

City of Walled Lake



2015 Report on Audited Financial Statements

For the Year Ended June 30, 2015



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
Tamra Loch - Council Member
John Owsinek - Council Member
William Sturgeon III - Council Member
Dennis Yezbick - Council Member

CITY OFFICIALS

L. Dennis Whitt, City Manager

Colleen M. Coogan, Director of Finance & Budget
Paul J. Shakinas, Police Chief, Deputy Public Safety Director
James O. Coomer, Jr., Interim Fire Chief
Jennifer Stuart, Deputy Clerk, Deputy Treasurer

LEGAL COUNSEL

Secrest, Wardle, Lynch, Hampton, Truex & Morley

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities	16
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Fund Balances to Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Net Position - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position - Retiree Healthcare Fund	26
Statement of Net Position - Combining Statement of Major Component Units	27
Statement of Net Activities - Combining Statement of Major Component Units	28
NOTES TO FINANCIAL STATEMENTS	30
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	57
SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN	58
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - DEFINED BENEFIT PENSION PLAN	59
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN	60

TABLE OF CONTENTS

PAGE NUMBER

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

Combining Balance Sheet - All Nonmajor Funds	63
Balance Sheet - Fiduciary Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Funds	65

INDIVIDUAL FUND - GENERAL FUND DETAIL

GENERAL FUND

Balance Sheet	68
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	69
Statement of Revenues - Budget and Actual	70
Statement of Expenditures - Budget and Actual	71

November 3, 2015

To the Honorable Mayor, Mayor Pro Tem and
Members of the City Council
1499 E. West Maple
Walled Lake, Michigan 48390

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 - 12 and 56 - 59 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, 2015

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, 2015 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.

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 three 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.

The City has identified certain entities as component units in the government-wide financial statements. By virtue of its authority to exercise influence over their operations, the City has included the financial statements of the Downtown Development Authority and City of Walled Lake Library, which are discretely presented component units within the government-wide financial statements.

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 \$8,347,694. This is a \$7,999,373 decrease over last year's net position of \$16,347,067 and is due primarily to the recognition, in the financial statements, of the December 31, 2014 \$7,988,930 unfunded pension liability balance. The City continues its tight fiscal policies of limited staffing and leveraged capital expenditures. Pension debt, retiree health care obligations and the water and sewer fund losses continue to be financial challenges and focused attention on the City's infrastructure and asset repair and replacement is evidenced in the capital asset plan and the Council strategic planning discussions.

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 Units</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Assets								
Current and other assets	\$ 3,460,928	\$ 2,847,127	\$ 1,531,494	\$ 1,506,023	4,992,422	\$ 4,353,150	\$ 1,123,551	\$ 808,785
Capital assets	10,119,451	10,413,640	4,557,052	4,861,218	14,676,503	15,274,858	781,924	822,346
Total assets	<u>13,580,379</u>	<u>13,260,767</u>	<u>6,088,546</u>	<u>6,367,241</u>	<u>19,668,925</u>	<u>19,628,008</u>	<u>1,905,475</u>	<u>1,631,131</u>
Deferred outflows of resources								
Pension	289,281				289,281			
Liabilities								
Other liabilities	480,673	406,053	665,457	384,167	1,146,130	790,220	43,596	51,974
Long-term liabilities	10,464,382	2,490,721			10,464,382	2,490,721		49,181
Total liabilities	<u>10,945,055</u>	<u>2,896,774</u>	<u>665,457</u>	<u>384,167</u>	<u>11,610,512</u>	<u>3,280,941</u>	<u>43,596</u>	<u>101,155</u>
Net position:								
Invested in capital assets, net of related debt	8,654,451	8,788,640	4,557,052	4,861,218	13,211,503	13,649,858	781,924	822,346
Restricted	478,856	475,997			478,856	475,997	213,924	
Unrestricted	(6,208,702)	1,099,356	866,037	1,121,856	(5,342,665)	2,221,212	866,031	707,630
Total net position	<u>\$ 2,924,605</u>	<u>\$ 10,363,993</u>	<u>\$ 5,423,089</u>	<u>\$ 5,983,074</u>	<u>\$ 8,347,694</u>	<u>\$ 16,347,067</u>	<u>\$ 1,861,879</u>	<u>\$ 1,529,976</u>

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:								
Program revenues								
Charges for services	\$ 1,003,827	\$ 940,263	\$ 2,473,491	\$ 2,530,672	\$ 3,477,318	\$ 3,470,935	\$ 22,059	\$ 16,938
Operating grants and contributions	18,287	153,403			18,287	153,403	82,698	2,650
Capital contributions		157,322	3,237	26,374	3,237	183,696		
General revenues								
State-shared revenue	1,037,628	1,003,697			1,037,628	1,003,697	4,121	4,125
Property taxes	2,405,024	2,368,633			2,405,024	2,368,633	913,423	899,531
Interest	1,647	1,404	136	86	1,783	1,490	3	4
Other	353,743	342,622	809	10,563	354,552	353,185	9	1,843
Total revenues	4,820,156	4,967,344	2,477,673	2,567,695	7,297,829	7,535,039	1,022,313	925,091
Program Expenses								
General government	1,370,747	725,534			1,370,747	725,534		
Public safety	2,432,716	2,387,459			2,432,716	2,387,459		
Transportation	142,725	101,283			142,725	101,283		
Public works/roads	885,729	845,754			885,729	845,754		
Recreation	49,838	44,623			49,838	44,623		
Interest on long-term debt	61,238	54,270			61,238	54,270		
Refuse/utility systems			2,953,879	3,017,286	2,953,879	3,017,286		
Library/community development							690,410	716,203
Total expenses	4,942,993	4,158,923	2,953,879	3,017,286	7,896,872	7,176,209	690,410	716,203
Excess before transfers	(122,837)	808,421	(476,206)	(449,591)		358,830	331,903	
Transfers	83,779	61,477	(83,779)	(61,477)				
Changes in net position	(39,058)	869,898	(559,985)	(511,068)	(599,043)	358,830	331,903	208,888
Beginning net position	10,363,993	9,494,095	5,983,074	6,494,142	16,347,067	15,988,237	1,529,976	1,321,088
Prior period adjustment	(7,400,330)				(7,400,330)			
Ending net position	\$ 2,924,605	\$ 10,363,993	\$ 5,423,089	\$ 5,983,074	\$ 8,347,694	\$ 16,347,067	\$ 1,861,879	\$ 1,529,976

Financial Analysis of the City's Funds

Property tax income increased by \$46,000 over last fiscal year - this is due to the rising residential values and residential sales that occurred over the last year. Commercial values are still stagnant.

