046 | 6,318 |
| Charges for services | 646,425 | 595,809 | 595,477 | (332) |
| Fines and forfeitures | 11,500 | 7,500 | 7,358 | (142) |
| Investment earnings | 1,800 | 5,470 | 2,147 | (3,323) |
| Other | 14,000 | 16,056 | 13,804 | (2,252) |
| | <hr/> | | | |
| Total revenues | 2,831,788 | 2,833,613 | 2,843,082 | 9,469 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| City Council | 10,950 | 6,436 | 6,384 | 52 |
| City manager | 100,030 | 92,781 | 91,758 | 1,023 |
| Clerk | 70,656 | 81,739 | 81,271 | 468 |
| Treasurer | 74,348 | 78,232 | 78,101 | 131 |
| Assessor | 30,700 | 32,248 | 32,247 | 1 |
| Attorney | 40,000 | 35,413 | 35,384 | 29 |
| Office operations | 94,900 | 77,599 | 76,597 | 1,002 |
| Personnel | 237,700 | 218,295 | 218,295 | - |
| City hall, garage and grounds | 86,000 | 92,182 | 90,260 | 1,922 |
| Public safety | | | | |
| Police department | 771,492 | 815,740 | 811,545 | 4,195 |
| Fire department | 225,000 | 225,000 | 225,000 | - |
| Inspections | 44,940 | 55,277 | 57,409 | (2,132) |
| Public works | | | | |
| Public service | 395,100 | 379,165 | 379,604 | (439) |
| Sidewalks | 9,000 | 9,513 | 12,147 | (2,634) |
| Sanitation | 223,205 | 203,258 | 206,099 | (2,841) |
| Culture and recreation | | | | |
| Parks | 68,005 | 52,466 | 53,912 | (1,446) |
| Other governmental functions | 22,420 | 23,077 | 23,822 | (745) |
| Capital outlay | 79,000 | 83,488 | 83,488 | - |
| | <hr/> | | | |
| Total expenditures | 2,583,446 | 2,561,909 | 2,563,323 | (1,414) |
| Excess of revenues over (under) expenditures | 248,342 | 271,704 | 279,759 | 8,055 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 6,000 | 4,000 | 4,000 | - |
| Transfers out | (252,913) | (252,913) | (253,913) | (1,000) |
| | <hr/> | | | |
| Total other financing sources (uses) | (246,913) | (248,913) | (249,913) | (1,000) |
| Net change in fund balance | \$ 1,429 | \$ 22,791 | 29,846 | \$ 7,055 |
| Fund balance at beginning of year | | | <u>1,066,065</u> | |
| Fund balance at end of year | | | <u>\$ 1,095,911</u> | |

City of Roosevelt Park
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended November 30, 2020

| | Budgeted Amounts | | Actual | Variance With Final Budget- Positive (Negative) |
|--|-------------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues - State | \$ 305,179 | \$ 281,087 | \$ 282,814 | \$ 1,727 |
| Investment earnings | 250 | 2,683 | 770 | (1,913) |
| Other | 12,500 | 13,452 | 13,452 | - |
| Total revenues | 317,929 | 297,222 | 297,036 | (186) |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 160,963 | 143,004 | 148,544 | (5,540) |
| Excess of revenues over (under) expenditures | 156,966 | 154,218 | 148,492 | (5,726) |
| OTHER FINANCING USES | | | | |
| Transfers out | (150,000) | (135,000) | (135,000) | - |
| Net change in fund balance | \$ 6,966 | \$ 19,218 | 13,492 | \$ (5,726) |
| Fund balance at beginning of year | | | 473,260 | |
| Fund balance at end of year | | | \$ 486,752 | |

City of Roosevelt Park
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Local Streets Fund
 For the year ended November 30, 2020

| | Budgeted Amounts | | Actual | Variance With Final Budget- Positive (Negative) |
|--|-------------------------|-------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues - State | \$ 113,508 | \$ 104,886 | \$ 105,231 | \$ 345 |
| Investment earnings | 100 | 524 | 141 | (383) |
| Other | - | 200 | 200 | - |
| Total revenues | 113,608 | 105,610 | 105,572 | (38) |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 249,325 | 241,729 | 241,499 | 230 |
| Excess of revenues over (under) expenditures | (135,717) | (136,119) | (135,927) | 192 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 150,000 | 135,000 | 135,000 | - |
| Net change in fund balance | \$ 14,283 | \$ (1,119) | (927) | \$ 192 |
| Fund balance at beginning of year | | | 83,215 | |
| Fund balance at end of year | | | \$ 82,288 | |

