

CITY OF WALLED LAKE

Report on Audit of Financial Statements

For the Year Ended June 30, 2012

CITY OF WALLED LAKE

CITY OFFICIALS

L. Dennis Whitt, City Manager, Clerk, Treasurer
Jennifer Stuart, Deputy Treasurer
Tamara Williams, Deputy Clerk
Colleen M. Coogan, Finance Director
Lisa McGill, Public Works Coordinator
Paul J. Shakinas, Police Chief
Kenneth VanSparrentak, Fire Chief

CITY COUNCIL

William Roberts - Mayor
Linda Ackley - Mayor Pro Tem
Casey Ambrose - Council Member
John Owsinek - Council Member
Robert Robertson - Council Member
Bill Sturgeon - Council Member
Dennis Yezbick - Council Member

LEGAL COUNSEL

Secretst, Wardle, Lynch, Hampton, Truex & Morley

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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November 1, 2012

To the Honorable Mayor, Mayor Pro Tem and
Members of the City Council
1499 E. West Maple
Walled Lake, Michigan 48304

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Mayor Pro Tem, and Members of City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, as of and for the year ended June 30, 2012, which collectively comprise the City of Walled Lake's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Walled Lake's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress of pension and OPEB benefits on pages 8 through 12 and 50 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 inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walled Lake's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis
June 30, 2012

This discussion and analysis should be read in conjunction with the accompanying financial statements and provides an overview of the City's financial activities for the year end June 30, 2012 and a description of the reporting format. Unless otherwise noted, component units are not included in the discussion.

Overview of the Financial Statements

The basic required financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The City has also included additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the City-wide statement of position presenting information that includes all the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the City's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the City's distinct activities or functions on the revenues generated by the City.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes all the funds of the City Council is responsible for and, additionally, funds which the City handles but are not under the control or jurisdiction of the City Council. These component units include the Library Fund and Downtown Development Authority.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided later in this report as other supplementary information.

The City has four kinds of funds:

Governmental funds are principally supported by taxes and revenue sharing. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund City activities.

Discretely component units are reported in the fund financial statements are used to account for the component units of the City. These activities are for the separately incorporated library and Downtown Development Authority. These activities are funded by tax collections.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

The City's net assets at the end of the fiscal year were \$16,897,229. This is a \$480,873 decrease over last year's net assets of \$17,378,102. This large decrease is primarily due to large losses in City's water and sewer systems.

The following tables provide a summary of the City's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit</u>	
	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Assets								
Current and other assets	\$ 3,551,168	\$ 3,617,523	\$ 2,021,201	\$ 2,037,813	\$ 5,572,369	\$ 5,655,336	\$ 538,153	\$ 2,168,698
Capital assets	10,318,413	10,483,687	5,319,650	5,630,129	15,638,063	16,113,816	927,073	1,011,833
Total assets	<u>13,869,581</u>	<u>14,101,210</u>	<u>7,340,851</u>	<u>7,667,942</u>	<u>21,210,432</u>	<u>21,769,152</u>	<u>1,465,226</u>	<u>3,180,531</u>
Liabilities								
Other liabilities	620,448	715,845	458,977	425,004	1,079,425	1,140,849	143,369	1,772,296
Long-term liabilities	3,128,391	3,177,334	105,387	72,867	3,233,778	3,250,201	59,720	111,019
Total liabilities	<u>3,748,839</u>	<u>3,893,179</u>	<u>564,364</u>	<u>497,871</u>	<u>4,313,203</u>	<u>4,391,050</u>	<u>203,089</u>	<u>1,883,315</u>
Net assets:								
Invested in capital assets, net of related debt	8,421,589	8,376,921	5,319,650	5,630,129	13,741,239	14,007,050	927,073	1,011,833
Unrestricted	1,699,153	1,831,110	1,456,837	1,539,942	3,155,990	3,371,052	335,064	285,383
Total net assets	<u>\$ 10,120,742</u>	<u>\$ 10,208,031</u>	<u>\$ 6,776,487</u>	<u>\$ 7,170,071</u>	<u>\$ 16,897,229</u>	<u>\$ 17,378,102</u>	<u>\$ 1,262,137</u>	<u>\$ 1,297,216</u>

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:								
Program revenues								
Charges for services	\$ 1,824,657	\$ 1,864,997	\$ 2,652,079	\$ 2,592,634	\$ 4,476,736	\$ 4,457,631	\$	\$ 17,209
Operating grants and contributions	116,564	144,248			116,564	144,248		6,012
Capital contributions				4,060		4,060		
General revenues								
State-shared revenue	561,419	513,126			561,419	513,126	2,831	4,579
Property taxes	2,545,385	2,971,952			2,545,385	2,971,952	998,858	1,113,261
Interest	41,280	7,583	162	405	41,442	7,988	3,452	5,670
Other	241,380	221,518	4,831	2,959	246,211	224,477	101	11
Transfers	81,405	83,465	(81,405)	(83,465)				
Total revenues and transfers	5,412,090	5,806,889	2,575,667	2,516,593	7,987,757	8,323,482	1,005,242	1,146,742
Program Expenses								
General government	1,062,766	992,535			1,062,766	992,535		
Public safety	3,077,376	3,133,742			3,077,376	3,133,742		
Transportation	104,880	106,952			104,880	106,952		
Public works/roads	1,096,445	1,177,419			1,096,445	1,177,419		
Recreation	37,918	46,961			37,918	46,961		
Interest on long-term debt	94,807	95,943			94,807	95,943		
Refuse/utility systems			2,969,251	3,062,902	2,969,251	3,062,902		
Library/community development							1,040,321	1,462,674
Total expenses	5,474,192	5,553,552	2,969,251	3,062,902	8,443,443	8,616,454	1,040,321	1,462,674
Changes in net assets	(62,102)	253,337	(393,584)	(546,309)	(455,686)	(292,972)	(35,079)	(315,932)
Beginning net assets	10,208,031	9,970,496	7,170,071	7,716,380	17,378,102	17,686,876	1,297,216	1,613,148
Prior period adjustment	(25,187)	(15,802)			(25,187)	(15,802)		
Ending net assets	\$ 10,120,742	\$ 10,208,031	\$ 6,776,487	\$ 7,170,071	\$ 16,897,229	\$ 17,378,102	\$ 1,262,137	\$ 1,297,216

Financial Analysis of the City's Funds

In spite of an almost \$500,000 reduction in tax revenue from last fiscal year, the City was able to meet its current year obligations without utilizing any General Fund reserves. The City has countered the significant loss in revenues by full-time staff reductions – staff losses due to natural attrition were not replaced or were replaced with part-time employees.

The City has focused substantial resources on upgrading the main thoroughfares; in order to capitalize on available grant and cost sharing opportunities the City is using reserves in both the Major and Local Street Funds. June 30, 2012 closed with a combined reduction of \$17,044 to road fund reserves.

The Water and Sewer Fund continues to have substantial operating losses; the June 30, 2012 net loss of \$416,394 included operating losses of \$334,989 plus a debt service payment of \$81,405. City Council authorized an in depth rate analysis to address the on-going losses and will discuss the results in the up-coming year.

General Fund Budgetary Highlights

The General Fund adopted its budget prior to the fiscal year in accordance with Public Act 493 of 2000 and actual expenditures were less than authorized appropriations by \$256,780.

Capital Asset and Debt Administration

The governmental funds acquired \$287,252 of new capital assets during the year. Most of these acquisitions were related to the \$152,127 for fire station improvements and new vehicles. The City also spent \$135,125 on various road infrastructure projects. The Water and Sewer fund purchased new equipment totaling \$14,453.

Debt service payments of \$237,168 for two outstanding bond issues and an installment purchase agreement included principal reduction of \$141,722 and interest payments of \$95,446. The City issued no additional debt this year.

Economic Conditions and Future Activities

The City is anticipating another significant drop in property taxes along with a slight increase in state revenue sharing.

Contacting the City's Financial Management

This report is designed to provide a general overview of the City's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact City of Walled Lake at 1499 E. West Maple Rd, Walled Lake, MI 48390.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WALLED LAKE

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<u>ASSETS</u>				
ASSETS				
Cash, cash equivalents and investments	\$ 3,095,658	\$ 1,564,224	\$ 4,659,882	\$ 510,232
Receivables				
Taxes	14,285		14,285	13,895
State shared revenues	99,394		99,394	
Accounts	268,796	456,839	725,635	9,422
Inventory	14,659		14,659	
Prepaid expenses	58,376	138	58,514	4,604
Capital assets				
Non-depreciated	1,707,297		1,707,297	
Depreciated, net	8,611,116	5,319,650	13,930,766	927,073
Total assets	13,869,581	7,340,851	21,210,432	1,465,226
<u>LIABILITIES</u>				
LIABILITIES				
Bank overdraft		20,906	20,906	
Accounts payable	389,583	370,804	760,387	101,157
Accrued compensated absences	164,540	67,267	231,807	28,317
Accrued interest	15,975		15,975	
Performance deposits	50,350		50,350	13,895
Non-current liabilities				
Due within one year:				
Compensated absences	49,102		49,102	
Current portion of long-term debt	147,830		147,830	
Due beyond one year:				
Compensated absences	589,065		589,065	
Long-term debt	1,748,994		1,748,994	
Post-employment benefits	593,400	105,387	698,787	59,720
Total liabilities	3,748,839	564,364	4,313,203	203,089
<u>NET ASSETS</u>				
NET ASSETS				
Invested in capital assets, net of related debt	8,421,589	5,319,650	13,741,239	927,073
Unrestricted	1,699,153	1,456,837	3,155,990	335,064
Total net assets	\$ 10,120,742	\$ 6,776,487	\$ 16,897,229	\$ 1,262,137

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Contributions</u>
GOVERNMENTAL ACTIVITIES				
General government	\$ (1,062,766)	\$ 911,557	\$ 625	\$
Public safety	(3,077,376)	485,760		
Transportation	(104,880)	26,937	115,939	
Public works/roads	(1,096,445)	395,228		
Recreation	(37,918)	5,175		
Interest on long-term debt	(94,807)			
Total governmental activities	<u>(5,474,192)</u>	<u>1,824,657</u>	<u>116,564</u>	
BUSINESS-TYPE ACTIVITIES				
Refuse	(302,679)	325,489		
Sewer system	(2,666,572)	2,326,590		
Total business-type activities	<u>(2,969,251)</u>	<u>2,652,079</u>		
Total primary government	<u><u>\$ (8,443,443)</u></u>	<u><u>\$ 4,476,736</u></u>	<u><u>\$ 116,564</u></u>	<u><u>\$</u></u>
COMPONENT UNITS				
Downtown Development Authority	\$ (658,363)	\$ 1,440	\$	\$
Walled Lake city Library	(402,308)	18,303	607	
Total component units	<u><u>\$ (1,060,671)</u></u>	<u><u>\$ 19,743</u></u>	<u><u>\$ 607</u></u>	<u><u>\$</u></u>