The City completed its conversion of retirement health care obligations for current employees from a possible \$9,600 annual post employment liability for each retiree to a current health care savings plan contribution for each employee from \$624 to \$3,000 annually depending on the division. The City also anticipates the Retiree Health Care Fund will run out of money by fiscal year end 2016 increasing the drain on General Fund revenues.

The Water and Sewer Fund continues to have substantial operating losses - the cost of purchasing water and sewer continues to rise. The City's plan of action to address these losses began in 2012 and Council recently passed a September 2015 effective rate increase. Council delayed increasing rates to customers until certain items on the action plan were completed. The City continues to work toward resolving and reducing the extremely high water loss rate of 16.6%.

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 \$605,491 due to delayed capital expenditures, unfilled positions, and reduced transfers to other funds.

Capital Asset and Debt Administration

The governmental funds acquired \$593,273 of new capital assets during the year. Most of these acquisitions were related to the \$507,611 spent on various Road and Sidewalk Projects.

Debt service payments of \$216,827 for two outstanding bond issues and included principal reduction of \$160,000 and interest payments of \$56,827. The City has no other debt financing arrangements.

Economic Conditions and Future Activities

City residents passed a public safety millage to support police and fire related expenditures - beginning fiscal year 2016 this is expected to generate an additional \$692,000 for the City; some of which may be captured by the Downtown Development Authority.

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 the Department of Finance & Budget, 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, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash	\$ 2,839,030	\$ 999,094	\$ 3,838,124	\$ 1,075,921
Receivables				
Taxes	18,475		18,475	11,264
State shared revenues	113,428		113,428	
Accounts	336,174	527,032	863,206	16,366
Inventory	15,484	5,368	20,852	
Prepaid expenses	138,337		138,337	20,000
Capital assets, not being depreciated				
Non-depreciated	1,813,509		1,813,509	
Depreciated, net	8,305,942	4,557,052	12,862,994	781,924
Total assets	<u>13,580,379</u>	<u>6,088,546</u>	<u>19,668,925</u>	<u>1,905,475</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension investment activities	63,867		63,867	
Subsequent pension contributions	225,414		225,414	
Total deferred outflows of resources	<u>289,281</u>		<u>289,281</u>	
LIABILITIES				
Accounts payable	168,680	665,457	834,137	42,249
Accrued wages	83,397		83,397	1,347
Accrued interest payable	15,572		15,572	
Performance deposits	36,443		36,443	
Non-current liabilities				
Net pension liability	7,988,930		7,988,930	
Due within one year:				
Compensated absences	16,581		16,581	
Current portion of long-term debt	160,000		160,000	
Due in more than one year:				
Compensated absences	131,118		131,118	
Long-term debt	1,305,000		1,305,000	
Other non-current liability - other post-employment benefit liability	1,039,334		1,039,334	
Total liabilities	<u>10,945,055</u>	<u>665,457</u>	<u>11,610,512</u>	<u>43,596</u>
NET POSITION				
Invested in capital assets, net of related debt	8,654,451	4,557,052	13,211,503	781,924
Restricted	478,856		478,856	213,924
Unrestricted	(6,208,702)	866,037	(5,342,665)	866,031
Total net position	<u>\$ 2,924,605</u>	<u>\$ 5,423,089</u>	<u>\$ 8,347,694</u>	<u>\$ 1,861,879</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, 2015

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES								
General government	\$ (1,370,747)	\$ 737,961	\$ 585	\$	\$ (632,201)	\$	\$ (632,201)	\$
Public safety	(2,432,716)	105,329	17,702		(2,309,685)		(2,309,685)	
Transportation	(142,725)	160,537			17,812		17,812	
Public works/roads	(885,729)				(885,729)		(885,729)	
Recreation	(49,838)				(49,838)		(49,838)	
Interest on long-term debt	(61,238)				(61,238)		(61,238)	
Total governmental activities	(4,942,993)	1,003,827	18,287		(3,920,879)		(3,920,879)	
BUSINESS-TYPE ACTIVITIES								
Refuse	(312,624)	326,810				14,186	14,186	
Water/sewer system	(2,641,255)	2,146,681		3,237		(491,337)	(491,337)	
Total business-type activities	(2,953,879)	2,473,491		3,237		(477,151)	(477,151)	
Total primary government	\$ (7,896,872)	\$ 3,477,318	\$ 18,287	\$ 3,237	(3,920,879)	(477,151)	(4,398,030)	
COMPONENT UNITS								
Downtown Development Authority	\$ (420,358)	\$ 806	\$	\$				(419,552)
Walled Lake City Library	(270,052)	21,253	82,698					(166,101)
Total component units	\$ (690,410)	\$ 22,059	\$ 82,698	\$				(585,653)
General revenues								
Property taxes					2,405,024		2,405,024	913,423
State shared revenues					1,037,628		1,037,628	4,121
Interest income - cash and equivalents					1,647	136	1,783	3
Franchise fees					194,091		194,091	
Rental income					34,795		34,795	
Other income					125,592	809	126,401	
Loss on sale of assets					(735)		(735)	9
Total general revenues					3,798,042	945	3,798,987	917,556
Transfers					83,779	(83,779)		
Changes in net position					(39,058)	(559,985)	(599,043)	331,903
Net position, July 1, 2014					10,363,993	5,983,074	16,347,067	1,529,976
Prior period adjustment					(7,400,330)		(7,400,330)	
Net position, June 30, 2015					\$ 2,924,605	\$ 5,423,089	\$ 8,347,694	\$ 1,861,879

