

# City of Walled Lake



## 2013 Report on Audit of Financial Statements

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For the Year Ended June 30, 2013



Create, preserve and enhance well-planned, safe, traditional and balanced residential neighborhoods.

**CITY OF WALLED LAKE**

**CITY COUNCIL**

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

**CITY OFFICIALS**

L. Dennis Whitt, City Manager, Clerk, Treasurer  
Colleen M. Coogan, Director of Finance & Budget  
Paul J. Shakinas, Police Chief  
Lisa McGill, Public Works Coordinator  
Jennifer Stuart, Deputy Clerk, Deputy Treasurer

**LEGAL COUNSEL**

Secrest, Wardle, Lynch, Hampton, Truex & Morley

**CITY AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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December 9, 2013

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, each major fund, and the aggregate remaining fund information of the City of Walled Lake as of and for the year ended June 30, 2013, which collectively comprise the City of Walled Lake's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walled Lake as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 - 13 and 52 - 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

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

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

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**



## Management Discussion and Analysis June 30, 2013

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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, 2013 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 Position. 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 position. Over time, increases or decreases in net position 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 position 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 position.

*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 position at the end of the fiscal year was \$15,988,237. This is a \$908,992 decrease over last year's net position of \$16,897,229. This decrease is primarily due to the General Fund's use of reserves to finance the almost half million in ongoing debt payments on the pension and retiree health care obligations, the \$290,486 loss in the water and sewer fund, and the use of reserves for road construction.

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

**Summary of Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit</u>	
	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Assets</b>								
Current and other assets	\$ 3,276,009	\$ 3,551,168	\$ 1,737,018	\$ 2,021,201	\$ 5,013,027	\$ 5,572,369	\$ 602,693	\$ 538,153
Capital assets	10,204,669	10,318,413	5,187,448	5,319,650	15,392,117	15,638,063	869,012	927,073
<b>Total assets</b>	<u>13,480,678</u>	<u>13,869,581</u>	<u>6,924,466</u>	<u>7,340,851</u>	<u>20,405,144</u>	<u>21,210,432</u>	<u>1,471,705</u>	<u>1,465,226</u>
<b>Liabilities</b>								
Other liabilities	1,084,949	620,448	430,324	458,977	1,515,273	1,079,425	73,346	143,369
Long-term liabilities	2,901,634	3,128,391		105,387	2,901,634	3,233,778	77,271	59,720
<b>Total liabilities</b>	<u>3,986,583</u>	<u>3,748,839</u>	<u>430,324</u>	<u>564,364</u>	<u>4,416,907</u>	<u>4,313,203</u>	<u>150,617</u>	<u>203,089</u>
<b>Net position:</b>								
Invested in capital assets, net of related debt	8,425,675	8,421,589	5,187,448	5,319,650	13,613,123	13,741,239	869,012	927,073
Unrestricted	1,068,420	1,699,153	1,306,694	1,456,837	2,375,114	3,155,990	452,076	335,064
<b>Total net position</b>	<u>\$ 9,494,095</u>	<u>\$ 10,120,742</u>	<u>\$ 6,494,142</u>	<u>\$ 6,776,487</u>	<u>\$ 15,988,237</u>	<u>\$ 16,897,229</u>	<u>\$ 1,321,088</u>	<u>\$ 1,262,137</u>

**Summary of Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>
<b>Revenues:</b>								
Program revenues								
Charges for services	\$ 1,684,501	\$ 1,824,657	\$ 2,625,418	\$ 2,652,079	\$ 4,309,919	\$ 4,476,736	\$ 17,271	\$
Operating grants and contributions	162,278	116,564			162,278	116,564	501	
Capital contributions			6,309		6,309			
General revenues								
State-shared revenue	576,022	561,419			576,022	561,419	5,063	2,831
Property taxes	2,352,998	2,545,385			2,352,998	2,545,385	981,995	998,858
Interest	2,057	41,280	165	162	2,222	41,442	464	3,452
Other	390,378	241,380	32,146	4,831	422,524	246,211		101
Transfers		81,405		(81,405)				
<b>Total revenues and transfers</b>	<b>5,168,234</b>	<b>5,412,090</b>	<b>2,664,038</b>	<b>2,575,667</b>	<b>7,832,272</b>	<b>7,987,757</b>	<b>1,005,294</b>	<b>1,005,242</b>
<b>Program Expenses</b>								
General government	1,004,289	1,062,766			1,004,289	1,062,766		
Public safety	3,297,273	3,077,376			3,297,273	3,077,376		
Transportation	113,171	104,880			113,171	104,880		
Public works/roads	1,200,834	1,096,445			1,200,834	1,096,445		
Recreation	51,634	37,918			51,634	37,918		
Interest on long-term debt	127,680	94,807			127,680	94,807		
Refuse/utility systems			2,946,383	2,969,251	2,946,383	2,969,251		
Library/community development							946,343	1,040,321
<b>Total expenses</b>	<b>5,794,881</b>	<b>5,474,192</b>	<b>2,946,383</b>	<b>2,969,251</b>	<b>8,741,264</b>	<b>8,443,443</b>	<b>946,343</b>	<b>1,040,321</b>
<b>Changes in net position</b>	<b>(626,647)</b>	<b>(62,102)</b>	<b>(282,345)</b>	<b>(393,584)</b>	<b>(908,992)</b>	<b>(455,686)</b>	<b>58,951</b>	<b>(35,079)</b>
<b>Beginning net position</b>	<b>10,120,742</b>	<b>10,208,031</b>	<b>6,776,487</b>	<b>7,170,071</b>	<b>16,897,229</b>	<b>17,378,102</b>	<b>1,262,137</b>	<b>1,297,216</b>
<b>Prior period adjustment</b>		<b>(25,187)</b>				<b>(25,187)</b>		
<b>Ending net position</b>	<b>\$ 9,494,095</b>	<b>\$ 10,120,742</b>	<b>\$ 6,494,142</b>	<b>\$ 6,776,487</b>	<b>\$ 15,988,237</b>	<b>\$ 16,897,229</b>	<b>\$ 1,321,088</b>	<b>\$ 1,262,137</b>

## **Financial Analysis of the City's Funds**

With another \$200,000 reduction in current year tax revenue on top of the \$500,000 reduction from last fiscal year, the City needed to draw on reserves to meet its obligations. The City has countered the significant loss in revenues with lay-offs of six (6) full-time staff at the end of year and continued concessionary bargaining negotiations with all five (5) employee unions.

The City continues to focus 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, 2013 closed with a combined reduction of \$122,024 to road fund reserves.

The Water and Sewer Fund continues to have substantial operating losses. The City's plan of action to address these losses began this fiscal year and will continue into 2014. Action items completed this year included an internal audit of each customer account, adoption of the American Water Works Association equivalent user table for various pipe sizes, and replacement of the City's main water meter used to measure total water coming into the City for purposes of confirming the usage charges assessed by the Detroit Water and Sewer Department. This year's loss of \$290,486 included operating losses of \$329,106 plus a debt service transfer of \$90,217 and one-time revenue of \$105,387 for transfer of employee liabilities to the General Fund.

## **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 \$29,985.

## **Capital Asset and Debt Administration**

The governmental funds acquired \$354,547 of new capital assets during the year. Most of these acquisitions were related to the \$236,618 spent on various road infrastructure projects. The Water and Sewer fund purchased a new backhoe for \$94,800 to use in repairing water main breaks.

The City refinanced its 2002 Building Authority Bonds for net present value savings of \$65,743. Debt service payments of \$280,436 for two outstanding bond issues and an installment purchase agreement included principal reduction of \$147,830 and interest and bond refinancing payments of \$132,606. The City will make its final payment on the ambulance installment purchase agreement next year.

## **Economic Conditions and Future Activities**

The City is anticipating property tax values to level off which will allow leadership to set the level of services assuming the existing revenue stream will hold steady. The City settled labor agreements with four (4) full time employee groups and the paid-on-call firefighter labor group and will recognize significant savings in the pension and retiree health care obligations along with reducing the paid time off for full time employees by almost 40 hours per employee.

## **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 POSITION  
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b><u>ASSETS</u></b>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 2,891,007	\$ 1,199,005	\$ 4,090,012	\$ 580,070
Receivables				
Taxes	17,338		17,338	11,079
State shared revenues	111,578		111,578	
Accounts	209,922	538,013	747,935	11,044
Interest				
Special assessments - restricted				
Inventory	15,025		15,025	
Prepaid expenses	31,139		31,139	500
Capital assets, not being depreciated				
Non-depreciated	1,727,473		1,727,473	
Depreciated, net	<u>8,477,196</u>	<u>5,187,448</u>	<u>13,664,644</u>	<u>869,012</u>
<b>Total assets</b>	<u>13,480,678</u>	<u>6,924,466</u>	<u>20,405,144</u>	<u>1,471,705</u>
<b><u>LIABILITIES</u></b>				
<b>LIABILITIES</b>				
Accounts payable	223,623	430,324	653,947	57,136
Accrued compensated absences	389,643		389,643	16,210
Accrued interest	11,048		11,048	
Performance deposits	39,043		39,043	
Non-current liabilities				
Due within one year:				
Compensated absences	267,598		267,598	
Current portion of long-term debt	153,994		153,994	
Due in more than one year:				
Compensated absences	196,077		196,077	
Long-term debt	1,625,000		1,625,000	
Post-employment benefits	<u>1,080,557</u>		<u>1,080,557</u>	<u>77,271</u>
<b>Total liabilities</b>	<u>3,986,583</u>	<u>430,324</u>	<u>4,416,907</u>	<u>150,617</u>
<b><u>NET POSITION</u></b>				
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	8,425,675	5,187,448	13,613,123	869,012
Unrestricted	<u>1,068,420</u>	<u>1,306,694</u>	<u>2,375,114</u>	<u>452,076</u>
<b>Total net position</b>	<u>\$ 9,494,095</u>	<u>\$ 6,494,142</u>	<u>\$ 15,988,237</u>	<u>\$ 1,321,088</u>