General revenues

Property taxes
States shared revenues
Interest income - cash and equivalents
Franchise fees
Rental income
Other income
Sale of capital assets

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, July 1, 2011

Prior period adjustment

Net assets, June 30, 2012

The notes of the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (150,584)	\$	\$ (150,584)	\$
(2,591,616)		(2,591,616)	
37,996		37,996	
(701,217)		(701,217)	
(32,743)		(32,743)	
(94,807)		(94,807)	
<u>(3,532,971)</u>		<u>(3,532,971)</u>	
	22,810	22,810	
	<u>(339,982)</u>	<u>(339,982)</u>	
	<u>(317,172)</u>	<u>(317,172)</u>	
<u>(3,532,971)</u>	<u>(317,172)</u>	<u>(3,850,143)</u>	
			(656,923)
			<u>(383,398)</u>
			<u>(1,040,321)</u>
2,545,385		2,545,385	998,858
561,419		561,419	2,831
41,280	162	41,442	3,452
161,142		161,142	
42,915		42,915	
713	4,831	5,544	101
36,610		36,610	
81,405	<u>(81,405)</u>		
<u>3,470,869</u>	<u>(76,412)</u>	<u>3,394,457</u>	<u>1,005,242</u>
(62,102)	(393,584)	(455,686)	(35,079)
10,208,031	7,170,071	17,378,102	1,297,216
<u>(25,187)</u>		<u>(25,187)</u>	
<u>\$ 10,120,742</u>	<u>\$ 6,776,487</u>	<u>\$ 16,897,229</u>	<u>\$ 1,262,137</u>

FUND FINANCIAL STATEMENTS

CITY OF WALLED LAKE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,222,035	\$ 525,994	\$ 183,413
Receivables			
Taxes	14,285		
State shared revenues	99,394		
Accounts	93,673	42,907	16,277
Due from other funds	5,674	3,303	
Inventory	14,659		
Prepaid expenditures	58,325	24	27
	<u>58,325</u>	<u>24</u>	<u>27</u>
Total assets	<u>\$ 2,508,045</u>	<u>\$ 572,228</u>	<u>\$ 199,717</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 255,468	\$ 28,347	\$ 98,458
Accrued payroll and compensated absences	162,982	250	
Due to other funds	7,524		1,980
Deferred revenues	14,285		
Performance deposits	50,350		
	<u>50,350</u>	<u>28,347</u>	<u>1,980</u>
Total liabilities	<u>490,609</u>	<u>28,597</u>	<u>100,438</u>
FUND BALANCE			
Nonspendable - prepaid items	58,325	24	27
Nonspendable - inventory	14,659		
Restricted - road improvements		543,607	99,252
Restricted - transportation			
Restricted - public safety			
Unassigned	1,944,452		
	<u>1,944,452</u>	<u>543,631</u>	<u>99,279</u>
Total fund balances	<u>2,017,436</u>	<u>543,631</u>	<u>99,279</u>
Total liabilities and fund balances	<u>\$ 2,508,045</u>	<u>\$ 572,228</u>	<u>\$ 199,717</u>

The notes of the financial statements are an integral part of this statement.

<u>Non-major Funds</u>	<u>Totals</u>
\$ 164,216	\$ 3,095,658
	14,285
	99,394
115,939	268,796
	8,977
	14,659
	58,376
<u>\$ 280,155</u>	<u>\$ 3,560,145</u>

\$ 6,783	\$ 389,056
1,308	164,540
	9,504
	14,285
	50,350
<u>8,091</u>	<u>627,735</u>

	58,376
	14,659
	642,859
122,101	122,101
149,963	149,963
	1,944,452
<u>272,064</u>	<u>2,932,410</u>
<u>\$ 280,155</u>	<u>\$ 3,560,145</u>

CITY OF WALLED LAKE

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET ASSETS
JUNE 30, 2012

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

Total fund balance per balance sheet		\$ 2,932,410
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Historical cost	\$ 15,612,030	
Depreciation	<u>(5,293,617)</u>	
Capital assets net of depreciation		10,318,413
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Long-term bonds and installment notes	(1,896,824)	
Compensated absences	(638,167)	
Other post-employment benefits	<u>(593,400)</u>	
Total		(3,128,391)
Taxes receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		14,285
Accrued interest is not due and payable in the current period and is not reported in the funds		<u>(15,975)</u>
Net assets of governmental activities		<u><u>\$ 10,120,742</u></u>

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Major Streets Fund	Local Streets Fund
REVENUES			
Taxes	\$ 2,548,856	\$	\$
State shared revenues - general government	561,419		
State shared revenues - roads		256,840	114,878
Grant income	50,265		
Licenses and permits	77,233		
Contributions	12,796		
Rental income	42,915		
Franchise fees	161,142		
Charges for services	957,668		
Fines and forfeitures			
Interest	40,627		
Miscellaneous		713	
Total revenues	<u>4,452,921</u>	<u>257,553</u>	<u>114,878</u>
EXPENDITURES			
Current:			
General government	1,054,265		
Public safety	2,618,195		
Recreation and culture	19,635		
Public works	544,368	249,035	34,693
Debt service:			
Principal	89,942		
Interest/fees	6,969		
Capital outlay:			
General government	10,435		
Public safety	49,275		
Public works		35,000	100,125
Total expenditures	<u>4,393,084</u>	<u>284,035</u>	<u>134,818</u>
Excess of revenues over (under) expenditures	<u>59,837</u>	<u>(26,482)</u>	<u>(19,940)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	23,447		
Transfers in			119,829
Transfers (out)	(40,095)		(90,450)
Total other financing sources (uses)	<u>(16,648)</u>		<u>29,379</u>
Net changes in fund balances	43,189	(26,482)	9,439
FUND BALANCE, JULY 1, 2011	1,999,434	570,113	89,840
PRIOR PERIOD ADJUSTMENT	(25,187)		
FUND BALANCE, JUNE 30, 2012	<u>\$ 2,017,436</u>	<u>\$ 543,631</u>	<u>\$ 99,279</u>

The notes of the financial statements are an integral part of this statement.

<u>Non-major Funds</u>	<u>Total</u>
\$	\$ 2,548,856
	561,419
	371,718
115,939	166,204
	77,233
	12,796
	42,915
	161,142
26,937	984,605
328,665	328,665
653	41,280
	713
472,194	5,297,546
147,734	1,201,999
104,880	2,723,075
	19,635
	828,096
120,000	209,942
91,950	98,919
	10,435
92,417	141,692
	135,125
556,981	5,368,918
(84,787)	(71,372)
20,108	43,555
211,950	331,779
(119,829)	(250,374)
112,229	124,960
27,442	53,588
244,622	2,904,009
	(25,187)
\$ 272,064	\$ 2,932,410

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

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

Net change in fund balances - governmental funds	\$	53,588
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:</p>		
Capital outlay	\$	287,252
Depreciation expense		<u>(445,581)</u>
Total		(158,329)
<p>Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Repayment of long-term debt		209,942
<p>Receivables are not recorded in the fund statements if not collected within 60 days:</p>		
Taxes		(3,471)
<p>Proceeds for sale of capital assets are recorded in the fund statements, but are recorded as gains/losses on the government-wide statements based on the remaining book value:</p>		
Book value of disposed capital assets		(6,945)
<p>Post-employment health care benefits are recorded in the governmental funds on a pay-as-you-go-basis. However, the government-wide statements records these liabilities as they are earned.</p>		
Current annual required contribution less amounts paid		(214,876)
Change in accrued interest payable for the year		4,112
Change in accumulated sick and vacation pay		<u>53,877</u>
Change in net assets of governmental activities	\$	<u><u>(62,102)</u></u>

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Water and Sewer Fund	Non-major Fund Refuse Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ 1,491,711	\$ 72,513	\$ 1,564,224
Accounts receivable	456,839		456,839
Prepaid expenses	138		138
Utility system	5,319,650		5,319,650
Total assets	7,268,338	72,513	7,340,851
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Bank overdraft		20,906	20,906
Accounts payable	369,481		369,481
Accrued expenses	67,267		67,267
Due to other funds	1,323		1,323
Net OPEB obligation	105,387		105,387
Total liabilities	543,458	20,906	564,364
NET ASSETS			
Invested in capital assets, net of related debt	5,319,650		5,319,650
Unrestricted	1,405,230	51,607	1,456,837
Total net assets	\$ 6,724,880	\$ 51,607	\$ 6,776,487

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Water and Sewer Fund	Non-major Fund Refuse Fund	Total
OPERATING REVENUES			
User charges	\$ 2,326,590	\$ 325,489	\$ 2,652,079
OPERATING EXPENSES			
Refuse		302,679	302,679
Sewer and water	2,341,640		2,341,640
Depreciation	324,932		324,932
Total operating expenses	<u>2,666,572</u>	<u>302,679</u>	<u>2,969,251</u>
Operating income (loss)	<u>(339,982)</u>	<u>22,810</u>	<u>(317,172)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income - operating	162		162
Other income	4,831		4,831
Total non-operating revenues (expenses)	<u>4,993</u>		<u>4,993</u>
Excess of revenues over (under) expenditures	(334,989)	22,810	(312,179)
TRANSFERS (OUT)	<u>(81,405)</u>		<u>(81,405)</u>
Changes in net assets	(416,394)	22,810	(393,584)
NET ASSETS, JULY 1, 2011	<u>7,141,274</u>	<u>28,797</u>	<u>7,170,071</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 6,724,880</u>	<u>\$ 51,607</u>	<u>\$ 6,776,487</u>

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water and Sewer Fund</u>	<u>Non-major Fund Refuse Fund</u>	<u>Total</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from users	\$ 2,314,120	\$ 319,059	\$ 2,633,179
Cash paid to employees	(295,814)		(295,814)
Cash payments to suppliers	(1,995,019)	(281,773)	(2,276,792)
Cash receipts (payments) to other funds, net	94,660	(69,721)	24,939
Net cash from operating activities	<u>117,947</u>	<u>(32,435)</u>	<u>85,512</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out	(81,405)		(81,405)
Acquisition of assets	(14,453)		(14,453)
Net cash (used in) capital and related financing activities	<u>(95,858)</u>		<u>(95,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	162		162
Net increase (decrease) in cash and cash equivalents	22,251	(32,435)	(10,184)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD	<u>1,469,460</u>	<u>32,435</u>	<u>1,501,895</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD	<u>\$ 1,491,711</u>	<u>\$</u>	<u>\$ 1,491,711</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (339,982)	\$ 22,810	\$ (317,172)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	324,932		324,932
Other income	4,831		4,831
Change in assets and liabilities:			
Receivables, net	117,221	(6,430)	110,791
Prepaid expenses	6,543		6,543
Accounts and other payables	4,402	(48,815)	(44,413)
Net cash provided by operating activities	<u>\$ 117,947</u>	<u>\$ (32,435)</u>	<u>\$ 85,512</u>