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

FUND FINANCIAL STATEMENTS

CITY OF WALLED LAKE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Nonmajor Funds	Totals
ASSETS			
Cash and investments	\$ 2,542,743	\$ 296,287	\$ 2,839,030
Receivables			
Taxes	18,475		18,475
State shared revenues	113,428		113,428
Accounts	43,575	84,235	127,810
Due from other funds	29,484	6,000	35,484
Inventory	15,484		15,484
Prepaid expenditures	138,337		138,337
	<u>138,337</u>	<u> </u>	<u>138,337</u>
Total assets	<u>\$ 2,901,526</u>	<u>\$ 386,522</u>	<u>\$ 3,288,048</u>
LIABILITIES			
Accounts payable	\$ 155,024	\$ 13,656	\$ 168,680
Accrued payroll	82,823	574	83,397
Compensated absences	16,581		16,581
Due to other funds	6,000		6,000
Performance deposits	36,443		36,443
	<u>36,443</u>	<u> </u>	<u>36,443</u>
Total liabilities	<u>296,871</u>	<u>14,230</u>	<u>311,101</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	18,475		18,475
	<u>18,475</u>	<u> </u>	<u>18,475</u>
Total liabilities and deferred inflow of resources	<u>315,346</u>	<u>14,230</u>	<u>329,576</u>
FUND BALANCE			
Nonspendable - prepaid items	138,337		138,337
Nonspendable - inventory	15,484		15,484
Restricted - road improvements		247,774	247,774
Restricted - transportation		38,206	38,206
Restricted - public safety		86,312	86,312
Unassigned	2,432,359		2,432,359
	<u>2,432,359</u>	<u> </u>	<u>2,432,359</u>
Total fund balances	<u>2,586,180</u>	<u>372,292</u>	<u>2,958,472</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,901,526</u>	<u>\$ 386,522</u>	<u>\$ 3,288,048</u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per balance sheet		\$ 2,958,472
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Non-depreciated assets	\$ 1,813,509	
Depreciable assets, net of depreciation	<u>8,305,942</u>	
Capital assets net of depreciation		10,119,451
Pension related activities are not a consumption of current resources and therefore are reported as deferred outflows of resources in the Statement of Net Position		
Pension investments deficient (in excess) of projections	63,867	
Pension contributions subsequent to pension liability measurement date	<u>225,414</u>	
Deferred outflows of resources related to pension activities		289,281
Pension liabilities, net of pension plan fiduciary net position, are not due and payable in the current period and are not reported in the fund financial statements		
Net pension liability		(7,988,930)
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	(1,465,000)	
Compensated absences	(131,118)	
Other post-employment benefits	<u>(1,039,334)</u>	
Total		(2,635,452)
Taxes receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		18,475
Accrued interest is not due and payable in the current period and is not reported in the funds		(15,572)
Revenue collected that do not provide current financial resources are not recognized as revenue in the funds, but are in the Statement of Activities		<u>178,880</u>
Net position of governmental activities		<u><u>\$ 2,924,605</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, 2015

	General Fund	Nonmajor Funds	Total
REVENUES			
Taxes	\$ 2,406,504	\$	\$ 2,406,504
State shared revenues - general government	608,085		608,085
State shared revenues - roads		429,543	429,543
Grant income	17,702		17,702
Licenses and permits	50,667		50,667
Contributions		53,430	53,430
Rental income	34,245		34,245
Franchise fees	159,091		159,091
Charges for services	774,912	17,792	792,704
Fines and forfeitures		68,378	68,378
Interest	1,243	404	1,647
Miscellaneous	74,925		74,925
Total revenues	<u>4,127,374</u>	<u>569,547</u>	<u>4,696,921</u>
EXPENDITURES			
Current:			
General government	978,977		978,977
Public safety	2,108,209	90,215	2,198,424
Transportation		142,725	142,725
Recreation and culture	42,612		42,612
Public works	339,753	254,707	594,460
Debt service:			
Principal		160,000	160,000
Interest/fees		56,827	56,827
Capital outlay:			
General government	41,943		41,943
Public safety		93,934	93,934
Public works		2,746	2,746
Total expenditures	<u>3,511,494</u>	<u>801,154</u>	<u>4,312,648</u>
Excess of revenues over (under) expenditures	<u>615,880</u>	<u>(231,607)</u>	<u>384,273</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	5,000		5,000
Transfers in		303,968	303,968
Transfers (out)	(41,264)	(178,925)	(220,189)
Total other financing sources (uses)	<u>(36,264)</u>	<u>125,043</u>	<u>88,779</u>
Net changes in fund balances	579,616	(106,564)	473,052
FUND BALANCE, JULY 1, 2014	<u>2,006,564</u>	<u>478,856</u>	<u>2,485,420</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 2,586,180</u>	<u>\$ 372,292</u>	<u>\$ 2,958,472</u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - governmental funds		\$ 473,052
Amounts reported for governmental activities in the Statement of Activities are different because:		
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:		
Capital outlay	\$ 138,623	
Depreciation expense	(427,077)	
Loss of sale of assets	<u>(5,735)</u>	
Total		(294,189)
Some pension contributions in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds		
Change in net pension asset/(liability)	(7,400,330)	
Change in deferred outflows of resources		
Differences in projected investments to actual	(688,485)	
Contributions subsequent to liability measurement date	<u>389,166</u>	
Total		(7,699,649)
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.		
Repayment of long-term debt		160,000
Receivables are not recorded in the fund statements if not collected within 60 days:		
		177,400
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.		
Current annual required contribution less amounts paid		(108,816)
Accrued absences for PTO for the employees is recorded on the Statement of Net Position		
		(89,345)
Change in accrued interest payable for the year		
		(4,411)
Revenue received but not earned is recorded as revenue on Statement of Activities		
		<u>(53,430)</u>
Change in net position of governmental activities		<u><u>\$ (7,439,388)</u></u>