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, 2013

<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>
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ (1,004,289)	\$ 863,563	\$ 350	\$
Public safety	(3,297,273)	358,502	8,853	
Transportation	(113,171)	26,997	102,138	
Public works/roads	(1,200,834)	435,439	50,937	
Recreation	(51,634)			
Interest on long-term debt	(127,680)			
<b>Total governmental activities</b>	<u>(5,794,881)</u>	<u>1,684,501</u>	<u>162,278</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Refuse	(310,554)	318,695		
Water/sewer system	(2,635,829)	2,306,723		6,309
<b>Total business-type activities</b>	<u>(2,946,383)</u>	<u>2,625,418</u>		<u>6,309</u>
<b>Total primary government</b>	<u>\$ (8,741,264)</u>	<u>\$ 4,309,919</u>	<u>\$ 162,278</u>	<u>\$ 6,309</u>
<b>COMPONENT UNITS</b>				
Downtown Development Authority	\$ (592,275)	\$ 900	\$	\$
Walled Lake City Library	(354,068)	16,371	501	
<b>Total component units</b>	<u>\$ (946,343)</u>	<u>\$ 17,271</u>	<u>\$ 501</u>	<u>\$</u>
<b>General revenues</b>				
Property taxes				
States shared revenues				
Interest income - cash and equivalents				
Franchise fees				
Rental income				
Other income				
Sale of capital assets				
<b>Transfers</b>				
<b>Total general revenues and transfers</b>				
<b>Changes in net position</b>				
<b>Net position, July 1, 2012</b>				
<b>Net position, June 30, 2013</b>				

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

**Net (Expenses) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (140,376)	\$	\$ (140,376)	\$
(2,929,918)		(2,929,918)	
15,964		15,964	
(714,458)		(714,458)	
(51,634)		(51,634)	
(127,680)		(127,680)	
<u>(3,948,102)</u>		<u>(3,948,102)</u>	
	8,141	8,141	
	<u>(322,797)</u>	<u>(322,797)</u>	
	(314,656)	(314,656)	
<u>(3,948,102)</u>	<u>(314,656)</u>	<u>(4,262,758)</u>	
			(591,375)
			<u>(337,196)</u>
			(928,571)
			<u>(928,571)</u>
2,352,998		2,352,998	981,995
576,022		576,022	5,063
2,057	165	2,222	464
178,471		178,471	
43,730		43,730	
50,553	111,663	162,216	
27,407	10,700	38,107	
90,217	(90,217)		
<u>3,321,455</u>	<u>32,311</u>	<u>3,353,766</u>	<u>987,522</u>
(626,647)	(282,345)	(908,992)	58,951
<u>10,120,742</u>	<u>6,776,487</u>	<u>16,897,229</u>	<u>1,262,137</u>
<u>\$ 9,494,095</u>	<u>\$ 6,494,142</u>	<u>\$ 15,988,237</u>	<u>\$ 1,321,088</u>

**FUND FINANCIAL STATEMENTS**

CITY OF WALLED LAKE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash and investments	\$ 2,125,032	\$ 437,774	\$ 85,202
Receivables			
Taxes	17,338		
State shared revenues	111,578		
Accounts	63,793	43,423	16,474
Due from other funds	14,975		
Inventory	15,025		
Prepaid expenditures	31,139		
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b><u>\$ 2,378,880</u></b>	<b><u>\$ 481,197</u></b>	<b><u>\$ 101,676</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 156,525	\$ 61,474	\$ 513
Accrued payroll and compensated absences	388,142		
Due to other funds	700		
Deferred revenues	17,338		
Performance deposits	39,043		
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b><u>601,748</u></b>	<b><u>61,474</u></b>	<b><u>513</u></b>
<b>FUND BALANCE</b>			
Nonspendable - prepaid items	31,139		
Nonspendable - inventory	15,025		
Restricted - debt service			
Restricted - road improvements		419,723	101,163
Restricted - transportation			
Restricted - public safety			
Unassigned	1,730,968		
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b><u>1,777,132</u></b>	<b><u>419,723</u></b>	<b><u>101,163</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,378,880</u></b>	<b><u>\$ 481,197</u></b>	<b><u>\$ 101,676</u></b>

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

<b>Debt Service Fund</b>	<b>Non-major Funds</b>	<b>Totals</b>
\$ 2,859	\$ 240,140	\$ 2,891,007
		17,338
		111,578
	83,312	207,002
		14,975
		15,025
		31,139
<u>\$ 2,859</u>	<u>\$ 323,452</u>	<u>\$ 3,288,064</u>
\$	\$ 5,111	\$ 223,623
	1,501	389,643
	11,355	12,055
		17,338
		39,043
	<u>17,967</u>	<u>681,702</u>
		31,139
		15,025
2,859		2,859
		520,886
	138,065	138,065
	167,420	167,420
		1,730,968
<u>2,859</u>	<u>305,485</u>	<u>2,606,362</u>
<u>\$ 2,859</u>	<u>\$ 323,452</u>	<u>\$ 3,288,064</u>

**CITY OF WALLED LAKE**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION  
JUNE 30, 2013**

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

<b>Total fund balance per balance sheet</b>		\$ 2,606,362
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Non-depreciated assets	\$ 1,727,473	
Depreciable assets, net of depreciation	<u>8,477,196</u>	
<b>Capital assets net of depreciation</b>		10,204,669
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	(1,778,994)	
Compensated absences	(463,675)	
Other post-employment benefits	<u>(1,080,557)</u>	
<b>Total</b>		(3,323,226)
Taxes receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		17,338
Accrued interest is not due and payable in the current period and is not reported in the funds		<u>(11,048)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 9,494,095</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, 2013

	General Fund	Major Streets Fund	Local Streets Fund
<b>REVENUES</b>			
Taxes	\$ 2,349,945	\$	\$
State shared revenues - general government	576,022		
State shared revenues - roads		262,256	117,070
Grant income	59,790		
Licenses and permits	61,461		
Contributions	350		
Rental income	43,730		
Franchise fees	178,471		
Charges for services	985,040	11,236	
Fines and forfeitures			
Interest	1,437		
Miscellaneous	50,553		
<b>Total revenues</b>	<u>4,306,799</u>	<u>273,492</u>	<u>117,070</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,077,483		
Public safety	2,811,819		
Transportation			
Recreation and culture	34,250		
Public works	468,312	172,449	121,761
Debt service:			
Principal	22,830		
Interest/fees	2,388		
Capital outlay:			
General government			
Public works	111,667	124,951	
<b>Total expenditures</b>	<u>4,528,749</u>	<u>297,400</u>	<u>121,761</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(221,950)</u>	<u>(23,908)</u>	<u>(4,691)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	26,082		
Bond proceeds			
Bond issuance costs			
Transfers in			100,000
Transfers (out)	(44,436)	(100,000)	(93,425)
<b>Total other financing sources (uses)</b>	<u>(18,354)</u>	<u>(100,000)</u>	<u>6,575</u>
<b>Net changes in fund balances</b>	(240,304)	(123,908)	1,884
<b>FUND BALANCE, JULY 1, 2012</b>	<u>2,017,436</u>	<u>543,631</u>	<u>99,279</u>
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 1,777,132</u>	<u>\$ 419,723</u>	<u>\$ 101,163</u>

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

<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
\$	\$	\$ 2,349,945
		576,022
		379,326
	102,138	161,928
		61,461
		350
		43,730
		178,471
	26,997	1,023,273
	220,441	220,441
	620	2,057
		50,553
	350,196	5,047,557
		1,077,483
	90,125	2,901,944
	113,171	113,171
		34,250
		762,522
1,000,000		1,022,830
103,078		105,466
	117,829	117,829
		236,618
1,103,078	321,125	6,372,113
(1,103,078)	29,071	(1,324,556)
	4,350	30,432
905,000		905,000
(27,141)		(27,141)
228,078		328,078
		(237,861)
1,105,937	4,350	998,508
2,859	33,421	(326,048)
	272,064	2,932,410
\$ 2,859	\$ 305,485	\$ 2,606,362



**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, 2013**

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

<b>Net change in fund balances - governmental funds</b>	<b>\$ (326,048)</b>
<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	\$ 354,447
Depreciation expense	<u>(465,166)</u>
<b>Total</b>	<b>(110,719)</b>
<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 Position.</p>	
Repayment of long-term debt	1,197,322
<p>Proceeds from the sale of bonded debt is recorded as other financing sources in the governmental funds. These are recorded as liabilities in the Statement of Net Position</p>	
Bond proceeds	(905,000)
<p>Receivables are not recorded in the fund statements if not collected within 60 days:</p>	
Taxes	3,053
<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	(3,025)
<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	(487,157)
Change in accrued interest payable for the year	<u>4,927</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ (626,647)</u></u></b>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 JUNE 30, 2013

<u>ASSETS</u>	<u>Water and Sewer Fund</u>	<u>Fund Refuse Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 1,192,422	\$ 6,583	\$ 1,199,005
Accounts receivable	484,148	53,165	537,313
Due from other funds	700		700
Utility system	5,187,448		5,187,448
<b>Total assets</b>	<u>6,864,718</u>	<u>59,748</u>	<u>6,924,466</u>
 <b><u>LIABILITIES AND NET POSITION</u></b>			
<b>LIABILITIES</b>			
Accounts payable	<u>430,324</u>		<u>430,324</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,187,448		5,187,448
Unrestricted	<u>1,246,946</u>	<u>59,748</u>	<u>1,306,694</u>
<b>Total net position</b>	<u>\$ 6,434,394</u>	<u>\$ 59,748</u>	<u>\$ 6,494,142</u>