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE
STATEMENT OF PLAN NET ASSETS
RETIREE HEALTHCARE FUND
JUNE 30, 2012

ASSETS

Cash and cash investments	\$ 274,576
Accounts receivable	2,974

Total assets	\$ 277,550
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LIABILITIES

Accounts payable	\$ 130
Net assets held in trust for other postemployment benefits	277,420

Total liabilities	\$ 277,550
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The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 RETIREE HEALTHCARE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS

Investment income:

Interest and dividends	\$ 5,600	
net decrease in fair value of investments	<u>(7,530)</u>	

Net investment (loss)		\$ (1,930)
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Contributions - Employer	59,475	
Contributions - Participants	<u>52,378</u>	

Total contributions		<u>111,853</u>
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Total additions		109,923
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DEDUCTIONS

Retiree healthcare premiums	163,491	
Administrative fees	<u>2,461</u>	

Total deductions		<u>165,952</u>
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NET (DECREASE) IN NET ASSETS HELD IN TRUST		(56,029)
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NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS

Beginning of year		<u>333,449</u>
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NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS

End of year		<u><u>\$ 277,420</u></u>
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The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012

	Downtown Development Authority Fund	Walled Lake City Library Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 419,564	\$ 90,668	\$ 510,232
Receivables:			
Property taxes receivable	12,129	1,766	13,895
Other		9,422	9,422
Prepaid expenses and other assets	4,450	154	4,604
Capital assets, net	681,739	245,334	927,073
Total assets	1,117,882	347,344	1,465,226
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	84,433	16,724	101,157
Cash advances and deposits	12,129	1,766	13,895
Accrued liabilities and other	20,812	7,505	28,317
Net OPEB obligation (due beyond one year)		59,720	59,720
Total liabilities	117,374	85,715	203,089
NET ASSETS			
Invested in capital assets, net of related debt	681,739	245,334	927,073
Unrestricted	318,769	16,295	335,064
Total net assets	\$ 1,000,508	\$ 261,629	\$ 1,262,137

The notes of the financial statements are an integral part of this statement.

CITY OF WALLED LAKE

STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
COMPONENT UNITS				
Downtown Development Authority	\$ (658,363)	\$ 1,440	\$	\$
Walled Lake - City Library	(402,308)	18,303	607	
Total component units	<u>\$ (1,060,671)</u>	<u>\$ 19,743</u>	<u>\$ 607</u>	<u>\$</u>

General revenues

Property taxes
 States shared revenues
 Investment income
 Other miscellaneous income

Total general revenues

Changes in net assets

Net assets, July 1, 2011

Net assets, June 30, 2012

The notes of the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets		
DDA - Full Accrual Statements	Walled Lake City Library - Full Accrual	Total
\$ (656,923)	\$ (383,398)	\$ (656,923) (383,398)
<u>(656,923)</u>	<u>(383,398)</u>	<u>(1,040,321)</u>
697,939	300,919	998,858
	2,831	2,831
3,435	17	3,452
101		101
<u>701,475</u>	<u>303,767</u>	<u>1,005,242</u>
44,552	(79,631)	(35,079)
<u>955,956</u>	<u>341,260</u>	<u>1,297,216</u>
<u>\$ 1,000,508</u>	<u>\$ 261,629</u>	<u>\$ 1,262,137</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of City of Walled Lake conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City reports the following major governmental funds:

The General Fund is the City'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 all the activity associated with maintaining the City's major streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the City.

The Local Streets Fund accounts for all the activity associated with maintaining the City's local streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the City.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for all the activity associated with the collections of user fees and payments for water and sewage treatment by area utility providers.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and enterprise funds reported on the proprietary fund financial statements to the extent that those standards do not conflict with the standards of Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and, therefore, are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the City available to support City programs.

C. BUDGETARY DATA

The City approves budgets for the general and special revenue funds. Amendments made during the fiscal year are reflected in the budget column of the appropriate financial statement. The budgets are prepared on a modified accrual basis. The City exceeded budgeted appropriations in no functional activities.

D. PROPERTY TAXES

The City property tax is levied each December 1 on the taxable valuation of property located in the City as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state. Real and personal property in the City for the 2011 levy was assessed at an adjusted taxable value of \$160,070,770. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection.

The City levies the following millage:

General City operations	15.9526
Library - component unit	<u>1.7821</u>
	<u><u>17.7347</u></u>

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds' financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Buildings, utility systems, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between activities (example - general government to recreation) are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. EQUITY

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City board through approval or resolutions. Assigned fund balance is a limitation imposed by a designee of the City board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of City of Walled Lake as the primary government have been included in the financial statements.

Reporting Entity

The City is governed by an elected seven (7) member Council consisting of the mayor and six council members. The administrative service is placed under the direction of the City Manager who is selected based on executive and administrative qualifications. Executive authority, other than required by statute and for ceremonial purposes, is exercised by the City Manager as the Chief Administrative Officer.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Walled Lake, Michigan and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relations with the City.

Discretely Presented Component Units - The following component units are reported within the component units column in the accompanying financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. Neither component unit publishes a separate financial statement.

- **Downtown Development Authority** - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is nominated by the mayor and approved by the City Council.
- **Walled Lake City Library** - The Walled Lake City Library is governed by a five-member board appointed by the mayor and approved by the City Council. The Library is funded by two specially voted property tax levies.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3 - INTERFUND BALANCES/TRANSFERS

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period. These amounts are reported as current assets in the governmental balance sheets. The amounts of interfund receivables and payables and interfund transfers are as follows:

Due from Fund	Due to Fund	Amount
General Fund	Trust & Agency Fund	\$ 4,665
General Fund	Tax Fund	1,008
Local Street	Major Roads Fund	1,980
Major Roads	Sewer and Water Fund	1,323
		<u>\$ 8,976</u>

The following transfers were made during the year:

Transfer in to	Transfer out from	Amounts	Purpose
General Fund	Capital Improvement Fund	\$ 71,693	Use of bond proceeds
Local Streets Fund	Capital Improvement Fund	93,953	Use of bond proceeds
Local Streets Fund	Debt Service Fund	25,876	Use of bond proceeds
Debt Service Fund	Local Street Fund	90,450	Local Road Improvement bonds
Debt Service Fund	General Fund	40,095	Building Authority bonds
Debt Service Fund	Sewer & Water Fund	81,405	Building Authority bonds
		<u>\$ 403,472</u>	

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplemental information for the system. The report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees. The range of employee contributions is 4.50 percent to 5.25 percent depending on which bargaining unit they are included in. The employer contributions range from 7.2 to 59.6 percent of gross payroll depending on the class of employee.

Annual Pension Cost - For the year ended June 30, 2012, the City's annual pension cost of \$480,445 for the plan was equal to the City's required and actual contribution. The annual and required contribution for the year beginning July 1, 2011 through June 30, 2012 was determined as part of an actuarial valuation at December 31, 2010, using the entry age normal actuarial method, and is applied as a percentage of actual payroll. Significant actuarial assumptions used include (a) a rate of return on investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent annually, noncompounded after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 480,445	\$ 412,037	\$ 460,011
Percentage of APC contributed	100.0%	100.0%	100.0%

	Actuarial Valuation as of December 31		
	2010	2009	2008
Actuarial value of assets	\$ 4,689,287	\$ 4,537,674	\$ 4,204,481
Actuarial accrued liability (AAL) (entry age)	\$ 11,966,601	\$ 11,771,007	\$ 11,315,544
Unfunded AAL (UAAL)	\$ 7,277,314	\$ 7,233,333	\$ 7,111,063
Fund ratio	39.2%	38.5%	37.2%
Covered payroll	\$ 2,078,294	\$ 2,190,699	\$ 2,275,935
UAAL as a percentage of covered payroll	350.2%	330.2%	312.4%

No current actuarial information could be provided for the plan year ended December 31, 2011.

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN

Primary Government

In accordance with employment agreements the City is obligated to contribute to a defined benefit plan for the City Manager and City Finance Director. Total pension cost to the City under this plan for the year ended June 30, 2012 was \$9,423. The plans have not been officially established at the time of this report but the full amount has been accrued for these obligations.

Component Unit - Library

The Library has established a defined contribution plan for eligible full-time employees. The Library is required to contribute an amount equal to seven percent of gross payroll of eligible employees. Eligible employees are required to contribute five percent of gross payroll through pre-tax payroll deductions. Total covered payroll for the year ended June 30, 2012 was \$176,361. The total pension cost to the Library was \$10,627 for the year ended June 30, 2012.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City contributes resources to the City of Walled Lake Retiree Health Fund (WLRHF), which is a single-employer defined benefit healthcare plan administered by the City of Walled Lake. The WLRHF was established under State of Michigan Public Act 149 of 1999. Benefits are provided to public safety and general employees under collective bargaining agreements. The City includes pre-Medicare retirees in its high deductible health care plan and pays premiums up to \$800 per month per retiree and qualifying costs applied to the deductible in excess of \$2,000 per year. The City purchases Medicare supplemental insurance coverage for retirees eligible for Medicare with the same overall maximum City contribution toward premiums of \$800 per month per retiree. The retiree is responsible to reimburse the City for premiums in excess of \$800 per month and a portion of the deductible annually (\$1,000 for single coverage and \$2,000 for family coverage).

Eligibility - Eligible employees are those that have a minimum of fifteen years of service, or six years of service if he or she was a member of the clerical unit prior to January 1, 2000. Generally benefits do not commence until the employee is eligible to receive pension benefits from the City's MERS pension plan. As of June 30, 2011 (the last date a valuation was performed) there were fifty participants in the plan. Of the fifty participants, twelve were current retired beneficiaries, and the remaining thirty eight were actively employed with the City.

Significant Accounting Policies - The WLRHF is included in the City's financial statements as a retiree health trust fund. A stand-alone financial report has not been issued. The Plan's financial statements are prepared using information as of June 30, 2012 and the year then ended. The Plan's financial statements include contributions received and owing to the Plan as well as benefits paid through that date.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Administrative costs to maintain the plan are financed by investment earnings and resources of the general fund.

Funding Policy - The City is obligated to contribute \$75 per pay for each eligible employee. Of this amount \$70 is to be set aside to pay premiums of up to \$800 per month per retiree for health care. The other \$5 is to be set aside to reimburse employees, who upon retirement or separation from the City do not wish to participate in the retiree healthcare program.