City of Roosevelt Park
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | | |
| Service cost | \$ 52,455 | \$ 54,223 | \$ 49,381 | \$ 48,638 | \$ 57,340 | \$ 60,897 |
| Interest | 485,987 | 458,340 | 434,958 | 424,094 | 416,204 | 404,879 |
| Differences between expected and actual experience | 132,603 | 191,017 | 157,090 | 9,314 | (108,872) | - |
| Changes in assumptions | 247,386 | - | - | - | 234,908 | - |
| Benefit payments, including refunds of employee contributions | (359,918) | (354,285) | (348,872) | (344,362) | (333,547) | (319,896) |
| Net change in total pension liability | 558,513 | 349,295 | 292,557 | 137,684 | 266,033 | 145,880 |
| Total pension liability at beginning of year | 6,228,569 | 5,879,274 | 5,586,717 | 5,449,033 | 5,183,000 | 5,037,120 |
| Total pension liability at end of year (a) | \$ 6,787,082 | \$ 6,228,569 | \$ 5,879,274 | \$ 5,586,717 | \$ 5,449,033 | \$ 5,183,000 |
| PLAN FIDUCIARY NET POSITION | | | | | | |
| Contributions-employer | \$ 276,391 | \$ 238,511 | \$ 307,065 | \$ 187,717 | \$ 175,793 | \$ 174,147 |
| Net investment income | 439,254 | (134,326) | 418,373 | 331,550 | (46,155) | 195,733 |
| Benefit payments, including refunds of employee contributions | (359,918) | (354,285) | (348,872) | (344,362) | (333,547) | (319,896) |
| Administrative expenses | (7,569) | (6,732) | (6,629) | (6,549) | (6,835) | (7,162) |
| Net change in plan fiduciary net position | 348,158 | (256,832) | 369,937 | 168,356 | (210,744) | 42,822 |
| Plan fiduciary net position at beginning of year | 3,247,953 | 3,504,785 | 3,134,848 | 2,966,492 | 3,177,236 | 3,134,414 |
| Plan fiduciary net position at end of year (b) | \$ 3,596,111 | \$ 3,247,953 | \$ 3,504,785 | \$ 3,134,848 | \$ 2,966,492 | \$ 3,177,236 |
| City's net pension liability at end of year (a)-(b) | \$ 3,190,971 | \$ 2,980,616 | \$ 2,374,489 | \$ 2,451,869 | \$ 2,482,541 | \$ 2,005,764 |
| Plan fiduciary net position as a percentage of the total pension liability | 52.98% | 52.15% | 59.61% | 56.11% | 54.44% | 61.30% |
| Covered employee payroll | \$ 452,164 | \$ 462,347 | \$ 421,031 | \$ 407,977 | \$ 458,203 | \$ 498,792 |
| City's net pension liability as a percentage of covered employee payroll | 705.71% | 644.67% | 563.97% | 600.98% | 541.80% | 402.12% |

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

City of Roosevelt Park
Required Supplementary Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of November 30 of each fiscal year)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------|--------------------|--------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 269,892 | \$ 239,888 | \$ 237,568 | \$ 203,232 | \$ 186,690 | \$ 174,529 | \$ 178,444 | \$ 148,018 | \$ 152,718 | \$ 135,328 |
| Contributions in relation to the actuarially determined contribution | 269,892 | 274,888 | 237,568 | 303,232 | 186,690 | 174,529 | 178,444 | 148,018 | 152,718 | 135,328 |
| Contribution deficiency (excess) | \$ - | \$ (35,000) | \$ - | \$ (100,000) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 452,164 | \$ 462,347 | \$ 421,031 | \$ 407,977 | \$ 458,203 | \$ 498,792 | \$ 483,433 | \$ 478,580 | \$ 506,249 | \$ 629,711 |
| Contributions as percentage of covered employee payroll | 59.7% | 59.5% | 56.4% | 74.3% | 40.7% | 35.0% | 36.9% | 30.9% | 30.2% | 21.5% |

Notes to Schedule

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, Closed |
| Remaining amortization period | 19 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5 percent |
| Salary increases | 3.75 percent changed to 3.00 percent in the long-term effective with the December 31, 2019 valuation |
| Investment rate of return | 7.75 percent changed to 7.35, net of investment and administrative expenses effective with the December 31, 2019 valuation |
| Retirement age | Varies depending on plan adoption |
| Mortality | 50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table |