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 POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund	Non-major Fund Refuse Fund	Total
<b>OPERATING REVENUES</b>			
User charges	\$ 2,306,723	\$ 318,695	\$ 2,625,418
<b>OPERATING EXPENSES</b>			
Refuse		310,554	310,554
Sewer and water	2,306,468		2,306,468
Depreciation	329,361		329,361
<b>Total operating expenses</b>	<u>2,635,829</u>	<u>310,554</u>	<u>2,946,383</u>
<b>Operating income (loss)</b>	<u>(329,106)</u>	<u>8,141</u>	<u>(320,965)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on sale of assets	10,700		10,700
Interest income - operating	165		165
Other income	111,663		111,663
<b>Total non-operating revenues (expenses)</b>	<u>122,528</u>		<u>122,528</u>
<b>Excess of revenues over (under) expenses</b>	(206,578)	8,141	(198,437)
<b>CAPITAL CONTRIBUTION - TAP FEES</b>	6,309		6,309
<b>TRANSFERS (OUT)</b>	<u>(90,217)</u>		<u>(90,217)</u>
<b>Changes in net position</b>	(290,486)	8,141	(282,345)
<b>NET POSITION, JULY 1, 2012</b>	<u>6,724,880</u>	<u>51,607</u>	<u>6,776,487</u>
<b>NET POSITION, JUNE 30, 2013</b>	<u>\$ 6,434,394</u>	<u>\$ 59,748</u>	<u>\$ 6,494,142</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, 2013

	Water and Sewer Fund	Non-major Fund Refuse Fund	Total
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>			
Cash received from users	\$ 2,279,414	\$ 338,043	\$ 2,617,457
Cash payments to suppliers	(2,306,478)	(331,460)	(2,637,938)
Cash receipts (payments) to other funds, net	(2,023)		(2,023)
<b>Net cash from operating activities</b>	<u>(29,087)</u>	<u>6,583</u>	<u>(22,504)</u>
<b>CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Tap fees collected	6,309		6,309
Proceeds from sale of assets	10,700		10,700
Transfers out	(90,217)		(90,217)
Acquisition of assets	(197,159)		(197,159)
<b>Net cash (used in) capital and related financing activities</b>	<u>(270,367)</u>		<u>(270,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash	165		165
<b>Net increase (decrease) in cash and cash equivalents</b>	(299,289)	6,583	(292,706)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD</b>	<u>1,491,711</u>		<u>1,491,711</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD</b>	<u>\$ 1,192,422</u>	<u>\$ 6,583</u>	<u>\$ 1,199,005</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (329,106)	\$ 8,141	\$ (320,965)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	329,361		329,361
Other income	111,663		111,663
Change in assets and liabilities:			
Receivables, net	(28,009)	19,348	(8,661)
Prepaid expenses	138		138
Accounts and other payables	(113,134)	(20,906)	(134,040)
<b>Net cash provided by operating activities</b>	<u>\$ (29,087)</u>	<u>\$ 6,583</u>	<u>\$ (22,504)</u>

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

**CITY OF WALLED LAKE**  
**STATEMENT OF PLAN NET POSITION**  
**RETIREE HEALTHCARE FUND**  
**JUNE 30, 2013**

**ASSETS**

Cash and cash investments	<u>\$ 336,627</u>
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**LIABILITIES**

Accounts payable	\$ 2,138
Net assets held in trust for other postemployment benefits	<u>334,489</u>

<b>Total liabilities</b>	<u>\$ 336,627</u>
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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 POSITION  
 RETIREE HEALTHCARE FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

**ADDITIONS**

Investment income:

Interest and dividends	\$ 5,588
Net increase in fair value of investments	<u>3,010</u>

**Net investment income** \$ 8,598

Contributions - Employer	154,675
Contributions - Participants	<u>20,407</u>

Total contributions 175,082

**Total additions** 183,680

**DEDUCTIONS**

Retiree healthcare premiums	123,989
Administrative fees	<u>2,622</u>

**Total deductions** 126,611

**NET INCREASE IN NET ASSETS HELD IN TRUST** 57,069

**NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS**

Beginning of year 277,420

**NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS**

End of year \$ 334,489

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION  
 COMPONENT UNITS  
 JUNE 30, 2013

	Downtown Development Authority Fund	Walled Lake City Library Fund	Total
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash and investments	\$ 483,314	\$ 96,756	\$ 580,070
Receivables:			
Property taxes receivable	8,936	2,143	11,079
Other		11,044	11,044
Prepaid expenses and other assets	500		500
Capital assets, net	653,833	215,179	869,012
<b>Total assets</b>	<b>1,146,583</b>	<b>325,122</b>	<b>1,471,705</b>
<b><u>LIABILITIES AND NET POSITION</u></b>			
<b>LIABILITIES</b>			
Accounts payable	31,138	8,002	39,140
Cash advances and deposits	15,853	2,143	17,996
Accrued liabilities and other		16,210	16,210
Net OPEB obligation (due beyond one year)		77,271	77,271
<b>Total liabilities</b>	<b>46,991</b>	<b>103,626</b>	<b>150,617</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	653,833	215,179	869,012
Unrestricted	445,759	6,317	452,076
<b>Total net position</b>	<b>\$ 1,099,592</b>	<b>\$ 221,496</b>	<b>\$ 1,321,088</b>

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





**Net (Expenses) Revenue  
and Changes in Net Position**

<b>DDA - Full Accrual Statements</b>	<b>Walled Lake City Library - Full Accrual</b>	<b>Total</b>
\$ (591,375)	\$ (337,196)	\$ (591,375) (337,196)
<u>(591,375)</u>	<u>(337,196)</u>	<u>(928,571)</u>
690,000	291,995	981,995
	5,063	5,063
459	5	464
<u>690,459</u>	<u>297,063</u>	<u>987,522</u>
99,084	(40,133)	58,951
<u>1,000,508</u>	<u>261,629</u>	<u>1,262,137</u>
<u>\$ 1,099,592</u>	<u>\$ 221,496</u>	<u>\$ 1,321,088</u>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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 and 63 - *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 Position 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 Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net positions 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 positions 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 positions 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 positions 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, 2013**

**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 Debt Service Fund accounts for the debt service of the bonded debt of the City. This is funded by transfers from various funds.

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, 2013**

**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 position and changes in net position 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 one functional activity.

**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 2012 levy was assessed at an adjusted taxable value of \$175,635,500. 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 by the City of Walled Lake Capital Asset policy as assets with an initial, individual cost of more than \$5,000 to \$25,000 depending on the asset type, 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, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Capital assets are depreciated using the straight-line method over the useful life schedule adopted by City Council in 2013:

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, 2013**

**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, 2013**

**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:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Drug forfeiture	\$ 11,355
General Fund	Tax Fund	3,620
Water and Sewer Fund	General Fund	<u>700</u>
		<u><u>\$ 15,675</u></u>

The following transfers were made during the year:

<u>Transfer in to</u>	<u>Transfer out from</u>	<u>Amounts</u>	<u>Purpose</u>
Local Streets Fund	Major Street Fund	\$ 100,000	Repayment of shared costs
Debt Service Fund	Local Streets Fund	93,425	Local roads bond
Debt Service Fund	General Fund	44,436	Building Authority bonds
Debt Service Fund	Sewer & Water Fund	<u>90,217</u>	Building Authority bonds
		<u><u>\$ 328,078</u></u>	



**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013, the City's annual pension cost of \$474,406 for the plan was equal to the City's required and actual contribution. The annual and required contribution for the year beginning July 1, 2012 through June 30, 2013 was determined as part of an actuarial valuation at December 31, 2011, 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, 2013**

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued**

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 474,406	\$ 480,445	\$ 412,037
Percentage of APC contributed	100.0%	100.0%	100.0%
	Actuarial Valuation as of December 31		
	2011	2010	2009
Actuarial value of assets	\$ 4,848,302	\$ 4,689,287	\$ 4,537,674
Actuarial accrued liability (AAL) (entry age)	\$ 12,677,526	\$ 11,966,601	\$ 11,771,007
Unfunded AAL (UAAL)	\$ 7,829,224	\$ 7,277,314	\$ 7,233,333
Fund ratio	38.2%	39.2%	38.5%
Covered payroll	\$ 2,294,855	\$ 2,078,294	\$ 2,190,699
UAAL as a percentage of covered payroll	341.2%	350.2%	330.2%

**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, 2013 was \$11,617. 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, 2013 was \$102,109. The total pension cost to the Library was \$7,204 for the year ended June 30, 2013.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS**

**DEFINED BENEFIT PLAN**

**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 health care plan and pays premiums up to \$800 per month per retiree. 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.

**Eligibility** - Eligible employees are retirees 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, 2013 (the last date a valuation was performed) there were twenty seven participants in the plan. Of the twenty seven participants, ten 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, 2013 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. The employee contributes a refundable \$25 toward this. \$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 will be reimbursed the \$25 contribution. The City is funding this plan now on a pay-as-you-go basis over and above the \$75 contribution.

Previously, this benefit was extended to all active employees, but this was discontinued in July 2013 as part of a new collective bargaining agreement. These employees will participate in a new defined contribution plan.

**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, 2013**

**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, 2013. The next required alternative measurement method ARC calculation will be valued as of July 1, 2016 for use in financial reporting for the year ending June 30, 2017.

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)	\$ 205,739
Interest on the June 30, 2011 net OPEB obligation	34,133
Adjustment to the annual required contribution	<u>(42,736)</u>
<b>Annual OPEB cost</b>	<b>197,136</b>
Amounts contributed to the WLRHF trust	<u>(62,125)</u>
<b>Increase in net OPEB obligation</b>	<b>135,011</b>
<b>Net OPEB obligation, June 30, 2012</b>	<u>758,507</u>
<b>Net OPEB obligation, June 30, 2013</b>	<u><u>\$ 893,518</u></u>

The funded status of the plan as of June 30, 2013 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
6/30/2013	6/30/2013	\$ 197,136	31.5%	\$ 893,518

The funding progress of the defined benefit plan as of June 30, 2013 (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>
6/30/2009	\$ 319,646	\$ 2,986,172	\$ 2,666,526	10.7
6/30/2011	\$ 274,576	\$ 3,658,739	\$ 3,384,163	7.5
6/30/2013	\$ 336,627	\$ 2,896,968	\$ 2,560,341	13.1

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**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, 2013 (the most recent valuation date) of 22 years.