City employees contribute \$25 per pay to the City's general fund for current healthcare costs. If an employee elects not to receive the healthcare benefit upon retirement, the City will provide a severance benefit equal to \$25 multiplied by the number of pay periods the employee worked subsequent to January 1, 2000.

Funded Status and Funding Progress - The other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC) of the employer with certain adjustments, for prior period under or over funding, if applicable. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and cover an amortization component of any unfunded actuarial liability (or excess) over a period not to exceed thirty years.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - continued

The City has less than 100 total plan members and is permitted to calculate the ARC using the alternative measurement method as described in GASB Statement No. 45. The City has elected to calculate the ARC using the alternative measurement method. In accordance with GASB Statement No. 45 the City is only required to recalculate the ARC every three years. The current alternative measurement method ARC calculation was valued as of June 30, 2011. The next required alternative measurement method ARC calculation will be valued as of July 1, 2014 for use in financial reporting for the year ending June 30, 2015.

The following shows the components of the City's annual OPEB cost for the year, the amount actually contributed to towards the ARC and the changes in the net OPEB obligation:

Annual required contribution (ARC)	\$ 339,811
Interest on the June 30, 2011 net OPEB obligation	22,060
Adjustment to the annual required contribution	<u>(26,657)</u>
Annual OPEB cost	335,214
Amounts contributed to the WLRHF trust	<u>(66,925)</u>
Increase in net OPEB obligation	268,289
Net OPEB obligation, June 30, 2011	<u>490,218</u>
Net OPEB obligation, June 30, 2012	<u><u>\$ 758,507</u></u>

The funded status of the plan as of June 30, 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	6/30/2009	\$ 305,536	21.5%	\$ 239,911
6/30/2011	6/30/2009	\$ 316,332	20.8%	\$ 490,218
6/30/2012	6/30/2011	\$ 335,214	19.9%	\$ 758,507

The funding progress of the plan as of June 30, 2011 (the most recent valuation date) is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Ratio of UAAL to Covered Payroll</u>
6/30/2009	\$ 319,646	\$ 2,986,172	\$ 2,666,526	10.7	\$ 2,190,699	121.7
6/30/2011	\$ 274,576	\$ 3,658,739	\$ 3,384,163	7.5	\$ 2,209,568	124.3

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - continued

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

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

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for Males and for Females were used.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Premiums and Future Cost Trend Rate - Because the City's costs are fixed at \$800 per month plus half of the pre-age 65 deductible, the City has estimated its future costs to be at this maximum level, with no future cost increases.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The UAAL has a remaining amortization period at June 30, 2011 (the most recent valuation date) of 24 years.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental fund for the year ended June 30, 2012 was as follows:

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2012</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,572,172	\$	\$	\$ 1,572,172
Construction in progress		135,125		135,125
Subtotal	<u>1,572,172</u>	<u>135,125</u>		<u>1,707,297</u>
Capital assets being depreciated:				
Roads and sidewalks	10,008,655			10,008,655
Building and improvements	1,207,447	37,280		1,244,727
Vehicles, furniture and equipment	2,668,356	114,847	(131,852)	2,651,351
Subtotal	<u>13,884,458</u>	<u>152,127</u>	<u>(131,852)</u>	<u>13,904,733</u>
Less accumulated depreciation for:				
Roads and sidewalks	2,881,087	226,348		3,107,435
Building and improvements	338,583	30,005		368,588
Vehicles, furniture and equipment	1,753,273	189,228	(124,907)	1,817,594
Less accumulated depreciation	<u>4,972,943</u>	<u>445,581</u>	<u>(124,907)</u>	<u>5,293,617</u>
Net capital assets being depreciated	<u>8,911,515</u>	<u>(293,454)</u>	<u>(6,945)</u>	<u>8,611,116</u>
Net capital assets	<u>\$ 10,483,687</u>	<u>\$ (158,329)</u>	<u>\$ (6,945)</u>	10,318,413
Related long-term debt outstanding at June 30, 2012				<u>(1,896,284)</u>
Governmental capital assets, net of related long-term debt				<u>\$ 8,422,129</u>

Depreciation expense is allocated to the following activities:

General government	\$ 35,013
Public safety	157,477
Public works	234,808
Recreation and culture	18,283
	<u>\$ 445,581</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the business-type funds for the year ended June 30, 2012 was as follows:

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Business-type activities:				
Capital assets being depreciated:				
Water systems	\$ 3,289,915	\$	\$	\$ 3,289,915
Sewer systems	12,692,465	14,453		12,706,918
Total capital assets at historical cost	15,982,380	14,453		15,996,833
Less accumulated depreciation for:				
Water systems	(2,741,405)	(64,482)		(2,805,887)
Sewer systems	(7,610,846)	(260,450)		(7,871,296)
Total accumulated depreciation	(10,352,251)	(324,932)		(10,677,183)
Business-type capital assets, net	<u>\$ 5,630,129</u>	<u>\$ (310,479)</u>	<u>\$</u>	<u>\$ 5,319,650</u>

All depreciation is charged to Water and Sewer activities. There is no related debt with these assets.

Capital asset activity in the component unit funds for the year ended June 30, 2012 was as follows:

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Capital assets being depreciated:				
Street lighting and road improvements	\$ 832,704	\$	\$	\$ 832,704
Furniture and equipment	344,803			344,803
Books, periodicals and materials	921,409	25,965	(122,959)	824,415
Subtotal	2,098,916	25,965	(122,959)	2,001,922
Less accumulated depreciation	1,087,083	110,725	(122,959)	1,320,767
Net capital assets	<u>\$ 1,011,833</u>	<u>\$ (84,760)</u>	<u>\$</u>	<u>\$ 681,155</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 27,907
Library	<u>82,818</u>
	<u>\$ 110,725</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 8 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Capital leases and installment purchase agreements are also general obligations of the government.

Description	Amount
Governmental Activities	
General obligations:	
2002 Building Authority LTGO bond, issued in the amount of \$1,400,000 to improve the DPW building. The bond bears interest from 4% to 6%, and matures through 2022	\$ 950,000
2009 Capital Improvement LTGO bonds, Issued in the amount of \$955,000, used to fund street improvements. The bonds bear interest from 4.5% to 5.0%, and mature through 2024	<u>900,000</u>
Total of general obligations	1,850,000
Installment purchase agreement:	
2009 installment purchase agreement, issued in the amount of \$108,879 to purchase an ambulance. The agreement bears interest at 5.1% and matures through 2014	<u>46,824</u>
Total governmental activity debt	<u><u>\$ 1,896,824</u></u>

CITY OF WALLED LAKE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 8 - LONG-TERM DEBT - continued

The following is a summary of changes in long term debt for the year.

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>	<u>Due within one year</u>
Governmental Activities					
General obligation bonds	\$ 1,970,000	\$	\$ 120,000	\$ 1,850,000	\$ 125,000
Installment purchase agreements	136,766		89,942	46,824	22,830
Accumulated compensated absences	692,044		53,877	638,167	49,102
Total general obligations	<u>\$ 2,798,810</u>	<u>\$</u>	<u>\$ 263,819</u>	<u>\$ 2,534,991</u>	<u>\$ 196,932</u>
Business-type Activities:					
Accumulated compensated absences	<u>\$ 46,286</u>	<u>\$ 7,817</u>	<u>\$</u>	<u>\$ 54,103</u>	<u>\$ 10,821</u>
Component Unity Activities					
Accumulated compensated absences	\$ 20,192	\$	\$ 20,192	\$	\$
Walled Lake Consolidated School Agreement: Amount of issue: \$769,000 Maturing through 2012	<u>52,000</u>		<u>52,000</u>		
Total component unit	<u>\$ 72,192</u>	<u>\$</u>	<u>\$ 72,192</u>	<u>\$</u>	<u>\$</u>

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

	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 147,830	\$ 88,638	\$ 236,468
2014	148,994	82,074	231,068
2015	150,000	75,375	225,375
2016	150,000	68,825	218,825
2017	175,000	62,175	237,175
2018 - 2022	925,000	187,750	1,112,750
2023 - 2024	<u>200,000</u>	<u>15,000</u>	<u>215,000</u>
Total	<u>\$ 1,896,824</u>	<u>\$ 579,837</u>	<u>\$ 2,476,661</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The City's deposits are in accordance with statutory authority.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in all of the investments mentioned in the preceding paragraph.

As of June 30, 2012 deposits and investments consist of the following:

	<u>City of Walled Lake</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Deposits				
Checking accounts	\$ 4,662,632	\$ 129,103	\$ 516,656	\$ 5,308,391
Investments				
Negotiable certificate of deposit		77,925		77,925
Open ended mutual funds		176,615		176,615
Government bonds	28,833			28,833
2a7 funds	231,378			231,378
Total investments	<u>260,211</u>	<u>254,540</u>		<u>514,751</u>
Total deposits and investments	<u>\$ 4,922,843</u>	<u>\$ 383,643</u>	<u>\$ 516,656</u>	<u>\$ 5,823,142</u>

The carrying amount of cash and investments is stated at \$5,450,766 as of June 30, 2012. The difference between the carrying amounts and amounts mentioned above stem from cash on hand of \$950 and outstanding checks.

The investments at Chase are a pooled fund. The Chase Fund is managed in accordance with the "2A-7 like pool" risk limiting requirements of GASB No. 31. The portfolio securities are valued by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. At time of purchase, maturities must have a remaining maturity of 3 years or less. The weighted average maturity of the Chase Fund is approximately 35 days. The City has the ability to withdraw its investments at any time without penalty.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued

Deposits - Custodial Credit Risk

This is the risk that in the event of a bank failure, the City will not be able to recover its deposits. The City does not have a deposit policy for custodial credit risk. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As of June 30, 2012, deposits in banks totaled \$5,308,391 which was exposed to custodial credit risk as follows:

	<u>City of Walled Lake</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Insured by FDIC	\$ 4,181,053	\$ 118,503	\$ 480,097	\$ 4,779,653
Uninsured and uncollateralized	481,578	10,601	36,559	528,738
	<u>\$ 4,662,631</u>	<u>\$ 129,104</u>	<u>\$ 516,656</u>	<u>\$ 5,308,391</u>

The City's investment policy does not address this risk.

Investments - Custodial Credit Risk

This is the risk that in the event of the failure of counterparty to a transaction, the City will not be able to recover the value of its investments. The City does not have a policy to cover custodial credit risk of investments. As of June 30, 2012 investments of \$514,751 are subject to custodial credit risk as follows:

	<u>City of Walled Lake</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Insured by FDIC	\$	\$ 77,925	\$	\$ 77,925
Insured by SIPC	139,916			139,916
Uninsured and uncollateralized	120,295	176,615		296,910
	<u>\$ 260,211</u>	<u>\$ 254,540</u>	<u>\$</u>	<u>\$ 514,751</u>

The External Investment Pool, Chase 2a& Fund and Open Ended Mutual Fund are not subject to Custodial Credit Risk.