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

CITY OF WALLED LAKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Water and Sewer Fund</u>	<u>Non-major Fund Refuse Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 964,451	\$ 34,643	\$ 999,094
Accounts receivable	479,678	47,354	527,032
Inventory	5,368		5,368
Noncurrent assets:			
Utility system, net	<u>4,557,052</u>		<u>4,557,052</u>
Total assets	<u>\$ 6,006,549</u>	<u>\$ 81,997</u>	<u>\$ 6,088,546</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>\$ 665,435</u>	<u>\$ 22</u>	<u>\$ 665,457</u>
NET POSITION			
Invested in capital assets, net of related debt	4,557,052		4,557,052
Unrestricted	<u>784,062</u>	<u>81,975</u>	<u>866,037</u>
Total net position	<u>5,341,114</u>	<u>81,975</u>	<u>5,423,089</u>
Total liabilities and net position	<u>\$ 6,006,549</u>	<u>\$ 81,997</u>	<u>\$ 6,088,546</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, 2015**

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund Refuse Fund</u>	<u>Total</u>
OPERATING REVENUES			
User charges	\$ 2,146,681	\$ 326,810	\$ 2,473,491
OPERATING EXPENSES			
Refuse		312,624	312,624
Sewer and water	2,337,088		2,337,088
Depreciation	304,167		304,167
Total operating expenses	<u>2,641,255</u>	<u>312,624</u>	<u>2,953,879</u>
Operating income (loss)	<u>(494,574)</u>	<u>14,186</u>	<u>(480,388)</u>
NON-OPERATING REVENUES			
Interest income - operating	136		136
Other income	809		809
Total non-operating revenues	<u>945</u>		<u>945</u>
Excess of revenues over (under) expenses	<u>(493,629)</u>	<u>14,186</u>	<u>(479,443)</u>
CAPITAL CONTRIBUTION - TAP FEES	3,237		3,237
OTHER FINANCING USES - TRANSFERS (OUT)	<u>(83,779)</u>		<u>(83,779)</u>
Changes in net position	<u>(574,171)</u>	<u>14,186</u>	<u>(559,985)</u>
NET POSITION, JULY 1, 2014	<u>5,915,285</u>	<u>67,789</u>	<u>5,983,074</u>
NET POSITION, JUNE 30, 2015	<u><u>\$ 5,341,114</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ 5,423,089</u></u>

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

CITY OF WALLED LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund Refuse Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,152,396	\$ 352,338	\$ 2,504,734
Cash payments to suppliers	2,055,011	317,695	2,372,706
Net cash from operating activities	<u>97,385</u>	<u>34,643</u>	<u>132,028</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Tap fees collected	3,237		3,237
Transfers out	(83,779)		(83,779)
Net cash (used in) capital and related financing activities	<u>(80,542)</u>		<u>(80,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	136		136
Net increase (decrease) in cash and cash equivalents	16,979	34,643	51,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD			
	<u>947,472</u>		<u>947,472</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD			
	<u>\$ 964,451</u>	<u>\$ 34,643</u>	<u>\$ 999,094</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (494,574)	\$ 14,186	\$ (480,388)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	304,167		304,167
Other income	809		809
Change in assets and liabilities:			
Receivables, net	5,715	25,528	31,243
Due to other funds		(5,093)	(5,093)
Accounts and other payables	281,268	22	281,290
Net cash from operating activities	<u>\$ 97,385</u>	<u>\$ 34,643</u>	<u>\$ 132,028</u>

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

CITY OF WALLED LAKE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>	<u>Retiree Healthcare Fund</u>
ASSETS		
Cash and cash investments	\$ 192,799	\$ 131,584
Due from others		752
Prepaid expenditures	<u>1,019</u>	<u>3,380</u>
Total assets	<u><u>\$ 193,818</u></u>	<u><u>\$ 135,716</u></u>
 LIABILITIES		
Accrued expenses	\$ 164,334	\$ 952
Due to other funds	<u>29,484</u>	
Total liabilities	<u><u>\$ 193,818</u></u>	952
Net position - restricted for OPEB		<u>134,764</u>
Total liabilities and net position		<u><u>\$ 135,716</u></u>

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, 2015**

ADDITIONS

Investment income:

Interest and dividends	\$ 6,189	
Net increase in fair value of investments	(3,758)	

Net investment income		\$ 2,431
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Contributions - Employer	4,725	
Contributions - Participants	12,309	

Total contributions		17,034

Total additions		19,465
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DEDUCTIONS

Retiree healthcare premiums		116,786

NET (DECREASE) IN NET POSITION HELD IN TRUST		(97,321)
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NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

Beginning of year		232,085

NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

End of year		\$ 134,764

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

CITY OF WALLED LAKE

**STATEMENT OF NET POSITION
COMBINING STATEMENT OF MAJOR COMPONENT UNITS
JUNE 30, 2015**

	Downtown Development Authority	Walled Lake City Library	Total
ASSETS			
Cash and investments	\$ 896,122	\$ 179,799	\$ 1,075,921
Receivables:			
Property taxes receivable	7,649	3,615	11,264
Other		16,366	16,366
Prepaid expenses and other assets		20,000	20,000
Capital assets, net	600,922	181,002	781,924
Total assets	1,504,693	400,782	1,905,475
LIABILITIES			
Accounts payable	37,740	4,509	42,249
Accrued liabilities and other		1,347	1,347
Total liabilities	37,740	5,856	43,596
NET POSITION			
Invested in capital assets, net of related debt	600,922	181,002	781,924
Restricted		213,924	213,924
Unrestricted	866,031		866,031
Total net position	\$ 1,466,953	\$ 394,926	\$ 1,861,879