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - continued**

**DEFINED CONTRIBUTION PLAN**

In July 2013 all active full-time bargaining unit employees of the City will now be participants of a new defined contribution post - retirement health savings plan. This plan calls for the City to make monthly contributions of \$52 or \$104 to the plan depending on whether the participant is enrolled in single or two person/family coverage. All accounts are to be managed by the employee with all funds immediately vested and accessible.

The City will also buy-out services prior to 2013 by funding prior service with a \$25 times the number of pay-periods employed since December 23, 1999 plus \$500 for each year of employment.

The City will make payments over one or more years to the extent allowable by the Internal Revenue Service or healthcare Saving Program limitations will allow. No payments have been made to date.

The total amount owed to fund this new benefit totaled \$264,310 as of June 30, 2013. This amount is solely the amount of prior service cost for the aforementioned buy-out.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity in the governmental fund for the year ended June 30, 2013 was as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2013</u>
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,572,172	\$	\$	\$ 1,572,172
Construction in progress	135,125	236,618	(216,442)	155,301
<b>Subtotal</b>	<u>1,707,297</u>	<u>236,618</u>	<u>(216,442)</u>	<u>1,727,473</u>
<b>Capital assets being depreciated:</b>				
Roads and sidewalks	10,008,655	216,442		10,225,097
Building and improvements	1,244,727			1,244,727
Vehicles, furniture and equipment	2,651,351	117,929	(69,888)	2,699,392
<b>Subtotal</b>	<u>13,904,733</u>	<u>334,371</u>	<u>(69,888)</u>	<u>14,169,216</u>
<b>Less accumulated depreciation for:</b>				
Roads and sidewalks	3,107,435	230,676		3,338,111
Building and improvements	368,588	22,286		390,874
Vehicles, furniture and equipment	1,817,594	212,504	(67,063)	1,963,035
Less accumulated depreciation	<u>5,293,617</u>	<u>465,466</u>	<u>(67,063)</u>	<u>5,692,020</u>
<b>Net capital assets being depreciated</b>	<u>8,611,116</u>	<u>(131,095)</u>	<u>(2,825)</u>	<u>8,477,196</u>
<b>Net capital assets</b>	<u>\$ 10,318,413</u>	<u>\$ 105,523</u>	<u>\$ (219,267)</u>	10,204,669
<b>Related long-term debt outstanding at June 30, 2013</b>				<u>(1,778,994)</u>
<b>Governmental capital assets, net of related long-term debt</b>				<u>\$ 8,425,675</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 7 - CAPITAL ASSETS - continued**

Depreciation expense is allocated to the following activities:

General government	\$ 33,999
Public safety	175,340
Public works	238,443
Recreation and culture	<u>17,684</u>
	<u>\$ 465,466</u>

Capital asset activity in the business-type funds for the year ended June 30, 2013 was as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
<b>Business-type activities:</b>				
<b>Capital assets being depreciated:</b>				
Water systems	\$ 3,289,915	\$ 197,158	\$ 100,000	\$ 3,387,073
Sewer systems	<u>12,706,918</u>			<u>12,706,918</u>
<b>Total capital assets at historical cost</b>	15,996,833	197,158	100,000	16,093,991
<b>Less accumulated depreciation for:</b>				
Water systems	(2,805,887)	(68,910)	100,000	(2,774,797)
Sewer systems	<u>(7,871,296)</u>	<u>(260,450)</u>		<u>(8,131,746)</u>
<b>Total accumulated depreciation</b>	<u>(10,677,183)</u>	<u>(329,360)</u>		<u>(10,906,543)</u>
<b>Business-type capital assets, net</b>	<u>\$ 5,319,650</u>	<u>\$ (132,202)</u>	<u>\$ 100,000</u>	<u>\$ 5,187,448</u>

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 7 - CAPITAL ASSETS - continued**

Capital asset activity in the component unit funds for the year ended June 30, 2013 was as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
Capital assets being depreciated:				
Street lighting and road improvements	\$ 832,704	\$	\$	\$ 832,704
Furniture and equipment	344,803		(29,654)	315,149
Books, periodicals and materials	824,415	27,676	(461,820)	390,271
<b>Subtotal</b>	<u>2,001,922</u>	<u>27,676</u>	<u>(491,474)</u>	<u>1,538,124</u>
<b>Less accumulated depreciation</b>	<u>1,074,849</u>	<u>85,737</u>	<u>(491,474)</u>	<u>669,112</u>
<b>Net capital assets</b>	<u>\$ 927,073</u>	<u>\$ (58,061)</u>	<u>\$</u>	<u>\$ 869,012</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 27,906
Library	<u>57,831</u>
	<u>\$ 85,737</u>



**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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
<b>Governmental Activities</b>	
<b>General obligations:</b>	
2013 Building Authority LTGO bond refunding. The 2002 Building Authority LTGO bond issued \$1,400,000 to improve the DPW building. The bond bears interest of 2.17%, and matures through 2022	\$ 905,000
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>850,000</u>
<b>Total of general obligations</b>	1,755,000
<b>Installment purchase agreement:</b>	
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>23,994</u>
<b>Total governmental activity debt</b>	<u><u>\$ 1,778,994</u></u>

CITY OF WALLED LAKE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 8 - LONG-TERM DEBT - continued**

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

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 1,850,000	\$ 905,000	\$ 1,000,000	\$ 1,755,000	\$ 130,000
Installment purchase agreements	46,824		22,830	23,994	23,994
Accumulated compensated absences	638,167		174,492	463,675	267,598
<b>Total general obligations</b>	<u>\$ 2,534,991</u>	<u>\$ 905,000</u>	<u>\$ 1,197,322</u>	<u>\$ 2,242,669</u>	<u>\$ 421,592</u>
<b>Business-type Activities:</b>					
Accumulated compensated absences	<u>\$ 54,103</u>	<u>\$</u>	<u>\$</u>	<u>\$ 54,103</u>	<u>\$</u>
<b>Component Unity Activities</b>					
Accumulated compensated absences	<u>\$ 20,192</u>	<u>\$</u>	<u>\$ 9,486</u>	<u>\$ 10,706</u>	<u>\$</u>

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 153,994	\$ 53,768	\$ 207,762
2015	160,000	56,577	216,577
2016	160,000	51,940	211,940
2017	180,000	47,303	227,303
2018	180,000	41,650	221,650
2019 - 2023	845,000	117,216	962,216
2024	100,000	5,000	105,000
<b>Total</b>	<u>\$ 1,778,994</u>	<u>\$ 373,454</u>	<u>\$ 2,152,448</u>

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013 deposits and investments consist of the following:

	<u>City of Walled Lake</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
<b>Deposits</b>				
Checking accounts	\$ 3,854,689	\$ 427,099	\$ 579,819	\$ 4,861,607
<b>Investments</b>				
Negotiable certificate of deposit		80,175		80,175
Open ended mutual funds		5,681		5,681
Government bonds	10,099			10,099
2a7 funds	231,544			231,544
	<u>241,643</u>	<u>85,856</u>		<u>327,499</u>
<b>Total investments</b>				
	<u>\$ 4,096,332</u>	<u>\$ 512,955</u>	<u>\$ 579,819</u>	<u>\$ 5,189,106</u>
<b>Total deposits and investments</b>				

The carrying amount of cash and investments is stated at \$5,176,992 as of June 30, 2013. 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, 2013**

**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, 2013, deposits in banks totaled \$4,861,607 which was exposed to custodial credit risk as follows:

	<b>City of Walled Lake</b>	<b>Fiduciary Funds</b>	<b>Component Units</b>	<b>Total</b>
Insured by FDIC	\$ 996,410	\$	\$ 11,000	\$ 1,007,410
Uninsured and uncollateralized	2,858,279	427,099	568,819	3,854,197
	<u>\$ 3,854,689</u>	<u>\$ 427,099</u>	<u>\$ 579,819</u>	<u>\$ 4,861,607</u>

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

For Government accounts, the FDIC insurance covers up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts), and up to \$250,000 for the combined amount of all demand deposit accounts.

**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, 2013 investments of \$327,499 are subject to custodial credit risk as follows:

	<b>City of Walled Lake</b>	<b>Fiduciary Funds</b>	<b>Component Units</b>	<b>Total</b>
Insured by FDIC	\$	\$ 80,175	\$	\$ 80,175
Insured by SIPC	10,099			10,099
	<u>\$ 10,099</u>	<u>\$ 80,175</u>	<u>\$</u>	<u>\$ 90,274</u>

The External Investment Pool, Chase 2a& Fund and Open Ended Mutual Fund are not subject to Custodial Credit Risk. These accounts total \$237,225.

**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, 2013, 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, 2013

**NOTE 9 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued**

<u>Investment Type</u>	<u>Rating by S &amp; P</u>	<u>Amount</u>
2a7 Funds	AAA/V1	\$ 231,544
Federal National Mortgage Association	Not rated	10,099
Open Ended Mutual Funds	AAA	5,681
Negotiable Certificates of Deposit	Not rated	80,175
		<u>\$ 327,499</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, 2013 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years) Less than 5</u>
Government Securities	\$ 10,099	\$ 10,099
Negotiable Certificate of Deposit	80,175	80,175
<b>Total</b>	<u>\$ 90,274</u>	<u>\$ 90,274</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	24%

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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.