Investments - Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits investments to those authorized by Public Act 20 of 1943. Commercial paper must be rated within the two (2) highest classifications established by not less than two (2) standard ratings services. Ratings are not required for U.S. Treasuries and money market accounts. As of June 30, 2012, the City's investments were exposed to credit risk as follows:

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued

<u>Investment Type</u>	<u>Rating by S & P</u>	<u>Amount</u>
2a7 Funds	AAA/V1	\$ 231,378
Federal National Mortgage Association	Not rated	28,833
Open Ended Mutual Funds	AAA	176,615
Negotiable Certificates of Deposit	Not rated	77,925
		<u>\$ 514,751</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair values of investments and cash deposits. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

As of June 30, 2012 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 5</u>	<u>6-10</u>
Government Securities	\$ 28,833	\$ 28,833	\$
Negotiable Certificate of Deposit	77,925		77,925
Total	<u>\$ 106,758</u>	<u>\$ 28,833</u>	<u>\$ 77,925</u>

Concentration of Credit Risk

Concentration of credit risk is the risk attributed to the magnitude of the City's investment in a single issuer. The City's investment policy required diversification with a primary focus on safety. Investments in any one issuer that represent 5% or more of total investments are:

<u>Investment Type</u>	<u>Fair issuer</u>	<u>Percentage of Portfolio</u>
Negotiable CD	HSBC Bank	15%

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 10 - CONTINGENT LIABILITIES

The City is involved in some legal actions arising in the normal course of business. In the opinion of management, the current legal actions should not have a material effect on the financial position of the City.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment for \$25,187 for an error in the pension accruals related to the City's participation in the MERS defined benefit program.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALLED LAKE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$ 2,583,447	\$ 2,548,856	\$ (34,591)
Licenses and permits		35,550	77,233	41,683
State shared revenue		462,847	561,419	98,572
Charges for services		1,161,192	1,118,810	(42,382)
Interest		29,500	40,627	11,127
Miscellaneous revenue		86,976	105,976	19,000
Total revenues		4,530,011	4,452,921	93,409
EXPENDITURES		4,251,166	4,393,084	256,780
Excess of revenue (under) over expenditures		278,845	59,837	350,189
OTHER FINANCING SOURCES (USES)				
Sale of assets			23,447	23,447
Transfer (out)	(139,004)	(139,004)	(40,095)	98,909
Total other financing sources (use)	(139,004)	(139,004)	(16,648)	122,356
Net change in fund balance		139,841	43,189	472,545
FUND BALANCE, JULY 1, 2011		1,999,434	1,999,434	
PRIOR PERIOD ADJUSTMENT			(25,187)	(25,187)
FUND BALANCE, JUNE 30, 2012	\$	\$ 2,139,275	\$ 2,017,436	\$ 447,358

CITY OF WALLED LAKE

MAJOR STREETS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
State shared revenues	\$	\$	\$ 256,840	\$
Miscellaneous			713	
Total revenues	<u>235,775</u>	<u>235,775</u>	<u>257,553</u>	<u>21,778</u>
EXPENDITURES				
Salaries			90,138	
Payroll taxes			6,822	
Insurance - benefits			21,298	
Pension			9,735	
Equipment rental			29,786	
Road maintenance			109,688	
Insurance - liability			2,193	
Professional fees			1,375	
Administrative costs			13,000	
Total expenditures	<u>315,335</u>	<u>355,114</u>	<u>284,035</u>	<u>71,079</u>
Excess of revenue (under) over expenditures	(79,560)	(119,339)	(26,482)	92,857
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>79,560</u>			
Net change in fund balance		(119,339)	(26,482)	92,857
FUND BALANCE, JULY 1, 2011	<u>570,113</u>	<u>570,113</u>	<u>570,113</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 570,113</u>	<u>\$ 450,774</u>	<u>\$ 543,631</u>	<u>\$ 92,857</u>

CITY OF WALLED LAKE

LOCAL STREETS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
State shared revenues	\$ 106,120	\$ 106,120	\$ 114,878	\$ 8,758
EXPENDITURES				
Insurance - benefits			1,066	
Equipment rental			3,314	
Road maintenance			121,370	
Insurance - liability			2,193	
Professional fees			1,375	
Administrative costs			5,500	
Total expenditures	172,854	223,854	134,818	89,036
Excess of revenue (under) over expenditures	(66,734)	(117,734)	(19,940)	97,794
OTHER FINANCING SOURCES (USES)				
Transfer in	82,396	119,831	119,829	(2)
Transfer (out)		(90,450)	(90,450)	
Total other financing sources (uses)	82,396	29,381	29,379	(2)
Net change in fund balance	15,662	(88,353)	9,439	97,792
FUND BALANCE, JULY 1, 2011	89,840	89,840	89,840	
FUND BALANCE, JUNE 30, 2012	\$ 105,502	\$ 1,487	\$ 99,279	\$ 97,792

CITY OF WALLED LAKE

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND FUNDING PROGRESS
FOR RETIREE'S HEALTH PLAN
JUNE 30, 2012

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	6/30/2009	\$ 305,536	21.5%	\$ 239,911
6/30/2011	6/30/2009	\$ 316,332	20.8%	\$ 490,218
6/30/2012	6/30/2012	\$ 335,214	19.9%	\$ 758,507

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
6/30/2009	\$ 319,646	\$ 2,986,172	\$ 2,666,526	10.7%	\$ 2,190,699	121.7%
6/30/2011	\$ 274,576	\$ 3,658,739	\$ 3,384,163	7.5%	\$ 2,722,924	124.3%

The City of Walled Lake Retiree Healthcare Plan has less than 100 participants and accordingly actuarial valuations are only required to be performed tri-annually.

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN
JUNE 30, 2012**

<u>Actuarial Valuation Date</u>	<u>Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Employer Contributions</u>
12/31/2010	\$ 412,037	100%	\$ 412,037
12/31/2009	\$ 460,111	100%	\$ 460,111
12/31/2008	\$ 475,730	100%	\$ 475,730

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2010	\$ 4,689,287	\$ 11,966,601	\$ 7,277,314	39.2%	\$ 2,078,294	350.2%
12/31/2009	\$ 4,537,674	\$ 11,771,007	\$ 7,233,333	38.5%	\$ 2,190,699	330.2%
12/31/2008	\$ 4,204,481	\$ 11,315,544	\$ 7,111,063	37.2%	\$ 2,275,935	312.4%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	December 31, 2010
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	28 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8.0%
Project salary increases	4.5%
Inflation factor	4.5%
Cost of living adjustments	2.5%

At the time of the draft of the financial statements there was not a more current actuarial evaluation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALLED LAKE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE - SUPPLEMENTARY INFORMATION

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the City had no expenditures that exceeded budgeted amounts.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2012

	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Transportation Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
ASSETS					
Cash and investments	\$ 525,994	\$ 183,413	\$ 7,916	\$ 156,300	\$ 873,623
Accounts receivable	42,907	16,277	115,939		175,123
Due from other funds	3,303				3,303
Prepaid expenditures	24	27			51
	<u>24</u>	<u>27</u>	<u> </u>	<u> </u>	<u>51</u>
Total assets	<u>\$ 572,228</u>	<u>\$ 199,717</u>	<u>\$ 123,855</u>	<u>\$ 156,300</u>	<u>\$ 1,052,100</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Accounts payable	\$ 28,347	\$ 98,458	\$ 446	\$ 6,337	\$ 133,588
Accrued wages and vacation	250		1,308		1,558
Due to other funds		1,980			1,980
	<u>28,597</u>	<u>100,438</u>	<u>1,754</u>	<u>6,337</u>	<u>137,126</u>
Total liabilities	28,597	100,438	1,754	6,337	137,126
FUND BALANCE	<u>543,631</u>	<u>99,279</u>	<u>122,101</u>	<u>149,963</u>	<u>914,974</u>
Total liabilities and fund balance	<u>\$ 572,228</u>	<u>\$ 199,717</u>	<u>\$ 123,855</u>	<u>\$ 156,300</u>	<u>\$ 1,052,100</u>

CITY OF WALLED LAKE
ALL ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Water and Sewer Fund	Refuse Fund	Totals
<u>ASSETS</u>			
ASSETS			
Cash	\$ 1,491,711	\$	\$ 1,491,711
Accounts receivable	456,839	72,513	529,352
Prepaid expenses	138		138
Utility system, net	5,319,650		5,319,650
Total assets	\$ 7,268,338	\$ 72,513	\$ 7,340,851
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Bank overdraft	\$	\$ 20,906	\$ 20,906
Accounts payable	369,481		369,481
Accrued expenses	67,267		67,267
Due to other funds	1,323		1,323
Net OPEB obligation	105,387		105,387
Total liabilities	543,458	20,906	564,364
NET ASSETS			
Invested in capital assets, net of related debt	5,319,650		5,319,650
Unrestricted	1,405,230	51,607	1,456,837
Total net assets	6,724,880	51,607	6,776,487
Total liabilities and net assets	\$ 7,268,338	\$ 72,513	\$ 7,340,851

CITY OF WALLED LAKE

BALANCE SHEET
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Retiree Health Care Fund</u>	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
ASSETS				
Cash and investments	\$ 274,576	\$ 98,467	\$ 1,008	\$ 374,051
Accounts receivable	2,974			2,974
Total assets	<u>\$ 277,550</u>	<u>\$ 98,467</u>	<u>\$ 1,008</u>	<u>\$ 377,025</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable/performance deposits	\$ 130	\$ 93,801	\$	\$ 93,931
Due to other funds		4,666	1,008	5,674
Total liabilities	<u>130</u>	<u>98,467</u>	<u>1,008</u>	<u>99,605</u>
FUND BALANCE	<u>277,420</u>			<u>277,420</u>
Total liabilities and fund balance	<u>\$ 277,550</u>	<u>\$ 98,467</u>	<u>\$ 1,008</u>	<u>\$ 377,025</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Major Streets Fund	Local Streets Fund	Transportation Fund	Drug Forfeiture Fund	Totals
REVENUES					
Fines and forfeits	\$	\$	\$	\$ 328,665	\$ 328,665
Charges for services			26,937		26,937
State shared revenues	256,840	114,878			371,718
Interest				653	653
Grants			115,939		115,939
Miscellaneous	713				713
Total revenues	257,553	114,878	142,876	329,318	844,625
EXPENDITURES					
Transportation services			104,880		104,880
Public safety				240,151	240,151
Public works	284,035	134,818			418,853
Total expenditures	284,035	134,818	104,880	240,151	763,884
Excess of revenues over (under) expenditures	(26,482)	(19,940)	37,996	89,167	80,741
OTHER FINANCING SOURCES (USES)					
Sale of assets				20,108	20,108
Transfers in		119,829			119,829
Transfers (out)		(90,450)			(90,450)
Total other financing sources (uses)		29,379		20,108	49,487
Net changes in fund balances	(26,482)	9,439	37,996	109,275	130,228
FUND BALANCE, JULY 1, 2011	570,113	89,840	84,105	40,688	784,746
FUND BALANCE, JUNE 30, 2012	\$ 543,631	\$ 99,279	\$ 122,101	\$ 149,963	\$ 914,974