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

CITY OF WALLED LAKE
STATEMENT OF ACTIVITIES
COMBINING STATEMENT OF MAJOR COMPONENT UNITS
JUNE 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>DDA</u>	<u>Walled Lake City Library</u>	<u>Total</u>
COMPONENT UNITS						
Downtown Development Authority	\$ (420,358)	\$ 806	\$	\$ (419,552)	\$	\$ (419,552)
Walled Lake - City Library	(270,052)	21,253	82,698		(166,101)	(166,101)
Total component units	<u>\$ (690,410)</u>	<u>\$ 22,059</u>	<u>\$ 82,698</u>	<u>(419,552)</u>	<u>(166,101)</u>	<u>(585,653)</u>
General revenues						
Property taxes				618,557	294,866	913,423
States shared revenues					4,121	4,121
Investment income					3	3
Miscellaneous				9		9
Total general revenues				<u>618,566</u>	<u>298,990</u>	<u>917,556</u>
Changes in net position				199,014	132,889	331,903
Net position, July 1, 2014				<u>1,267,939</u>	<u>262,037</u>	<u>1,529,976</u>
Net position, June 30, 2015				<u>\$ 1,466,953</u>	<u>\$ 394,926</u>	<u>\$ 1,861,879</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 current accounting standards, 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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City reports the following major governmental fund:

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 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.

Additionally, the City reports the following fiduciary funds:

The Retiree Healthcare Fund accounts for assets set aside to provide medical benefits to retirees.

The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or funds. This fund primarily holds escrow deposits from developers and tax remittances due other governmental units.

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 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, 2015**

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.

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 2014 levy was assessed at an adjusted taxable value of \$175,679,470 for Library 04 and \$150,103,890 for the City. 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 fund 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, 2015**

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 2015:

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.

I. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in, and first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

J. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Under GASB standards the City will report two new sections in the Statement of Net Position (Government Wide Statements) and in the Balance Sheet (Fund Statements) which are called Deferred Outflows (previously called assets) and Deferred Inflows (previously called liabilities).

These separate financial statement elements which meet the definition of deferred outflows and inflows are no longer considered assets or liabilities.

Deferred outflows of resources represent a consumption of net position that applies to a future period. The element will not be recognized as an expense and (or) expenditure until the time restriction is met.

For the year ended June 30, 2015 the City records deferred outflows of resources relating to pension differences from expected investment returns compared to actual, changes in experience, and changes in actuarial assumptions. In addition, the City records deferred outflows of resources for pension contributions made subsequent to Net Pension Liability measurement date of December 31, 2014.

Deferred outflows of resources as of June 30, 2015 are as follows:

<u>Deferred Outflows of Resources</u>	
Differences in experience	\$ -
Differences in actuarial assumptions	-
Differences in investment expectations versus actual	63,867
Contributions made subsequent to pension liability measurement date	<u>225,414</u>
	<u>\$ 289,281</u>

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any deferred inflows at this time.

L. DEFINED PENSION BENEFIT PLAN

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value smoothed over 10 years.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards, 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, 2015**

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	Major Road	\$ 6,000
Tax Fund	General Fund	<u>29,484</u>
		<u><u>\$ 35,484</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	\$ 90,000	Act 51 Revenue Sharing
Debt Service Fund	General Fund	41,264	Building Authority bonds
Debt Service Fund	Local Street Fund	88,925	Local roads bond
Debt Service Fund	Water Operating Fund	<u>83,779</u>	Building Authority bonds
		<u><u>\$ 303,968</u></u>	

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

The defined benefit plan is open to all full time employees. The plan calls for benefits to be paid ranging from 1.5% to 2.5% of the final average compensation with a maximum of 80%. Final average compensation is calculated based on the employee's final 3 to 5 years wages. The plan has a vesting period of 3 to 10 years, with normal retirement at age 60 and early retirement eligible at age 55 with 15 years of continuous service or age 50 with 25 years of continuous service for reduced benefits; and age 55 with 20 to 25 years of continuous service, dependant on the division, for unreduced benefits .

Employees covered by benefit terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>20</u>
	<u>61</u>

Contributions

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

The City also requires employees to contribute 3% to 8% of eligible wages to fund the plan. One division that is closed to new employees has an annual employer contribution amount of \$181,392. Total contributions for fiscal year end June 30, 2015 were \$389,166.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Net Pension Liability

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

Actuarial assumptions

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

Inflation: 3%-4%.

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

Investment rate of return: 8.0%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with price inflation of 3%-4%.

Mortality rates used were based on the 2002 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013).

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	\$ 12,217,874	\$ 4,628,649	\$ 7,589,225
Changes for the year			
Service cost	110,126		110,126
Interest on total pension liability	976,519		976,519
Changes in benefits			
Difference between expected and actual experience			
Changes in assumptions			
Employer contributions		352,648	(352,648)
Employee contributions		61,855	(61,855)
Net investment income		282,705	(282,705)
Benefit payments, including employee refunds	(872,684)	(872,684)	
Administrative expense		(10,270)	10,270
Other changes	(2)		(2)
Net changes	<u>213,959</u>	<u>(185,746)</u>	<u>399,705</u>
Balances as of 12/31/14	<u>\$ 12,431,833</u>	<u>\$ 4,442,903</u>	<u>\$ 7,988,930</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