**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, 2013

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$	\$ 2,356,600	\$ 2,349,945	\$ (6,655)
Licenses and permits		50,650	61,461	10,811
State shared revenue		505,000	576,022	71,022
Charges for services		1,028,275	1,163,511	135,236
Interest		6,500	1,437	(5,063)
Miscellaneous revenue		112,250	154,423	42,173
<b>Total revenues</b>		4,014,875	4,306,799	247,524
<b>EXPENDITURES</b>		4,505,446	4,528,749	29,985
<b>Excess of revenue (under) over expenditures</b>		(490,571)	(221,950)	277,509
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets			26,082	26,082
Transfer (out)		(39,055)	(44,436)	(5,381)
<b>Total other financing sources (use)</b>		(39,055)	(18,354)	20,701
<b>Net change in fund balance</b>		(529,626)	(240,304)	298,210
<b>FUND BALANCE, JULY 1, 2012</b>		2,017,436	2,017,436	
<b>FUND BALANCE, JUNE 30, 2013</b>	\$	\$ 1,487,810	\$ 1,777,132	\$ 298,210



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, 2013

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State shared revenues	\$	\$	\$ 262,256	\$
Charges for services			11,236	
<b>Total revenues</b>	<u>1,085,800</u>	<u>1,085,800</u>	<u>273,492</u>	<u>(812,308)</u>
<b>EXPENDITURES</b>				
Engineering			68,713	
Road project costs			114,608	
Personnel allocation			85,400	
Equipment rental			14,239	
Professional fees			1,440	
Administrative costs			13,000	
<b>Total expenditures</b>	<u>1,422,090</u>	<u>1,482,908</u>	<u>297,400</u>	<u>1,185,508</u>
<b>Excess of revenue (under) over expenditures</b>	<u>(336,290)</u>	<u>(397,108)</u>	<u>(23,908)</u>	<u>373,200</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)		<u>(100,000)</u>	<u>(100,000)</u>	
<b>Net change in fund balance</b>	<u>(336,290)</u>	<u>(497,108)</u>	<u>(123,908)</u>	<u>373,200</u>
<b>FUND BALANCE, JULY 1, 2012</b>	<u>543,631</u>	<u>543,631</u>	<u>543,631</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 207,341</u>	<u>\$ 46,523</u>	<u>\$ 419,723</u>	<u>\$ 373,200</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, 2013

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State shared revenues	\$ 107,500	\$ 107,500	\$ 117,070	\$ 9,570
<b>EXPENDITURES</b>				
Engineering			495	
Personnel allocation			85,400	
Project costs			22,695	
Equipment rental			6,231	
Professional fees			1,440	
Administrative costs			5,500	
<b>Total expenditures</b>	<u>131,340</u>	<u>166,195</u>	<u>121,761</u>	<u>44,434</u>
<b>Excess of revenue (under) over expenditures</b>	(23,840)	(58,695)	(4,691)	54,004
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in		100,000	100,000	
Transfer (out)	<u>(93,450)</u>	<u>(93,450)</u>	<u>(93,425)</u>	<u>25</u>
<b>Total other financing sources (uses)</b>	<u>(93,450)</u>	<u>6,550</u>	<u>6,575</u>	<u>25</u>
<b>Net change in fund balance</b>	(117,290)	(52,145)	1,884	54,029
<b>FUND BALANCE, JULY 1, 2012</b>	<u>99,279</u>	<u>99,279</u>	<u>99,279</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ (18,011)</u>	<u>\$ 47,134</u>	<u>\$ 101,163</u>	<u>\$ 54,029</u>

CITY OF WALLED LAKE

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND FUNDING PROGRESS  
FOR RETIREE'S HEALTH PLAN  
JUNE 30, 2013

DEFINED BENEFIT PLAN

<b>Fiscal Year Ended</b>	<b>Actuarial Valuation Date</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
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
6/30/2013	6/30/2013	\$ 197,136	31.5%	\$ 893,518

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>
6/30/2009	\$ 319,646	\$ 2,986,172	\$ 2,666,526	10.7%
6/30/2011	\$ 274,576	\$ 3,658,739	\$ 3,384,163	7.5%
6/30/2012	\$ 336,627	\$ 2,896,968	\$ 2,560,341	13.1%

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, 2013**

<b>Actuarial Valuation Date</b>	<b>Cost (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Employer Contributions</b>
12/31/2013	\$ 480,445	100%	\$ 480,445
12/31/2012	\$ 474,406	100%	\$ 474,406
12/31/2011	\$ 412,037	100%	\$ 412,037
12/31/2010	\$ 460,111	100%	\$ 460,111
12/31/2009	\$ 475,730	100%	\$ 475,730

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2011	\$ 4,848,302	\$ 12,677,526	\$ 7,829,224	38.2%	\$ 1,856,156	421.8%
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, 2011
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	26 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, 2013

**NOTE - SUPPLEMENTARY INFORMATION**

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the City had the following expenditures that exceeded budgeted amounts:

<u>General Fund Activity</u>	<u>Amount</u>
Public safety	\$ 120,458

**SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**



CITY OF WALLED LAKE

COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2013

	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Transportation Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>ASSETS</b>					
Cash and investments	\$ 437,774	\$ 85,202	\$ 56,342	\$ 183,798	\$ 763,116
Accounts receivable	43,423	16,474	83,312		143,209
<b>Total assets</b>	<b><u>\$ 481,197</u></b>	<b><u>\$ 101,676</u></b>	<b><u>\$ 139,654</u></b>	<b><u>\$ 183,798</u></b>	<b><u>\$ 906,325</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 61,474	\$ 513	\$ 88	\$ 5,023	\$ 67,098
Accrued wages and vacation			1,501		1,501
Due to other funds				11,355	11,355
<b>Total liabilities</b>	61,474	513	1,589	16,378	79,954
<b>FUND BALANCE</b>	<b><u>419,723</u></b>	<b><u>101,163</u></b>	<b><u>138,065</u></b>	<b><u>167,420</u></b>	<b><u>826,371</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 481,197</u></b>	<b><u>\$ 101,676</u></b>	<b><u>\$ 139,654</u></b>	<b><u>\$ 183,798</u></b>	<b><u>\$ 906,325</u></b>

**CITY OF WALLED LAKE**  
**COMBINING BALANCE SHEET**  
**ALL ENTERPRISE FUNDS**  
**JUNE 30, 2013**

	<b>Water and Sewer Fund</b>	<b>Refuse Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash	\$ 1,192,422	\$ 6,583	\$ 1,199,005
Accounts receivable	484,148	53,165	537,313
Due from other funds	700		700
Utility system, net	5,187,448		5,187,448
<b>Total assets</b>	<b>\$ 6,864,718</b>	<b>\$ 59,748</b>	<b>\$ 6,924,466</b>
<b><u>LIABILITIES AND NET POSITION</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 430,324	\$	\$ 430,324
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,187,448		5,187,448
Unrestricted	1,246,946	59,748	1,306,694
<b>Total net position</b>	<b>6,434,394</b>	<b>59,748</b>	<b>6,494,142</b>
<b>Total liabilities and net position</b>	<b>\$ 6,864,718</b>	<b>\$ 59,748</b>	<b>\$ 6,924,466</b>

CITY OF WALLED LAKE

BALANCE SHEET  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Retiree Health Care Fund</u>	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 336,627	\$ 133,137	\$ 3,620	\$ 473,384
Prepaid expenditures		325		325
<b>Total assets</b>	<u>\$ 336,627</u>	<u>\$ 133,462</u>	<u>\$ 3,620</u>	<u>\$ 473,709</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES</b>				
Accounts payable/performance deposits	\$ 2,138	\$ 133,462	\$	\$ 135,600
Due to other funds			3,620	3,620
<b>Total liabilities</b>	<u>2,138</u>	<u>133,462</u>	<u>3,620</u>	<u>139,220</u>
<b>FUND BALANCE</b>	<u>334,489</u>			<u>334,489</u>
<b>Total liabilities and fund balance</b>	<u>\$ 336,627</u>	<u>\$ 133,462</u>	<u>\$ 3,620</u>	<u>\$ 473,709</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, 2013**

	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Transportation Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Totals</u>
<b>REVENUES</b>					
Fines and forfeits	\$	\$	\$	\$ 220,441	\$ 220,441
Charges for services	11,236		26,997		38,233
State shared revenues	262,256	117,070			379,326
Interest				620	620
Grants			102,138		102,138
	<u>273,492</u>	<u>117,070</u>	<u>129,135</u>	<u>221,061</u>	<u>740,758</u>
<b>Total revenues</b>					
<b>EXPENDITURES</b>					
Transportation services			113,171		113,171
Public safety				207,954	207,954
Public works	297,400	121,761			419,161
	<u>297,400</u>	<u>121,761</u>	<u>113,171</u>	<u>207,954</u>	<u>740,286</u>
<b>Total expenditures</b>					
<b>Excess of revenues over (under) expenditures</b>	(23,908)	(4,691)	15,964	13,107	472
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets				4,350	4,350
Transfers in		100,000			100,000
Transfers (out)	(100,000)	(93,425)			(193,425)
	<u>(100,000)</u>	<u>6,575</u>	<u>15,964</u>	<u>4,350</u>	<u>(89,075)</u>
<b>Total other financing sources (uses)</b>					
<b>Net changes in fund balances</b>	(123,908)	1,884	15,964	17,457	(88,603)
<b>FUND BALANCE, JULY 1, 2012</b>	<u>543,631</u>	<u>99,279</u>	<u>122,101</u>	<u>149,963</u>	<u>914,974</u>
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 419,723</u>	<u>\$ 101,163</u>	<u>\$ 138,065</u>	<u>\$ 167,420</u>	<u>\$ 826,371</u>

**CITY OF WALLED LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Water and Sewer Fund</b>	<b>Refuse Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
User charges	\$ 2,306,723	\$ 318,695	\$ 2,625,418
<b>OPERATING EXPENSES</b>			
Refuse		310,554	310,554
Sewer and water	2,306,468		2,306,468
Depreciation	329,361		329,361
<b>Total operating expenses</b>	<u>2,635,829</u>	<u>310,554</u>	<u>2,946,383</u>
<b>Operating income (loss)</b>	<u>(329,106)</u>	<u>8,141</u>	<u>(320,965)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on sale of assets	10,700		10,700
Interest income - operating	165		165
Other income	111,663		111,663
<b>Total non-operating revenues (expenses)</b>	<u>122,528</u>		<u>122,528</u>
<b>Excess of revenues over (under) expenses</b>	<u>(206,578)</u>	<u>8,141</u>	<u>(198,437)</u>
<b>CAPITAL CONTRIBUTIONS - TAP FEES</b>	6,309		6,309
<b>TRANSFERS (OUT)</b>	<u>(90,217)</u>		<u>(90,217)</u>
<b>Changes in net position</b>	<u>(290,486)</u>	<u>8,141</u>	<u>(282,345)</u>
<b>FUND BALANCE, JULY 1, 2012</b>	<u>6,724,880</u>	<u>51,607</u>	<u>6,776,487</u>
<b>FUND BALANCE, JUNE 30, 2013</b>	<u><u>\$ 6,434,394</u></u>	<u><u>\$ 59,748</u></u>	<u><u>\$ 6,494,142</u></u>