CITY OF WALLED LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Water and Sewer Fund	Refuse Fund	Total
OPERATING REVENUES			
User charges	\$ 2,326,590	\$ 325,489	\$ 2,652,079
OPERATING EXPENSES			
Refuse		302,679	302,679
Sewer and water	2,341,640		2,341,640
Depreciation	324,932		324,932
Total operating expenses	<u>2,666,572</u>	<u>302,679</u>	<u>2,969,251</u>
Operating income (loss)	<u>(339,982)</u>	<u>22,810</u>	<u>(317,172)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income - operating	162		162
Other income	4,831		4,831
Total non-operating revenues (expenses)	<u>4,993</u>		<u>4,993</u>
Excess of revenues over (under) expenditures	(334,989)	22,810	(312,179)
TRANSFERS (OUT)	<u>(81,405)</u>		<u>(81,405)</u>
Changes in net assets	(416,394)	22,810	(393,584)
FUND BALANCE, JULY 1, 2011	<u>7,141,274</u>	<u>28,797</u>	<u>7,170,071</u>
FUND BALANCE, JUNE 30, 2012	<u><u>\$ 6,724,880</u></u>	<u><u>\$ 51,607</u></u>	<u><u>\$ 6,776,487</u></u>

CITY OF WALLED LAKE

COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water and Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (339,982)	\$ 22,810	\$ (317,172)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities			
Depreciation	324,932		324,932
Other income	4,831		4,831
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(17,301)	(6,430)	(23,731)
(Increase) decrease in due from other funds	134,522		134,522
(Increase) decrease in prepaid expenses	6,543		6,543
Increase (decrease) in accounts payable/accrued expense	44,264	20,906	65,170
Increase (decrease) in due to other funds	(39,862)	(69,721)	(109,583)
Total adjustments	<u>457,929</u>	<u>(55,245)</u>	<u>402,684</u>
Net cash from (used in) operating activities	<u>117,947</u>	<u>(32,435)</u>	<u>85,512</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (out)	(81,405)		(81,405)
Acquisition of capital of assets	(14,453)		(14,453)
Net cash from (used in) capital and related financing activities	<u>(95,858)</u>		<u>(95,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	162		162
Net increase (decrease) in cash and cash equivalents	22,251	(32,435)	(10,184)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,469,460</u>	<u>32,435</u>	<u>1,501,895</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,491,711</u>	<u>\$</u>	<u>\$ 1,491,711</u>

INDIVIDUAL FUNDS

GENERAL FUND

CITY OF WALLED LAKE

GENERAL FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$ 2,222,035
Receivables	
Taxes	14,285
State	99,394
Accounts	93,673
Due from other funds	5,674
Inventory	14,659
Prepaid expenditures	58,325
	<hr/>
Total assets	\$ 2,508,045

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 255,468
Accrued compensated	113,880
Accrued sick and vacation	49,102
Due to others	7,524
Deferred revenues	14,285
Performance deposits	50,350
	<hr/>
Total liabilities	\$ 490,609

FUND BALANCE

Non-spendable:	
Prepaid	58,325
Inventories	14,659
Unassigned	1,944,452
	<hr/>
Total fund balance	2,017,436
	<hr/>
Total liabilities and fund balance	\$ 2,508,045

CITY OF WALLED LAKE

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 2,583,447	\$ 2,548,856	\$ (34,591)
Licenses and permits	35,550	77,233	41,683
State shared revenues	462,847	561,419	98,572
Charges for services	1,161,192	1,118,810	(42,382)
Interest	29,500	40,627	11,127
Miscellaneous revenue	86,976	105,976	19,000
Total revenues	<u>4,359,512</u>	<u>4,452,921</u>	93,409
EXPENDITURES	<u>4,649,864</u>	<u>4,393,084</u>	256,780
Excess of revenues over (under) expenditures	<u>(290,352)</u>	<u>59,837</u>	<u>350,189</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets		23,447	23,447
Transfers (out)	(139,004)	(40,095)	98,909
Total other financing sources (uses)	<u>(139,004)</u>	<u>(16,648)</u>	<u>122,356</u>
Net change in fund balance	(429,356)	43,189	472,545
FUND BALANCE, JULY 1, 2011	1,999,434	1,999,434	
PRIOR PERIOD ADJUSTMENT		<u>(25,187)</u>	<u>(25,187)</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 1,570,078</u>	<u>\$ 2,017,436</u>	<u>\$ 447,358</u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TAXES	\$ 2,583,447	\$ 2,548,856	\$ (34,591)
LICENSES AND PERMITS	35,550	77,233	41,683
STATE SHARED REVENUES	462,847	561,419	98,572
CHARGES FOR SERVICES			
Cemetery		2,500	
Tax administration fees		56,769	
Cablevision franchise fees		161,142	
Equipment rental		24,678	
Passports		12,450	
Planning and zoning fees		3,060	
Court fees		21,439	
Crossing guard		7,753	
Mobile home park fees		757	
Police fees		7,559	
Fire department charges		91,714	
Administrative charges		602,608	
Other charges for services		10,805	
Market day		5,175	
PILT Tax		26,335	
Penalty and interest		56,564	
Reimbursements		27,502	
Total charges for services	<u>1,161,192</u>	<u>1,118,810</u>	<u>(42,382)</u>
INTEREST	<u>29,500</u>	<u>40,627</u>	<u>11,127</u>
MISCELLANEOUS REVENUE			
Grants		50,265	
Miscellaneous		(415)	
Rental income		42,915	
Donations		13,211	
Total miscellaneous revenue	<u>86,976</u>	<u>105,976</u>	<u>19,000</u>
Total revenues	<u>\$ 4,359,512</u>	<u>\$ 4,452,921</u>	<u>\$ 93,409</u>

CITY OF WALLED LAKE

**GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CITY COUNCIL			
Salaries	\$	\$ 8,273	\$
Payroll taxes		603	
Insurance		18	
Office supplies		42	
Telephone		1,909	
Conference and travel		1,409	
	<hr/>	<hr/>	<hr/>
Total city council	17,575	12,254	5,321
	<hr/>	<hr/>	<hr/>
CITY MANAGER			
Salaries		69,533	
Payroll taxes		4,368	
Insurance - benefits		16,447	
Pension and OPEB		8,881	
Insurance - liability		218	
Miscellaneous		223	
	<hr/>	<hr/>	<hr/>
Total city manager	107,806	99,670	8,136
	<hr/>	<hr/>	<hr/>
ASSESSOR			
County equalization		49,872	
Printing and postage		5	
	<hr/>	<hr/>	<hr/>
Total assessor	50,150	49,877	273
	<hr/>	<hr/>	<hr/>
ATTORNEY	39,600	33,000	6,600
	<hr/>	<hr/>	<hr/>
PROSECUTION AND LITIGATION	110,100	97,118	12,982
	<hr/>	<hr/>	<hr/>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT			
Salaries		3,627	
Payroll taxes		80	
Insurance - benefits		5,333	
Insurance - liability		43,617	
Utilities		34,018	
Repairs and maintenance		20,751	
Dues and subscriptions		4,107	
Community development		25,160	
Miscellaneous		6,584	
Capital outlay		19,335	
	<u>184,851</u>	<u>162,612</u>	<u>22,239</u>
CITY CLERK			
Salaries		110,538	
Payroll taxes		12,514	
Insurance - benefits		32,429	
Retirement and OPEB		20,184	
Insurance - liability		4,191	
Office supplies and postage		9,286	
Elections inspectors		460	
Dues and subscriptions		324	
Transportation		360	
Printing and publishing		3,919	
Telephone		2,871	
Repair and maintenance		2,951	
Equipment rental		3,704	
Small equipment		856	
Miscellaneous		349	
Tuition reimbursement		4,048	
	<u>261,152</u>	<u>208,984</u>	<u>52,168</u>

CITY OF WALLED LAKE

GENERAL FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BOARD OF REVIEW	<u>2,050</u>	<u>1,045</u>	<u>1,005</u>
TREASURER			
Salaries		25,375	
Payroll taxes		1,950	
Insurance - benefits		107	
Pension		1,269	
Insurance - liability		218	
Office supplies and postage		2,061	
Banking and payroll fees		23,280	
Professional fees		45,068	
Printing and publishing		4,676	
Telephone		873	
Repairs and maintenance		855	
Equipment rental		3,000	
Training		94	
Small equipment		810	
Miscellaneous		26	
	<u> </u>	<u> </u>	<u> </u>
Total treasurer	<u>120,798</u>	<u>109,662</u>	<u>11,136</u>
ELECTIONS	<u>4,000</u>	<u>1,276</u>	<u>2,724</u>