City of Roosevelt Park
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 Last Ten Fiscal Years (Amounts were determined as of November 30 of each fiscal year)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|----------------------------|
| TOTAL OPEB LIABILITY | | | |
| Service cost | \$ 144,659 | \$ 172,672 | \$ 76,801 |
| Interest | 87,194 | 78,403 | 87,243 |
| Differences between expected and actual experience | (549,707) | (196) | (384,585) |
| Changes of assumptions | 253,058 | (411,677) | 945,730 |
| Benefit payments, including refunds of employee contributions | (26,682) | (36,340) | (46,018) |
| Net change in total OPEB liability | (91,478) | (197,138) | 679,171 |
| Total OPEB liability at beginning of year | 2,145,295 | 2,342,433 | 1,663,262 |
| Total OPEB liability at end of year (a) | <u>\$ 2,053,817</u> | <u>\$ 2,145,295</u> | <u>\$ 2,342,433</u> |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions-employer | \$ 26,682 | \$ 48,340 | \$ 46,018 |
| Net investment income | 28,478 | 9,557 | 18,710 |
| Benefit payments, including refunds or employee contributions | (26,682) | (36,340) | (46,018) |
| Administrative expense | (720) | (725) | (878) |
| Net change in plan fiduciary net position | 27,758 | 20,832 | 17,832 |
| Plan fiduciary net position at beginning of year | 391,340 | 370,508 | 352,677 |
| Plan fiduciary net position at end of year (b) | <u>\$ 419,098</u> | <u>\$ 391,340</u> | <u>\$ 370,509</u> |
| City's net OPEB liability at end of year (a)-(b) | <u>\$ 1,634,719</u> | <u>\$ 1,753,955</u> | <u>\$ 1,971,924</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 20.41% | 18.24% | 15.82% |
| Covered employee payroll | \$ 630,309 | \$ 573,247 | \$ 580,548 |
| City's net OPEB liability as a percentage of covered employee payroll | 259.35% | 305.97% | 339.67% |

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

City of Roosevelt Park
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of November 30 of each fiscal year)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 314,386 | \$ 344,953 | \$ 202,978 | \$ 214,085 | \$ 184,012 | \$ 148,428 | \$ 137,982 | \$ 117,085 | \$ 101,326 | \$ 95,090 |
| Contributions in relation to the actuarially determined contribution | 26,682 | 48,340 | 46,018 | 147,144 | 41,076 | 63,784 | 49,506 | 45,793 | 49,815 | 54,416 |
| Contribution deficiency (excess) | \$ 287,704 | \$ 296,613 | \$ 156,960 | \$ 66,941 | \$ 142,936 | \$ 84,644 | \$ 88,476 | \$ 71,292 | \$ 51,511 | \$ 40,674 |
| Covered employee payroll | \$ 630,309 | \$ 573,247 | \$ 580,584 | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| Contributions as percentage of covered employee payroll | 4.2% | 8.4% | 7.9% | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of November 30, 2020.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal (level percentage of compensation) |
| Amortization method | Level percentage of payroll, Closed |
| Remaining amortization period | 14 years |
| Asset valuation method | Equal to market value of assets |
| Inflation | 2.5 percent |
| Salary increases | 3.5 percent |
| Investment rate of return | 7.35 percent (including inflation), net of administrative and investment expenses |
| Retirement age | 55 years of age |
| Mortality | Mortality rates for police were as set forth in 2010 Employee and Healthy Retiree and for all others were as set forth in 2010 Public General Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale. |

City of Roosevelt Park
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF INVESTMENT RETURNS
Last Ten Fiscal Years (Amounts were determined as of November 30 of each fiscal year)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 7.03% | 2.51% | 5.17% |

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

OTHER SUPPLEMENTARY INFORMATION

City of Roosevelt Park
COMBINING BALANCE SHEET
 Other Governmental Funds
 November 30, 2020

| | <u>Total Other Governmental Funds</u> | <u>Special Revenue Fund Roosevelt Park Day</u> | <u>Debt Service Fund Roosevelt Road Debt Service</u> |
|----------------------|---|--|--|
| ASSETS | | | |
| Cash and investments | \$ 27,724 | \$ 27,724 | \$ - |
| FUND BALANCES | | | |
| Restricted | | | |
| Roosevelt Park Day | \$ 27,724 | \$ 27,724 | \$ - |

City of Roosevelt Park
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended November 30, 2020

| | Total Other Governmental Funds | Special Revenue Fund Roosevelt Park Day | Debt Service Fund Roosevelt Road Debt Service |
|--|---|--|--|
| REVENUES | | | |
| Investment earnings | \$ 21 | \$ 21 | \$ - |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal | 165,000 | - | 165,000 |
| Interest and fees | 88,913 | - | 88,913 |
| Total expenditures | 253,913 | - | 253,913 |
| Excess of revenues over (under) expenditures | (253,892) | 21 | (253,913) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 253,913 | - | 253,913 |
| Net change in fund balances | 21 | 21 | - |
| Fund balances at beginning of year | 27,703 | 27,703 | - |
| Fund balances at end of year | \$ 27,724 | \$ 27,724 | \$ - |