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

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

	<u>1% Decrease 7.25%</u>	<u>Current Discount Rate 8.25%</u>	<u>1% Increase 9.25%</u>
Net Pension Liability at 12/31/14	\$	\$ 7,988,930	\$
Change in Net Pension Liability (NPL) from change in discount rate	1,414,088		(1,187,845)
Calculated NPL	<u>\$ 9,403,018</u>	<u>\$ 7,988,930</u>	<u>\$ 6,801,085</u>

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

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

For the calendar year 2015, the City recognized pension expense of \$688,485. Deferred outflows and inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$	\$
Differences in assumptions		
(Excess) Deficit of Investment Returns		63,867
Contributions subsequent to the measurement date	225,414	
Totals	<u>\$ 225,414</u>	<u>\$ 63,867</u>

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2016.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

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

<u>Year Ended</u>	<u>Expense</u>
2016	\$ 15,967
2017	15,967
2018	15,967
2019	<u>15,966</u>
Total	<u>\$ 63,867</u>

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN

Component Unit - Library

The library has established a defined contribution plan to 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, 2015 was \$37,557. The total pension cost to the Library was \$2,629 for the year ended June 30, 2015. This plan was discontinued for full time library employees hired after July 1, 2013.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS

DEFINED BENEFIT HEALTH CARE 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. The retiree also has the option of purchasing their own insurance and requesting reimbursement from the City up to the monthly allowable amount.

Eligibility - The defined benefit plan is closed to current and new employees. Eligible retirees must 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, 2015 (the last date a valuation was performed) there were nineteen participants in the plan. Of the nineteen participants, all were retired beneficiaries. Of the nineteen retirees only sixteen are currently drawing a benefit. Previously, this benefit was extended to all active employees, but this was discontinued over the July 2013 to June 2015 time period as part of new employment agreements. Current employees now participate in a new defined contribution plan.

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, 2015. 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.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - continued

Funding Policy - Other than a small contribution from the General Fund in the beginning of the year until the last employee was converted to a defined contribution plan; the reserves in the trust are currently funding the retiree payments.

Funded Status and Funding Progress - The other post-employment 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.

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, 2015. The next required alternative measurement method ARC calculation will be valued as of July 1, 2017.

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

Annual required contribution (ARC)	\$ 128,308
Interest on the June 30, 2015 net OPEB obligation	41,873
Adjustment to the annual required contribution	<u>(56,640)</u>
Annual OPEB cost	113,541
Amounts contributed to the WLRHF trust	<u>(4,725)</u>
Increase in net OPEB obligation	108,816
Net OPEB obligation, June 30, 2014	<u>930,518</u>
Net OPEB obligation, June 30, 2015	<u><u>\$ 1,039,334</u></u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - continued

The funded status of the plan as of June 30, 2015 is as follows:

Fiscal Year Ended	Valuation Date	OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/2011	6/30/2010	\$ 316,332	20.8%	\$ 490,218
6/30/2012	6/30/2011	335,214	19.9%	758,507
6/30/2013	6/30/2012	197,136	31.5%	893,518
6/30/2014	6/30/2013	146,950	74.8%	930,518
6/30/2015	6/30/2014	113,541	4.2%	1,039,334

The funding progress of the defined benefit plan as of June 30, 2015 (the most recent valuation date) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
6/30/2010	\$ 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%
6/30/2013	232,085	2,471,561	2,239,476	9.4%
6/30/2015	134,764	2,191,285	2,056,521	6.1%

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - OTHER POST-EMPLOYMENT 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.

Amortization Period- The UAAL has a remaining amortization period at June 30, 2015 (the most recent valuation rate of 20 years).

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - continued

DEFINED CONTRIBUTION PLAN

All active full-time employees of the City are participants of a defined contribution post-retirement health savings plan. This plan calls for the City to make monthly contributions of \$125 or \$250 per month for the City Manager and Department Heads and \$52 or \$104 for all other employees depending on whether the participant is enrolled in single or family healthcare coverage. All accounts are to be managed by the employee with funds immediately vested and accessible upon termination. The City buy-out of the defined benefit plan into this defined contribution plan over a period of two years for July 1, 2013 to June 30, 2015 totaled \$354,457. This amount was for services prior to July 1, 2013 by funding prior service with a contribution of \$25 times the number of pay-periods employed since December 23, 1999 plus \$3,000 for each year of employment for the City Manager and Department Head positions and \$500 for each year of employment for all other full-time employees.

The City is currently making monthly payments according to terms and limitations of the Municipal Employees' Retirement System of Michigan (MERS) Healthcare Savings Program. Total payments for July 1, 2014 to June 30, 2015 equaled \$40,608.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2015 was as follows:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2015</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,572,172	\$	\$	\$ 1,572,172
Construction in progress	695,987	25,515	(480,165)	241,337
Subtotal	<u>2,268,159</u>	<u>25,515</u>	<u>(480,165)</u>	<u>1,813,509</u>
Capital assets being depreciated:				
Roads and sidewalks	10,215,151	482,096		10,697,247
Building and improvements	1,244,727			1,244,727
Vehicles, furniture and equipment	2,728,239	111,177	(103,572)	2,735,844
Subtotal	<u>14,188,117</u>	<u>593,273</u>	<u>(103,572)</u>	<u>14,677,818</u>
Less accumulated depreciation for:				
Roads and sidewalks	(3,558,839)	(231,101)		(3,789,940)
Building and improvements	(417,163)	(26,290)		(443,453)
Vehicles, furniture and equipment	(2,066,634)	(169,686)	97,837	(2,138,483)
Less accumulated depreciation	<u>(6,042,636)</u>	<u>(427,077)</u>	<u>97,837</u>	<u>(6,371,876)</u>
Net capital assets being depreciated	<u>8,145,481</u>	<u>166,196</u>	<u>(5,735)</u>	<u>8,305,942</u>
Net capital assets	<u>\$ 10,413,640</u>	<u>\$ 191,711</u>	<u>\$ (485,900)</u>	<u>10,119,451</u>
Related long-term debt outstanding at June 30, 2015				<u>(1,465,000)</u>
Governmental capital assets, net of related long-term debt				<u>\$ 8,654,451</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$ 34,401
Public safety	139,278
Public works	246,172
Recreation and culture	<u>7,226</u>
	<u><u>\$ 427,077</u></u>