CITY OF WALLED LAKE

GENERAL FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
POLICE DEPARTMENT			
Salaries		989,594	
Payroll taxes		81,652	
Insurance - benefits		155,320	
Pension and OPEB		323,960	
Insurance - liability		18,763	
Dispatch services		67,914	
Operating supplies		10,634	
Professional fees		3,737	
Uniforms		11,447	
Fuel		35,473	
Auxiliary services		3,112	
Prevention programs		460	
Lock up costs		375	
Lien claims		15,266	
Telephone		3,946	
Repairs and maintenance		21,924	
Equipment rental		1,977	
Training		11,049	
Capital outlay		7,698	
Office supplies and postage		500	
Miscellaneous		2,199	
	<hr/>	<hr/>	<hr/>
Total police department	1,919,549	1,767,000	152,549
	<hr/>	<hr/>	<hr/>
CROSSING GUARDS	7,500	7,160	340
	<hr/>	<hr/>	<hr/>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
FIRE DEPARTMENT			
Salaries		484,087	
Payroll taxes		37,632	
Insurance - benefits		84,300	
Pension and OPEB		94,797	
Insurance - general liability		19,872	
Dispatch services		14,845	
Office supplies and postage		1,347	
Operating supplies		5,543	
Fire prevention		2,764	
Uniforms		4,720	
Fuel		12,591	
Cost recovery billing		8,971	
Dues and subscriptions		7,412	
Telephone		2,262	
Utilities		13,970	
Repairs and maintenance		39,532	
Training		4,532	
Equipment rental		3,878	
Capital outlay		48,433	
Debt - principal		89,942	
Debt - interest		6,969	
Miscellaneous		1,716	
Printing and publishing		106	
Total fire department	<u>1,008,913</u>	<u>990,221</u>	<u>18,692</u>
BUILDING			
Salaries		64,474	
Payroll taxes		5,094	
Insurance - benefits		5,724	
Pension and OPEB		3,427	
Insurance - liability		42	
Supplies and postage		712	
Professional fees		6,108	
Inspection fees		30,516	
Telephone		3,456	
Repairs and maintenance		1,267	
Miscellaneous		405	
Total building	<u>124,087</u>	<u>121,225</u>	<u>2,862</u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DPW			
Salaries		191,109	
Payroll taxes		15,363	
Insurance - benefits		45,972	
Pension and OPEB		39,012	
Insurance - liability		2,169	
Office supplies and postage		383	
Operating supplies		5,987	
Uniforms		2,079	
Fuel		11,507	
Contracted services		3,632	
Dues and subscriptions		164	
Telephone		1,747	
Utilities		5,920	
Repairs and maintenance		19,464	
Equipment rental		99,062	
Small equipment		1,249	
Miscellaneous		1,081	
Training		378	
Total DPW	<u>474,824</u>	<u>446,278</u>	<u>28,546</u>
PARKS AND RECREATION	<u>31,161</u>	<u>19,635</u>	<u>11,526</u>
BEAUTIFICATION	<u>1,800</u>	<u>1,456</u>	<u>344</u>
PLANNING COMMISSION			
Salaries		24,435	
Payroll taxes		1,844	
Insurance - benefits		8,302	
Pension and OPEB		3,401	
Office supplies and postage		157	
Professional fees		25,771	
Printing and publishing		648	
Dues and subscriptions		625	
Total planning commission	<u>80,771</u>	<u>65,183</u>	<u>15,588</u>
STORM WATER	<u>12,200</u>	<u>8,063</u>	<u>4,137</u>
STREETLIGHTS	<u>90,000</u>	<u>88,571</u>	<u>1,429</u>
ZONING BOARD OF APPEALS	<u>977</u>		<u>977</u>
CONTINGENCY		<u>102,794</u>	<u>(102,794)</u>
Total expenditures	<u>\$ 4,649,864</u>	<u>\$ 4,393,084</u>	<u>\$ 256,780</u>

MAJOR STREETS FUND

CITY OF WALLED LAKE

MAJOR STREETS FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$	525,994
Accounts receivable		42,907
Due from other funds		3,303
Prepaid expenditures		24
		<hr/>
Total assets	\$	572,228
		<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	28,347
Accrued compensation		250
		<hr/>
Total liabilities	\$	28,597

FUND BALANCE

Non-spendable - prepaid items		24
Restricted - roads		543,607
		<hr/>
Total fund balance		543,631
		<hr/>
Total liabilities and fund balance	\$	572,228
		<hr/> <hr/>

CITY OF WALLED LAKE

MAJOR STREETS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State shared revenue	\$	\$ 256,840	\$
Miscellaneous		713	
Total revenues	<u>235,775</u>	<u>257,553</u>	<u>21,778</u>
EXPENDITURES			
Salaries		90,138	
Payroll taxes		6,822	
Insurance - benefits		21,298	
Pension and OPEB		9,735	
Equipment rental		29,786	
Road maintenance		109,688	
Insurance - liability		2,193	
Professional fees		1,375	
Administrative costs		13,000	
Total expenditures	<u>355,114</u>	<u>284,035</u>	<u>71,079</u>
Net change in fund balance	(119,339)	(26,482)	92,857
FUND BALANCE, JULY 1, 2011	<u>570,113</u>	<u>570,113</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 450,774</u>	<u>\$ 543,631</u>	<u>\$ 92,857</u>

LOCAL STREETS FUND

CITY OF WALLED LAKE

LOCAL STREETS FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$	183,413
Accounts receivable		16,277
Prepaid expenditures		<u>27</u>
Total assets	\$	<u><u>199,717</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	98,458
Due to other funds		<u>1,980</u>
Total liabilities	\$	100,438

FUND BALANCE

Non-spendable - prepaid items		27
Restricted - roads		<u>99,252</u>
Total fund balance		<u>99,279</u>
Total liabilities and fund balance	\$	<u><u>199,717</u></u>

CITY OF WALLED LAKE

LOCAL STREETS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State shared revenues	\$ 106,120	\$ 114,878	\$ 8,758
EXPENDITURES			
Insurance - benefits		1,066	
Equipment rental		3,314	
Road maintenance		121,370	
Insurance - liability		2,193	
Professional fees		1,375	
Administrative costs		5,500	
Total expenditures	<u>223,854</u>	<u>134,818</u>	<u>89,036</u>
Excess of revenues over (under) expenditures	<u>(117,734)</u>	<u>(19,940)</u>	<u>97,794</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	119,831	119,829	
Transfers (out)	<u>(90,450)</u>	<u>(90,450)</u>	
Total other financing sources (uses)	<u>29,381</u>	<u>29,379</u>	<u>(2)</u>
Net change in fund balance	<u>(88,353)</u>	<u>9,439</u>	<u>97,792</u>
FUND BALANCE, JULY 1, 2011	<u>89,840</u>	<u>89,840</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 1,487</u>	<u>\$ 99,279</u>	<u>\$ 97,792</u>

TRANSPORTATION FUND

CITY OF WALLED LAKE
TRANSPORTATION FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$ 7,916
Accounts receivable	<u>115,939</u>
Total assets	<u><u>\$ 123,855</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 446
Accrued compensation	<u>1,308</u>
Total liabilities	\$ 1,754

FUND BALANCE

Restricted - transportation	<u>122,101</u>
Total liabilities and fund balance	<u><u>\$ 123,855</u></u>

CITY OF WALLED LAKE

TRANSPORTATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Grant - state	\$	\$ 115,939	\$
Charges for services		26,937	
Total revenues	<u>115,889</u>	<u>142,876</u>	<u>26,987</u>
EXPENDITURES			
Salaries		29,642	
Payroll taxes		2,126	
Contracted services		38,855	
Fuel		6,970	
Administrative services		11,180	
Insurance		3,420	
Telephone		8,562	
Repairs and maintenance		3,961	
Small equipment		114	
Miscellaneous		50	
Total expenditures	<u>124,263</u>	<u>104,880</u>	<u>19,383</u>
Net change in fund balance	(8,374)	37,996	46,370
FUND BALANCE, JULY 1, 2011	<u>84,105</u>	<u>84,105</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 75,731</u>	<u>\$ 122,101</u>	<u>\$ 46,370</u>

DRUG FORFEITURE FUND

CITY OF WALLED LAKE
DRUG FORFEITURE FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$ 156,300
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 6,337
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FUND BALANCE

Restricted - public safety	<u>149,963</u>
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Total liabilities and fund balance	<u>\$ 156,300</u>
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CITY OF WALLED LAKE

DRUG FORFEITURE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Drug forfeitures	\$	\$ 328,665	\$
Interest		653	
Total revenues	<u>343,579</u>	<u>329,318</u>	<u>(14,261)</u>
EXPENDITURES			
Salaries		47,825	
Drug law enforcement		21,627	
Supplies		771	
Capital outlay		169,928	
Total expenditures	<u>354,296</u>	<u>240,151</u>	<u>114,145</u>
Excess of revenues over (under) expenditures	(10,717)	89,167	99,884
OTHER FINANCING SOURCES			
Sale of assets		20,108	20,108
Net change in fund balance	(10,717)	109,275	119,992
FUND BALANCE, JULY 1, 2011	<u>40,688</u>	<u>40,688</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 29,971</u>	<u>\$ 149,963</u>	<u>\$ 119,992</u>

DEBT SERVICE FUND

CITY OF WALLED LAKE

DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES	\$	\$	\$
EXPENDITURES			
Debt service			
Principal		120,000	
Interest		91,950	
	<u>211,950</u>	<u>211,950</u>	<u></u>
Total expenditures	<u>211,950</u>	<u>211,950</u>	<u></u>
Excess of revenues over (under) expenditures	<u>(211,950)</u>	<u>(211,950)</u>	<u></u>
OTHER FINANCING SOURCES (USES)			
Transfers in	211,950	211,950	
Transfers (out)	(25,876)	(25,876)	
	<u>186,074</u>	<u>186,074</u>	<u></u>
Total other financing sources (uses)	<u>186,074</u>	<u>186,074</u>	<u></u>
Net change in fund balance	<u>(25,876)</u>	<u>(25,876)</u>	<u></u>
FUND BALANCE, JULY 1, 2011	<u>25,876</u>	<u>25,876</u>	<u></u>
FUND BALANCE, JUNE 30, 2012	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

CAPITAL IMPROVEMENT FUND

WATER AND SEWER FUND

CITY OF WALLED LAKE
WATER AND SEWER FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and investments	\$ 1,491,711	
Sewer billings receivable	456,839	
Prepaid expenses	<u>138</u>	

Total current assets \$ 1,948,688

PLANT, PROPERTY AND EQUIPMENT

Utility systems	14,808,767	
Vehicles and equipment	<u>1,188,066</u>	
Total historical cost	15,996,833	
Less: accumulated depreciation	<u>(10,677,183)</u>	

Net plant, property, and equipment 5,319,650

Total assets \$ 7,268,338

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 369,481	
Accrued payroll	13,164	
Accrued compensated absences	54,103	
Due to other funds	<u>1,323</u>	

Total current liabilities \$ 438,071

LONG-TERM LIABILITIES

Net OPEB obligation		<u>105,387</u>
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Total liabilities 543,458

NET ASSETS

6,724,880

Total liabilities and fund equity \$ 7,268,338

CITY OF WALLED LAKE
WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES		
User charges		\$ 2,326,590
OPERATING EXPENSES		
Salaries and wages	\$ 303,405	
Payroll taxes	22,239	
Insurance - benefits	126,396	
Pension	41,812	
Sewage treatment	986,621	
Water purchases	632,025	
Insurance - liability	57,195	
Office supplies and postage	8,637	
Fuel	6,444	
Operating supplies	14,797	
Uniforms	960	
Professional services	12,772	
Membership and dues	595	
Contracted services	5,240	
Administration fees	90,500	
Telephone	4,437	
Printing and publishing	1,326	
Utilities	692	
Repairs and maintenance	11,273	
Equipment rental	1,027	
Training	2,491	
Small equipment	7,739	
Miscellaneous	3,017	
Depreciation	<u>324,932</u>	
Total operating expenses		<u>2,666,572</u>
Operating (loss)		(339,982)
NON-OPERATING REVENUES AND (EXPENSES)		
Other income	4,831	
Interest income - cash and equivalents	<u>162</u>	
Total non-operating revenues and (expenses)		<u>4,993</u>
Net (loss) before transfers		(334,989)
TRANSFERS (OUT)		<u>(81,405)</u>
Change in net assets		(416,394)
NET ASSETS, JULY 1, 2011		<u>7,141,274</u>
NET ASSETS, JUNE 30, 2012		<u><u>\$ 6,724,880</u></u>