CITY OF WALLED LAKE

COMBINING STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (329,106)	\$ 8,141	\$ (320,965)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities			
Depreciation	329,361		329,361
Other income	111,663		111,663
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(27,309)	19,348	(7,961)
(Increase) decrease in due from other funds	(700)		(700)
(Increase) decrease in prepaid expenses	138		138
Increase (decrease) in accounts payable/accrued expense	(111,811)	(20,906)	(132,717)
Increase (decrease) in due to other funds	(1,323)		(1,323)
<b>Total adjustments</b>	<u>300,019</u>	<u>(1,558)</u>	<u>298,461</u>
<b>Net cash from (used in) operating activities</b>	<u>(29,087)</u>	<u>6,583</u>	<u>(22,504)</u>
<b>CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers (out)	(90,217)		(90,217)
Acquisition of capital of assets	(197,159)		(197,159)
Proceeds from sale of assets	10,700		10,700
Tap fees collected	6,309		6,309
<b>Net cash from (used in) capital and related financing activities</b>	<u>(270,367)</u>		<u>(270,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash	165		165
<b>Net increase (decrease) in cash and cash equivalents</b>	(299,289)	6,583	(292,706)
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2012</b>	<u>1,491,711</u>		<u>1,491,711</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2013</b>	<u>\$ 1,192,422</u>	<u>\$ 6,583</u>	<u>\$ 1,199,005</u>

**INDIVIDUAL FUNDS**

**GENERAL FUND**



CITY OF WALLED LAKE

GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and investments	\$ 2,125,032
Receivables	
Taxes	17,338
State	111,578
Accounts	63,793
Due from other funds	14,975
Inventory	15,025
Prepaid expenditures	31,139
	<hr/>
<b>Total assets</b>	<b>\$ 2,378,880</b>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$ 156,525
Accrued compensated	120,783
Accrued sick and vacation	267,359
Due to other funds	700
Deferred revenues	17,338
Performance deposits	39,043
	<hr/>
<b>Total liabilities</b>	<b>\$ 601,748</b>

**FUND BALANCE**

Non-spendable:	
Prepaid	31,139
Inventories	15,025
Unassigned	1,730,968
	<hr/>
<b>Total fund balance</b>	<b>1,777,132</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 2,378,880</b>

CITY OF WALLED LAKE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Taxes	\$ 2,356,600	\$ 2,349,945	\$ (6,655)
Licenses and permits	50,650	61,461	10,811
State shared revenues	505,000	576,022	71,022
Charges for services	1,028,275	1,163,511	135,236
Interest	6,500	1,437	(5,063)
Miscellaneous revenue	112,250	154,423	42,173
<b>Total revenues</b>	4,059,275	4,306,799	247,524
<b>EXPENDITURES</b>	4,558,734	4,528,749	29,985
<b>Excess of revenues over (under) expenditures</b>	(499,459)	(221,950)	277,509
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets		26,082	26,082
Transfers (out)	(39,055)	(44,436)	(5,381)
<b>Total other financing sources (uses)</b>	(39,055)	(18,354)	20,701
<b>Net change in fund balance</b>	(538,514)	(240,304)	298,210
<b>FUND BALANCE, JULY 1, 2012</b>	2,017,436	2,017,436	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 1,478,922</u>	<u>\$ 1,777,132</u>	<u>\$ 298,210</u>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>TAXES</b>	<u>\$ 2,356,600</u>	<u>\$ 2,349,945</u>	<u>\$ (6,655)</u>
<b>LICENSES AND PERMITS</b>	<u>50,650</u>	<u>61,461</u>	<u>10,811</u>
<b>STATE SHARED REVENUES</b>	<u>505,000</u>	<u>576,022</u>	<u>71,022</u>
<b>CHARGES FOR SERVICES</b>			
Cemetery		9,100	
Tax administration fees		53,291	
Cablevision franchise fees		178,471	
Equipment rental		24,098	
Passports		15,075	
Planning and zoning fees		3,966	
Court fees		20,704	
Crossing guard		7,579	
Mobile home park fees		761	
Police fees		8,773	
Fire department charges		101,005	
Administrative charges		643,302	
Other charges for services		13,133	
Farmer's/Market day/Beach party		11,679	
PILT Tax		9,277	
Penalty and interest		45,597	
Reimbursements		17,700	
<b>Total charges for services</b>	<u>1,028,275</u>	<u>1,163,511</u>	<u>135,236</u>
<b>INTEREST</b>	<u>6,500</u>	<u>1,437</u>	<u>(5,063)</u>
<b>MISCELLANEOUS REVENUE</b>			
Grants		59,790	
Miscellaneous		9,838	
Insurance dividends		40,715	
Rental income		43,730	
Donations		350	
<b>Total miscellaneous revenue</b>	<u>112,250</u>	<u>154,423</u>	<u>42,173</u>
<b>Total revenues</b>	<u>\$ 4,059,275</u>	<u>\$ 4,306,799</u>	<u>\$ 247,524</u>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CITY COUNCIL</b>			
Salaries	\$	\$ 6,635	\$
Payroll taxes		475	
Insurance		10	
Conference and travel		809	
<b>Total city council</b>	<u>12,135</u>	<u>7,929</u>	<u>4,206</u>
<b>CITY MANAGER</b>			
Salaries		113,448	
Payroll taxes		9,538	
Insurance - benefits		20,994	
Pension and OPEB		13,567	
Insurance - liability		861	
Training		260	
Personnel allocation		(107,000)	
<b>Total city manager</b>	<u>125,765</u>	<u>51,668</u>	<u>74,097</u>
<b>ASSESSOR</b>			
County equalization		49,772	
Printing and postage		69	
<b>Total assessor</b>	<u>55,500</u>	<u>49,841</u>	<u>5,659</u>
<b>ATTORNEY</b>	<u>39,600</u>	<u>42,900</u>	<u>(3,300)</u>
<b>PROSECUTION AND LITIGATION</b>	<u>90,000</u>	<u>100,893</u>	<u>(10,893)</u>
<b>FINANCE</b>			
Salaries		70,385	
Payroll taxes		5,384	
Retirement		3,519	
Insurance - liability		479	
Dues and training		1,096	
Software		1,587	
Personnel allocation		(55,900)	
<b>Total finance</b>	<u>26,543</u>	<u>26,550</u>	<u>(7)</u>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT</b>			
Salaries		163,509	
Payroll taxes		10,853	
Insurance - benefits		47,828	
Pension and OPEB		19,476	
Insurance - liability		52,181	
Office supplies and postage		9,693	
Utilities		17,558	
Repairs and maintenance		41,475	
Dues and subscriptions		6,201	
Professional fees		10,080	
Community development		5,272	
Senior center		37,236	
Miscellaneous		549	
Equipment rental		1,407	
Conferences and training		519	
Capital outlay		(98,500)	
	<hr/>	<hr/>	<hr/>
<b>Total general government</b>	<b>306,408</b>	<b>325,337</b>	<b>(18,929)</b>
	<hr/>	<hr/>	<hr/>
<b>CITY CLERK</b>			
Salaries		50,081	
Payroll taxes		3,595	
Insurance - benefits		3,014	
Retirement and OPEB		5,783	
Insurance - liability		106	
Office supplies and postage		2,320	
Dues and subscriptions		215	
Transportation		185	
Printing and publishing		3,221	
Telephone		5,910	
Repair and maintenance		499	
Conferences and training		520	
Small equipment		1,060	
Miscellaneous		89	
Tuition reimbursement		2,381	
Personnel allocation		(1,100)	
	<hr/>	<hr/>	<hr/>
<b>Total city clerk</b>	<b>90,065</b>	<b>77,879</b>	<b>12,186</b>
	<hr/>	<hr/>	<hr/>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>BOARD OF REVIEW</b>	<u>1,550</u>	<u>1,451</u>	<u>99</u>
<b>TREASURER</b>			
Salaries		60,317	
Payroll taxes		4,070	
Insurance - benefits		15,856	
Pension and OPEB		7,303	
Insurance - liability		7,172	
Office supplies and postage		1,891	
Banking and payroll fees		12,407	
Membership and dues		200	
Printing and publishing		4,602	
Telephone		1,860	
Computer and maintenance		24	
Equipment rental		4,500	
Miscellaneous		854	
Personnel allocation		(6,700)	
<b>Total treasurer</b>	<u>112,115</u>	<u>114,356</u>	<u>(2,241)</u>
<b>ELECTIONS</b>	<u>10,800</u>	<u>10,726</u>	<u>74</u>
<b>CEMETERY</b>	<u>2,000</u>	<u>943</u>	<u>1,057</u>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>POLICE DEPARTMENT</b>			
Salaries		1,106,739	
Payroll taxes		79,195	
Insurance - benefits		138,680	
Pension and OPEB		316,447	
Insurance - liability		16,907	
Dispatch services		71,045	
Operating supplies		3,943	
Professional fees		4,245	
Uniforms		9,018	
Fuel		33,870	
Auxiliary services		4,236	
Prevention programs		1,082	
Utilities		9,161	
Lien claims		15,377	
Telephone		5,642	
Repairs and maintenance		11,838	
Record retention		784	
Training		10,739	
Capital outlay		2,271	
Office supplies and postage		3,185	
Miscellaneous		150	
	<hr/>	<hr/>	<hr/>
<b>Total police department</b>	<u>1,742,070</u>	<u>1,844,554</u>	<u>(102,484)</u>
<b>CROSSING GUARDS</b>	<u>7,500</u>	<u>7,721</u>	<u>(221)</u>

CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>FIRE DEPARTMENT</b>			
Salaries		610,271	
Payroll taxes		38,749	
Insurance - benefits		70,367	
Pension and OPEB		100,582	
Insurance - general liability		15,411	
Dispatch services		15,595	
Office supplies and postage		1,265	
Operating supplies		7,651	
Fire prevention		1,268	
Uniforms		6,693	
Fuel		14,732	
Cost recovery billing		6,468	
Dues and subscriptions		7,342	
Professional fees		769	
Telephone and utilities		16,565	
Repairs and maintenance		32,331	
Training		7,577	
Equipment rental		5,228	
Capital outlay		8,240	
Debt - principal		22,830	
Debt - interest		2,388	
Printing and publishing		161	
<b>Total fire department</b>	<u>968,783</u>	<u>992,483</u>	<u>(23,700)</u>
<b>BUILDING</b>			
Salaries		52,387	
Payroll taxes		3,354	
Personnel allocation		16,500	
Dues and subscriptions		50	
Insurance - liability		1,908	
Supplies and postage		1,336	
Training		46	
Inspection fees		13,517	
Telephone		6,885	
Repairs and maintenance		12,375	
Ordinance enforcement costs		20,150	
<b>Total building</b>	<u>134,455</u>	<u>128,508</u>	<u>5,947</u>



CITY OF WALLED LAKE

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>DPW</b>			
Salaries		398,517	
Payroll taxes		29,650	
Insurance - benefits		73,738	
Pension and OPEB		73,872	
Insurance - liability		9,111	
Office supplies and postage		920	
Operating supplies		6,191	
Uniforms		2,117	
Fuel		11,350	
Contracted services		3,750	
Dues and subscriptions		571	
Telephone		3,297	
Utilities		17,862	
Repairs and maintenance		12,263	
Equipment rental		89,928	
Small equipment		714	
Miscellaneous		318	
Personnel allocation		(351,300)	
<b>Total DPW</b>	<u>434,925</u>	<u>382,869</u>	<u>52,056</u>
<b>PARKS AND RECREATION</b>	<u>42,500</u>	<u>32,415</u>	<u>10,085</u>
<b>BEAUTIFICATION</b>	<u>2,000</u>	<u>1,835</u>	<u>165</u>
<b>PLANNING COMMISSION</b>			
Personnel allocation		16,500	
Office supplies and postage		116	
Dues and subscriptions		625	
Consultant		14,600	
Ordinance		75	
Printing and publishing		54	
<b>Total planning commission</b>	<u>58,775</u>	<u>31,970</u>	<u>26,805</u>
<b>STORM WATER</b>	<u>7,245</u>	<u>10,270</u>	<u>(3,025)</u>
<b>STREETLIGHTS</b>	<u>65,000</u>	<u>66,509</u>	<u>(1,509)</u>
<b>ZONING BOARD OF APPEALS</b>	<u>1,000</u>	<u>255</u>	<u>745</u>
<b>CAPITAL OUTLAY</b>	<u>122,000</u>	<u>118,887</u>	<u>3,113</u>
<b>OPEB</b>	<u>100,000</u>	<u>100,000</u>	
<b>Total expenditures</b>	<u>\$ 4,558,734</u>	<u>\$ 4,528,749</u>	<u>\$ 29,985</u>

**MAJOR STREETS FUND**

CITY OF WALLED LAKE

MAJOR STREETS FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and investments	\$ 437,774
Accounts receivable	<u>43,423</u>
<b>Total assets</b>	<u><u>\$ 481,197</u></u>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$ 61,474
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**FUND BALANCE - RESTRICTED**

<b>Total liabilities and fund balance</b>	<u><u>\$ 481,197</u></u>
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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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
State shared revenue	\$	\$ 262,256	\$
Charges for services		11,236	
	<u>1,085,800</u>	<u>273,492</u>	<u>(812,308)</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Engineering		68,713	
Road project costs		114,608	
Personnel allocation		85,400	
Equipment rental		14,239	
Professional fees		1,440	
Administrative costs		13,000	
	<u>1,482,908</u>	<u>297,400</u>	<u>1,185,508</u>
<b>Total expenditures</b>			
<b>Excess of revenues over (under) expenditures</b>	(397,108)	(23,908)	373,200
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>	
<b>Net change in fund balance</b>	(497,108)	(123,908)	373,200
<b>FUND BALANCE, JULY 1, 2012</b>	<u>543,631</u>	<u>543,631</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 46,523</u>	<u>\$ 419,723</u>	<u>\$ 373,200</u>

**LOCAL STREETS FUND**

CITY OF WALLED LAKE

LOCAL STREETS FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and investments	\$ 85,202
Accounts receivable	<u>16,474</u>
<b>Total assets</b>	<u><u>\$ 101,676</u></u>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$ 513
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**FUND BALANCE - RESTRICTED**

	<u>101,163</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 101,676</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
State shared revenues	\$ 107,500	\$ 117,070	\$ 9,570
<b>EXPENDITURES</b>			
Engineering		495	
Personnel allocation		85,400	
Project costs		22,695	
Equipment rental		6,231	
Professional fees		1,440	
Administrative costs		5,500	
<b>Total expenditures</b>	<u>166,195</u>	<u>121,761</u>	<u>44,434</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(58,695)</u>	<u>(4,691)</u>	<u>54,004</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	100,000	100,000	
Transfers (out)	(93,450)	(93,425)	
<b>Total other financing sources (uses)</b>	<u>6,550</u>	<u>6,575</u>	<u>25</u>
<b>Net change in fund balance</b>	<u>(52,145)</u>	<u>1,884</u>	<u>54,029</u>
<b>FUND BALANCE, JULY 1, 2012</b>	<u>99,279</u>	<u>99,279</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 47,134</u>	<u>\$ 101,163</u>	<u>\$ 54,029</u>

**TRANSPORTATION FUND**



**CITY OF WALLED LAKE**  
**TRANSPORTATION FUND**  
**BALANCE SHEET**  
**JUNE 30, 2013**

**ASSETS**

**ASSETS**

Cash and investments	\$ 56,342
Accounts receivable	<u>83,312</u>
<b>Total assets</b>	<b><u><u>\$ 139,654</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 88
Accrued compensation	<u>1,501</u>
<b>Total liabilities</b>	<b>\$ 1,589</b>

**FUND BALANCE**

Restricted - transportation	<u>138,065</u>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 139,654</u></u></b>

CITY OF WALLED LAKE

TRANSPORTATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Grant - state	\$	\$ 102,138	\$
Charges for services		26,997	
	<u>121,320</u>	<u>129,135</u>	<u>7,815</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Salaries		30,169	
Payroll taxes		2,308	
Contracted services		38,855	
Fuel		7,751	
Administrative services		11,900	
Insurance		3,532	
Telephone		17,226	
Repairs and maintenance		1,421	
Miscellaneous		9	
	<u>113,405</u>	<u>113,171</u>	<u>234</u>
<b>Total expenditures</b>			
<b>Net change in fund balance</b>	7,915	15,964	8,049
<b>FUND BALANCE, JULY 1, 2012</b>	<u>122,101</u>	<u>122,101</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 130,016</u>	<u>\$ 138,065</u>	<u>\$ 8,049</u>

**DRUG FORFEITURE FUND**

**CITY OF WALLED LAKE**  
**DRUG FORFEITURE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2013**

**ASSETS**

**ASSETS**

Cash and investments	\$ 183,798
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**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 5,023
Due to other funds	<u>11,355</u>

<b>Total liabilities</b>	<b>\$ 16,378</b>
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**FUND BALANCE**

Restricted - public safety	<u>167,420</u>
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<b>Total liabilities and fund balance</b>	<b><u>\$ 183,798</u></b>
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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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Drug forfeitures	\$	\$ 220,441	\$
Interest		620	
<b>Total revenues</b>	<u>275,500</u>	<u>221,061</u>	<u>(54,439)</u>
<b>EXPENDITURES</b>			
Drug law enforcement		43,684	
Supplies		3,301	
Capital outlay		160,969	
<b>Total expenditures</b>	<u>275,500</u>	<u>207,954</u>	<u>67,546</u>
<b>Excess of revenues over (under) expenditures</b>		13,107	13,107
<b>OTHER FINANCING SOURCES</b>			
Sale of assets		4,350	4,350
<b>Net change in fund balance</b>		17,457	17,457
<b>FUND BALANCE, JULY 1, 2012</b>	<u>149,963</u>	<u>149,963</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 149,963</u>	<u>\$ 167,420</u>	<u>\$ 17,457</u>

**DEBT SERVICE FUND**

**CITY OF WALLED LAKE**

**DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2013**

**ASSETS**

**ASSETS**

Cash and investments

\$ 2,859

**FUND BALANCE**

**FUND BALANCE - RESTRICTED DEBT SERVICE**

\$ 2,859

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>	\$	\$	\$
<b>EXPENDITURES</b>			
Debt service			
Principal		1,000,000	
Interest/fees		103,078	
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	211,800	1,103,078	(891,278)
	<hr/>	<hr/>	<hr/>
<b>Excess of revenues over (under) expenditures</b>	(211,800)	(1,103,078)	(891,278)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	211,800	228,078	
Bond proceeds		905,000	
Bond issuance costs		(27,141)	
	<hr/>	<hr/>	<hr/>
<b>Total other financing sources (uses)</b>	211,800	1,105,937	894,137
	<hr/>	<hr/>	<hr/>
<b>Net change in fund balance</b>		2,859	2,859
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, JULY 1, 2012</b>			
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, JUNE 30, 2013</b>	\$	\$ 2,859	\$ 2,859
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**WATER AND SEWER FUND**