Capital asset activity in the business-type activities for the year ended June 30, 2015 was as follows:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Business-type activities:				
Capital assets being depreciated:				
Water systems	\$ 3,387,073	\$	\$ (2,134)	\$ 3,384,939
Sewer systems	<u>12,706,918</u>	<u> </u>	<u> </u>	<u>12,706,918</u>
Total capital assets at historical cost	16,093,991		(2,134)	16,091,857
Less accumulated depreciation for:				
Water systems	(2,841,940)	(56,239)	2,134	(2,896,045)
Sewer systems	<u>(8,390,832)</u>	<u>(247,928)</u>	<u> </u>	<u>(8,638,760)</u>
Total accumulated depreciation	<u>(11,232,772)</u>	<u>(304,167)</u>	<u> </u>	<u>(11,534,805)</u>
Business-type capital assets, net	<u>\$ 4,861,219</u>	<u>\$ (304,167)</u>	<u>\$ (2,134)</u>	<u>\$ 4,557,052</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, 2015

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2015 was as follows:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Capital assets being depreciated:				
Street lighting and road improvements	\$ 832,704	\$	\$	\$ 832,704
Furniture and equipment	275,825			275,825
Books, periodicals and materials	406,571	31,407		437,978
Subtotal	1,515,100	31,407		1,546,507
Less accumulated depreciation	<u>(692,754)</u>	<u>(71,829)</u>		<u>(764,583)</u>
Net capital assets	<u>\$ 822,346</u>	<u>\$ (40,422)</u>	<u>\$</u>	<u>\$ 781,924</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 26,371
Library	<u>45,458</u>
	<u>\$ 71,829</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

Description	Amount
Governmental Activities	
General obligations:	
2013 Building Authority LTGO refunding bond issued for \$905,000 for DPW building improvement. The bond bears interest of 2.17%, and matures through 2022	\$ 715,000
2009 Capital Improvement LTGO bonds, Issued in the amount of \$995,000, used to fund street improvements. The bonds bear interest from 4.5% to 5.0%, and mature through 2024	<u>750,000</u>
Total of general obligations	<u><u>\$ 1,465,000</u></u>

ACCRUED COMPENSATED ABSENCES

The City has recorded a liability for compensated absences. The policies regarding compensated absences are outlined in the City's "Rules of Employment". A liability for accrued compensated absences is recorded when incurred in the government-wide and proprietary fund financial statements; however, a liability is only accrued in the governmental funds as payments come due, for example, as a result of employee resignations and retirements.

CITY OF WALLED LAKE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 - LONG-TERM DEBT - continued

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

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>	<u>Due within one year</u>
Governmental Activities					
General obligation bonds	\$ 1,625,000	\$	\$ 160,000	\$ 1,465,000	\$ 160,000
Accumulated compensated absences	46,395	147,699	46,395	147,699	16,581
Total general obligations	<u>\$ 1,671,395</u>	<u>\$ 147,699</u>	<u>\$ 206,395</u>	<u>\$ 1,612,699</u>	<u>\$ 176,581</u>
Component Unit Activities					
Accumulated compensated absences	<u>\$ 509</u>	<u>\$</u>	<u>\$ 509</u>	<u>\$</u>	<u>\$</u>

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

	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 160,000	\$ 51,940	\$ 211,940
2017	180,000	47,303	227,303
2018	180,000	41,650	221,650
2019	175,000	35,846	210,846
2020	175,000	30,077	205,077
2021 - 2024	<u>595,000</u>	<u>56,294</u>	<u>651,294</u>
Total	<u>\$ 1,465,000</u>	<u>\$ 263,110</u>	<u>\$ 1,728,110</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - DEPOSITS 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 City investment policy adopted in accordance with Public Act 196 of 1997 has authorization to place funds in all of the investments mentioned in the preceding paragraph.

At year-end deposits and investments consist of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>	<u>Percent</u>
Deposits					
First Merrit	\$ 2,850,545	\$ 308,415	\$ 1,065,214	\$ 4,224,174	83.4%
Fifth Third	600,752			600,752	11.9%
Walled Lake Fed Credit Union	230,118		10,456	240,574	4.7%
	<u>3,681,415</u>	<u>308,415</u>	<u>1,075,670</u>	<u>5,065,500</u>	<u>100.0%</u>
Investments					
Negotiable certificate of deposit		80,655		80,655	36.7%
Government bonds	589			589	0.3%
2a7 funds	120,614	18,008		138,622	63.0%
	<u>121,203</u>	<u>98,663</u>		<u>219,866</u>	<u>100.0%</u>
Total deposits and investments	<u>\$ 3,802,618</u>	<u>\$ 407,078</u>	<u>\$ 1,075,670</u>	<u>\$ 5,285,366</u>	

The carrying amount of cash and investments reported in the financial statements is \$5,238,428. The difference between the carrying amounts in the financial statements and the bank balances in the above schedule arise from cash on hand of \$1,250, outstanding checks, and deposits in transit.

The City's cash and investments are subject to several types of risk which are examined in more detail below.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a custodian failure the City will not be able to recover its money. State law does not require and 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. At year-end the City had an aggregate \$4,324,926 of bank deposits (certificates of deposit, savings, and check accounts) that were uninsured and uncollateralized. Due to operating cash flow requirements it is impractical to insure all deposits.