CITY OF WALLED LAKE
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Operating (loss)		\$ (339,982)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	\$ 324,932	
Other income	4,831	
Changes in assets and liabilities		
Increase in sewer billings receivable	(17,301)	
Decrease in due from other funds	134,522	
Decrease in prepaid expenses	6,543	
(Decrease) in due to other funds	(39,862)	
Increase in accounts payable/accrued compensated absences	<u>44,264</u>	
 Total adjustments		 <u>457,929</u>
 Net cash provided by operating activities		 117,947

CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES

Transfers (out)		(81,405)
Acquisition of capital assets	<u>(14,453)</u>	
 Net cash (used in) capital and related financing activities		 (95,858)

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES

Interest on cash and cash equivalents		<u>162</u>
 Net increase in cash and cash equivalents		 22,251

CASH AND CASH EQUIVALENTS AT JULY 1, 2011		<u>1,469,460</u>
 CASH AND CASH EQUIVALENTS AT JUNE 30, 2012		 <u><u>\$ 1,491,711</u></u>

REFUSE FUND

CITY OF WALLED LAKE

REFUSE FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Accounts receivable - operations

\$ 72,513

LIABILITIES AND EQUITY

LIABILITIES

Bank overdraft

\$ 20,906

EQUITY

51,607

Total liabilities and equity

\$ 72,513

CITY OF WALLED LAKE

REFUSE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

User charges \$ 325,489

OPERATING EXPENSES

Refuse services \$ 300,329

Administrative costs 2,350

Total operating expenses 302,679

Operating income 22,810

NET ASSETS, JULY 1, 2011 28,797

NET ASSETS, JUNE 30, 2012 \$ 51,607

CITY OF WALLED LAKE
REFUSE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income		\$ 22,810
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) in billings receivable	\$ (6,430)	
Increase in bank overdraft	20,906	
(Decrease) in due to other funds	<u>(69,721)</u>	
Total adjustments		<u>(55,245)</u>
Net decrease in cash and cash equivalents		(32,435)
CASH AND CASH EQUIVALENTS AT JULY 1, 2011		<u>32,435</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2012		<u><u>\$</u></u>

TRUST AND AGENCY FUND

CITY OF WALLED LAKE

TRUST AND AGENCY FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and cash equivalents	\$ 98,467
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LIABILITIES

LIABILITIES

Performance deposits	\$ 93,801
Due to other funds	4,666

Total liabilities	<u>\$ 98,467</u>
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CURRENT TAX FUND

CITY OF WALLED LAKE

CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,008

LIABILITIES

LIABILITIES

Due to other funds

\$ 1,008

RETIREE HEALTHCARE FUND

CITY OF WALLED LAKE

RETIREE HEALTHCARE FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2012

ASSETS

Cash and cash investments	\$ 274,576
Accrued receivable	<u>2,974</u>

Total assets	<u><u>\$ 277,550</u></u>
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LIABILITIES

Accounts payable	\$ 130
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Net Assets Held in Trust for Other Postemployment Benefits	<u>277,420</u>
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Total liabilities	<u><u>\$ 277,550</u></u>
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CITY OF WALLED LAKE
RETIREE HEALTHCARE FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS

Investment income:

Interest and dividends

\$ 5,600

Net (decrease) in fair value of investments

(7,530)

Net investment income (loss)

\$ (1,930)

Contributions - Employer

59,475

Contributions - Participants

52,378

Total contributions

111,853

Total additions

109,923

DEDUCTIONS

Retiree healthcare premiums

163,491

Administrative fees

2,461

Total deductions

165,952

NET (DECREASE) IN NET ASSETS HELD IN TRUST

(56,029)

NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS

Beginning of year

333,449

NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS

End of year

\$ 277,420

DOWNTOWN DEVELOPMENT AUTHORITY FUND

CITY OF WALLED LAKE

DOWNTOWN DEVELOPMENT AUTHORITY FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$	419,564
Accounts receivable - taxes		12,129
Prepaid expenditures		4,450
		<hr/>
Total assets	\$	<u><u>436,143</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	84,433
Accrued compensation		20,812
Deferred revenues		12,129
		<hr/>
Total liabilities	\$	117,374

FUND BALANCE

Non-spendable - prepaid items		4,450
Restricted - community development		314,319
		<hr/>
Total fund balance		<u>318,769</u>
Total liabilities and fund balance	\$	<u><u>436,143</u></u>

CITY OF WALLED LAKE

DOWNTOWN DEVELOPMENT AUTHORITY FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 697,939	\$
Charges for services		1,440	
Interest income		3,435	
Miscellaneous		101	
	<u>676,800</u>	<u>702,915</u>	<u>26,115</u>
Total revenues			
EXPENDITURES			
Administrative services		441,573	
Salaries		79,312	
Payroll taxes		5,442	
Pension		5,000	
Supplies		2,527	
Memberships and dues		3,472	
Professional fees		2,227	
SMART agreement		22,720	
Printing and publishing		4,576	
Telephone		2,962	
Utilities		2,107	
Repairs and maintenance		2,022	
Rent		10,403	
Facade grant		18,093	
Street improvements		2,887	
Community events		12,519	
Meeting fees		12,614	
Debt - principal		52,000	
	<u>857,718</u>	<u>682,456</u>	<u>175,262</u>
Total expenditures			
Net change in fund balance	(180,918)	20,459	201,377
FUND BALANCE, JULY 1, 2011	<u>298,310</u>	<u>298,310</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 117,392</u>	<u>\$ 318,769</u>	<u>\$ 201,377</u>

LIBRARY FUND

CITY OF WALLED LAKE

LIBRARY FUND
BALANCE SHEET
JUNE 30, 2012

ASSETS

ASSETS

Cash and investments	\$	90,668
Accounts receivable - penal fines		9,422
Accounts receivable - taxes		1,766
Prepaid expenditures		<u>154</u>
Total assets	\$	<u><u>102,010</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	16,724
Accrued compensation		7,505
Deferred revenues		<u>1,766</u>
Total liabilities	\$	25,995

FUND BALANCE

Non-spendable - prepaid items		154
Restricted - community development		<u>75,861</u>
Total fund balance		<u>76,015</u>
Total liabilities and fund balance	\$	<u><u>102,010</u></u>

CITY OF WALLED LAKE

LIBRARY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 300,919	\$
State aid		2,831	
Penal fines		9,422	
Charges for services		8,881	
Interest income		17	
Donations		607	
	<u>334,500</u>	<u>322,677</u>	<u>(11,823)</u>
Total revenues			
EXPENDITURES			
Administrative services		2,000	
Salaries		172,072	
Payroll taxes		13,499	
Insurance - benefits		30,103	
Pension		10,627	
Insurance - liability		1,158	
Supplies		3,559	
Programming fees		44,182	
Computer fee		3,230	
Professional fees		1,835	
Transportation		446	
Printing and publishing		8,211	
Telephone		1,974	
Utilities		5,722	
Repairs and maintenance		12,635	
Rent		2,250	
Books and materials		25,965	
Small equipment		4,656	
Miscellaneous		630	
	<u>365,017</u>	<u>344,754</u>	<u>20,263</u>
Total expenditures			
Net change in fund balance	(30,517)	(22,077)	8,440
FUND BALANCE, JULY 1, 2011	<u>98,092</u>	<u>98,092</u>	
FUND BALANCE, JUNE 30, 2012	<u>\$ 67,575</u>	<u>\$ 76,015</u>	<u>\$ 8,440</u>



PFEFFER ■ HANNIFORD ■ PALKA
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November 1, 2012

To the Honorable Mayor, Mayor Pro Tem and
Members of the City Council
City of Walled Lake
1499 E. West Maple
Walled Lake, Michigan 48304

Honorable Mayor, Mayor Pro Tem, and Members of City Council:

In planning and performing our audit of the financial statements of the City of Walled Lake as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Walled Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but *not* for the purpose of expressing an opinion on the *effectiveness* of the City's internal control. Accordingly, *we do not* express an opinion on the *effectiveness* of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the City of Walled Lake's internal control to be a material weakness:

Segregation Accounting Duties: A good system of internal control provides for a proper segregation of the accounting functions. The City does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Other Matters

As discussed in further detail below we came across a few matters which we feel should be reported to you but, in our view, do not constitute a material weakness or a significant deficiency:

- Allocation of interfund administrative charges have been determined on a historical basis. These charges should be reevaluated periodically as part of the budgeting process.

- While reviewing the accounts in the Water and Sewer Fund we identified several areas of concern as follows:
 - It appears that the utility billings (water and sewer) are not covering current operating cost. It is important to annually review the operations of the utility system to make sure it will be able to meet future obligations.
 - Some users are being charged a flat utility amount based on agreements that have not been reviewed for several years. These amounts should be evaluated periodically to ensure that a reasonable fee is being charged.
 - Sewer charges from Oakland County are based upon the composition of the users within the city. For example, restaurants receive different unit factors than a car wash. The amounts being billed are based on an accumulated number of units purchased from the county. The total units billed by the City have not been reconciled with the 2010 physical audit of the unit count done by the Department of Public Works.
- The delay in filing the required Suburban Mobility Authority for Regional Transportation (SMART) reports affected timely receipt of revenues. The City should take steps to ensure all required filings are done on a timely basis to ensure revenue sources are received as quickly as possible.
- The City still has several uncashed payroll checks from previous years shown as a liability on their balance sheet. These checks should be reissued or escheated to the State of Michigan.
- Building department revenue reports do not match the general ledger activity. These amounts should be reconciled regularly to ensure that all funds are accounted for properly.
- There were instances where monies received by the Library were not deposited timely. To ensure the safeguard of assets, all funds should be sent to the City Treasurer for immediate deposit using bonded designated individuals.
- While reviewing randomly selected employees we noticed that several required employee forms were missing. All proper forms should be on file and the files should be maintained in a secure location. Also election workers should be treated as employees with complete I-9's on file and not as 1099 subcontractors.

This communication is intended solely for the information and use of management of the City of Walled Lake, Council members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Pfeffer, Hanniford & Palka, P.C.

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