**CITY OF WALLED LAKE**  
**WATER AND SEWER FUND**  
**BALANCE SHEET**  
**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and investments	\$ 1,192,422	
Sewer billings receivable	484,148	
Due from other funds	700	
	700	

**Total current assets** \$ 1,677,270

**PLANT, PROPERTY AND EQUIPMENT**

Utility systems	14,911,125	
Vehicles and equipment	1,182,866	
Total historical cost	16,093,991	
Less: accumulated depreciation	(10,906,543)	

**Net plant, property, and equipment** 5,187,448

**Total assets** \$ 6,864,718

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable		\$ 430,324
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**NET POSITION**

**Total liabilities and net position** \$ 6,864,718

**CITY OF WALLED LAKE**  
**WATER AND SEWER FUND**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES</b>		
User charges		\$ 2,306,723
<b>OPERATING EXPENSES</b>		
Personnel allocation	\$ 383,200	
Engineering	4,130	
Sewage treatment	993,292	
Water purchases	670,017	
Insurance - liability	51,535	
Office supplies and postage	9,638	
Fuel	7,491	
Operating supplies	16,318	
Uniforms	500	
Professional services	12,960	
Membership and dues	745	
Contracted services	16,245	
Administration fees	90,500	
Telephone	7,992	
Printing and publishing	1,627	
Utilities	1,314	
Repairs and maintenance	18,787	
Equipment rental	3,009	
Training and testing	5,509	
Small equipment	11,361	
Miscellaneous	298	
Depreciation	<u>329,361</u>	
<b>Total operating expenses</b>		<u>2,635,829</u>
<b>Operating (loss)</b>		(329,106)
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>		
Gain on sale of assets	10,700	
Other income	111,663	
Interest income - cash and equivalents	<u>165</u>	
<b>Total non-operating revenues and (expenses)</b>		<u>122,528</u>
<b>Net (loss) before capital contributions and transfers</b>		(206,578)
<b>CAPITAL CONTRIBUTIONS - TAP FEES</b>		6,309
<b>TRANSFERS (OUT)</b>		<u>(90,217)</u>
<b>Change in net position</b>		(290,486)
<b>NET POSITION, JULY 1, 2012</b>		<u>6,724,880</u>
<b>NET POSITION, JUNE 30, 2013</b>		<u><u>\$ 6,434,394</u></u>

**CITY OF WALLED LAKE**  
**WATER AND SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOWS PROVIDED BY (USED FROM) OPERATING ACTIVITIES**

Operating (loss)		\$ (329,106)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	\$ 329,361	
Other income	111,663	
Changes in assets and liabilities		
Increase in sewer billings receivable	(27,309)	
Decrease in due from other funds	(700)	
Decrease in prepaid expenses	138	
(Decrease) in due to other funds	(1,323)	
Increase in accounts payable/accrued compensated absences	<u>(111,811)</u>	
 <b>Total adjustments</b>		 <u>300,019</u>
 <b>Net cash provided by (used from) operating activities</b>		 <b>(29,087)</b>

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

Tap fees collected	6,309	
Transfers (out)	(90,217)	
Acquisition of capital assets	(197,159)	
Proceeds from sale of assets	<u>10,700</u>	
 <b>Net cash (used in) capital and related financing activities</b>		 <b>(270,367)</b>

**CASH FLOWS PROVIDED BY INVESTING ACTIVITIES**

Interest on cash and cash equivalents		<u>165</u>
 <b>Net increase in cash and cash equivalents</b>		 <b>(299,289)</b>

<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2012</b>		<u>1,491,711</u>
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<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2013</b>		<u><u>\$ 1,192,422</u></u>
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**REFUSE FUND**

CITY OF WALLED LAKE

REFUSE FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash	\$ 6,583
Accounts receivable - operations	<u>53,165</u>
<b>Total assets</b>	<u><u>\$ 59,748</u></u>

EQUITY

<b>EQUITY</b>	<u><u>\$ 59,748</u></u>
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**CITY OF WALLED LAKE**

**REFUSE FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES</b>	
User charges	\$ 318,695
<b>OPERATING EXPENSES</b>	
Refuse services	<u>310,554</u>
<b>Operating income</b>	8,141
<b>NET POSITION, JULY 1, 2012</b>	<u>51,607</u>
<b>NET POSITION, JUNE 30, 2013</b>	<u><u>\$ 59,748</u></u>

**CITY OF WALLED LAKE**  
**REFUSE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income		\$ 8,141
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Decrease in billings receivable	\$ 19,348	
(Decrease) in bank overdraft	<u>(20,906)</u>	
 <b>Total adjustments</b>		 <u>(1,558)</u>
 <b>Net increase in cash and cash equivalents</b>		 6,583
 <b>CASH AND CASH EQUIVALENTS AT JULY 1, 2012</b>		 <u>                    </u>
 <b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2013</b>		 <u><u>\$ 6,583</u></u>



**TRUST AND AGENCY FUND**

CITY OF WALLED LAKE

TRUST AND AGENCY FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and cash equivalents	\$ 133,137
Prepaid expenditures	<u>325</u>
<b>Total assets</b>	<u><u>\$ 133,462</u></u>

LIABILITIES

**LIABILITIES**

Performance deposits	<u><u>\$ 133,462</u></u>
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**CURRENT TAX FUND**

CITY OF WALLED LAKE

CURRENT TAX FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and cash equivalents

\$ 3,620

LIABILITIES

**LIABILITIES**

Due to other funds

\$ 3,620

**RETIREE HEALTHCARE FUND**

**CITY OF WALLED LAKE**  
**RETIREE HEALTHCARE FUND**  
**STATEMENT OF PLAN NET POSITION**  
**JUNE 30, 2013**

**ASSETS**

Cash and cash investments	<u>\$ 336,627</u>
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**LIABILITIES**

Accounts payable/accrued expenses	\$ 2,138
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Net Position Held in Trust for Other Postemployment Benefits	<u>334,489</u>
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<b>Total liabilities</b>	<u><u>\$ 336,627</u></u>
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**CITY OF WALLED LAKE**  
**RETIREE HEALTHCARE FUND**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**ADDITIONS**

Investment income:

Interest and dividends	\$ 5,588
Net increase in fair value of investments	<u>3,010</u>

**Net investment income (loss)** \$ 8,598

Contributions - Employer	154,675
Contributions - Participants	<u>20,407</u>

Total contributions 175,082

**Total additions** 183,680

**DEDUCTIONS**

Retiree healthcare premiums	123,989
Administrative fees/supplies	<u>2,622</u>

**Total deductions** 126,611

**NET INCREASE IN NET ASSETS HELD IN TRUST** 57,069

**NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS**

Beginning of year 277,420

**NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS**

End of year \$ 334,489

**DOWNTOWN DEVELOPMENT AUTHORITY FUND**



CITY OF WALLED LAKE

DOWNTOWN DEVELOPMENT AUTHORITY FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and investments	\$	483,314
Accounts receivable - taxes		8,936
Prepaid expenditures		<u>500</u>
<b>Total assets</b>	\$	<u><u>492,750</u></u>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$	31,138
Deposits		7,322
Deferred revenues		<u>8,531</u>
<b>Total liabilities</b>	\$	46,991

**FUND BALANCE**

Non-spendable - prepaid items		500
Restricted - community development		<u>445,259</u>
<b>Total fund balance</b>		<u>445,759</u>
<b>Total liabilities and fund balance</b>	\$	<u><u>492,750</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$	\$ 690,000	\$
Charges for services		900	
Interest income		459	
	<u>603,941</u>	<u>691,359</u>	<u>87,418</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Administrative services		481,547	
Unemployment		7,240	
Supplies and postage		230	
Professional fees		6,842	
SMART agreement		22,720	
Printing and publishing		89	
Telephone		1,827	
Utilities		1,736	
Repairs and maintenance		984	
Rent		7,831	
Facade grant		2,000	
Meeting fees		530	
Community events		30,771	
Miscellaneous		22	
	<u>619,250</u>	<u>564,369</u>	<u>54,881</u>
<b>Total expenditures</b>			
<b>Net change in fund balance</b>	(15,309)	126,990	142,299
<b>FUND BALANCE, JULY 1, 2012</b>	<u>318,769</u>	<u>318,769</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 303,460</u>	<u>\$ 445,759</u>	<u>\$ 142,299</u>

**LIBRARY FUND**

CITY OF WALLED LAKE

LIBRARY FUND  
BALANCE SHEET  
JUNE 30, 2013

ASSETS

**ASSETS**

Cash and investments	\$	96,756
Accounts receivable - penal fines		11,044
Accounts receivable - taxes		<u>2,143</u>
<b>Total assets</b>	\$	<u><u>109,943</u></u>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$	8,002
Accrued compensation		5,504
Deferred revenues		<u>2,143</u>

**Total liabilities** \$ 15,649

**FUND BALANCE**

94,294

**Total liabilities and fund balance** \$ 109,943

CITY OF WALLED LAKE

LIBRARY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$	\$ 291,995	\$
State aid		5,063	
Penal fines		9,295	
Charges for services		7,076	
Interest income		5	
Donations		501	
	<u>304,300</u>	<u>313,935</u>	<u>9,635</u>
<b>EXPENDITURES</b>			
Administrative services		6,250	
Salaries		134,790	
Payroll taxes		10,783	
Insurance - benefits		25,851	
Pension		7,204	
Insurance - liability		1,328	
Supplies and postage		5,838	
Programming fees		6,228	
Conferences and training		62	
Professional fees		1,440	
Computer costs		7,901	
Printing and publishing		8,590	
Telephone		2,663	
Utilities		6,231	
Repairs and maintenance		41,568	
Books and materials		27,676	
Small equipment		1,253	
	<u>304,300</u>	<u>295,656</u>	<u>8,644</u>
<b>Net change in fund balance</b>		18,279	18,279
<b>FUND BALANCE, JULY 1, 2012</b>	<u>76,015</u>	<u>76,015</u>	
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 76,015</u>	<u>\$ 94,294</u>	<u>\$ 18,279</u>