Credit Risk

Credit Risk is the possibility that institution(s) in which an investment is being held could fail. The City's investment policy limits investment 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. At year-end the City's investments were exposed to

<u>Investment Type</u>	<u>Rating by S & P</u>	<u>Amount</u>
Money Market funds	Not rated	\$ 18,008
Federal National Mortgage Association	AAA	589
MI CLASS Investment Pool	AAAm	120,614
Negotiable Certificates of Deposit	Not rated	80,655
		<u>\$ 219,866</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates during the time an investment has not matured. The City's investment policy required operating fund investment in the United States obligations to maturities of five (5) years or less, certificates of deposit to five (5) years or less and commercial paper maturities to 270 days.

At year-end the average maturities of investments subject to interest rate risk are as follows:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities (in years) Less than 5</u>
Government Securities	\$ 620	\$ 589
Negotiable Certificate of Deposit	84,413	80,655
Total	<u>\$ 85,033</u>	<u>\$ 81,244</u>

Concentration of Credit Risk

Concentration of credit risk is the risk attributed to placing a large portion of the City's portfolio with a single institution or issuer. The total portfolio includes all investments plus deposits and cash equivalents. The City's investment policy requires diversification with a primary focus on safety and ability to meet projected cash flow needs. The City does not have any investments that exceed 5% of total assets available for investment.

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.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11 - PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING

The City of Walled Lake implemented GASB Statement No 68, *Accounting and Financial Reporting for Pensions*. As a result, the government wide statements will record a liability for Net Pension Liabilities (NPL) and Deferred Outflows of Resources related to pension activities. The current year change in NPL and deferred outflows of resources will be recognized during the current year as pension expense while a portion will be deferred and recognized over future years.

In addition, the net position for the year ended June 30, 2014 has been re-stated for the governmental activities as follows:

	<u>Governmental Activities</u>
Net Position, 6/30/2014 as previously stated	\$ 10,363,993
Less adjustment for:	
Net pension liability at 6/30/2014	(7,589,225)
Deferred outflows of resources at 6/30/2014	<u>188,895</u>
Total prior period adjustment	<u>(7,400,330)</u>
Net Position, 6/30/2014 as re-stated	<u><u>\$ 2,963,663</u></u>

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, 2015

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 2,414,040	\$ 2,424,040	\$ 2,406,504	\$ (17,536)
Licenses and permits	59,550	59,550	50,667	(8,883)
State shared revenue	605,000	605,000	608,085	3,085
Charges for services	695,585	730,585	774,912	44,327
Interest	2,000	2,000	1,243	(757)
Miscellaneous revenue	226,050	292,250	285,963	(6,287)
Total revenues	4,002,225	4,113,425	4,127,374	13,949
EXPENDITURES	4,316,785	4,116,985	3,511,494	605,491
Excess of revenue (under) over expenditures	(314,560)	(3,560)	615,880	619,440
OTHER FINANCING SOURCES (USES)				
Sale of assets		10,800	5,000	(5,800)
Transfer (out)	(42,299)	(42,299)	(41,264)	1,035
Total other financing sources (uses)	(42,299)	(31,499)	(36,264)	(4,765)
Net change in fund balance	(356,859)	(35,059)	579,616	614,675
FUND BALANCE, JULY 1, 2014	2,006,564	2,006,564	2,006,564	
FUND BALANCE, JUNE 30, 2015	\$ 1,649,705	\$ 1,971,505	\$ 2,586,180	\$ 614,675

CITY OF WALLED LAKE

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule of Employer Contributions

	For the Plan Year Ended <u>December 31, 2014</u>
Actuarial determined contributions	\$ 352,649
Contributions in relation to the actuarial determined contribution	352,648
Contribution (deficiency) excess	1
Covered employee payroll	1,197,308
Contributions as a percentage of covered payroll	29.45%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 years smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.00%
Retirement age	Age 60, early retirement at 55 with 15 years of service or 50 with 25 years of service with reduced benefits or at age 55 with 20 - 25 years of service with unreduced benefits

Previous Actuarial Methods and Assumptions

A seven year smoothed asset valuation method was used for the time period of 2005 through 2013.

CITY OF WALLED LAKE

REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2015

	For the Plan Year Ended December 31, 2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 110,126
Interest	976,519
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments, including refunds of employee contributions	(872,684)
Other	(2)
	<hr/>
Net change in total pension liability	213,959
TOTAL PENSION LIABILITY - BEGINNING	<hr/> 12,217,874
TOTAL PENSION LIABILITY - ENDING	<hr/> <hr/> \$ 12,431,833
PLAN FIDUCIARY NET POSITION	
Contributions - employer	352,648
Contributions - employee	61,855
Net investment income	282,705
Benefit payments, including refunds of employee contributions	(872,684)
Administrative Expenses	(10,270)
	<hr/>
Net change in plan fiduciary net position	(185,746)
PLAN FIDUCIARY NET POSITION, BEGINNING	<hr/> 4,628,649
PLAN FIDUCIARY NET POSITION, ENDING	<hr/> <hr/> \$ 4,442,903
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	<hr/> <hr/> \$ 7,988,930
Plan fiduciary net position as a percentage of the total pension liability	<hr/> <hr/> 35.74%
Covered employee payroll	<hr/> <hr/> \$ 1,197,308
Net pension liability as a percentage of covered employee payroll	<hr/> <hr/> 667.24%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND FUNDING PROGRESS
FOR RETIREE'S HEALTH PLAN
JUNE 30, 2015**

DEFINED BENEFIT PLAN

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	6/30/2009	\$ 305,536	21.5%	\$ 239,911
6/30/2011	6/30/2010	316,332	20.8%	490,218
6/30/2012	6/30/2011	335,214	19.9%	758,507
6/30/2013	6/30/2012	197,136	31.5%	893,518
6/30/2014	6/30/2013	146,950	74.8%	930,518
6/30/2015	6/30/2014	113,541	4.2%	1,039,334

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)
6/30/2010	\$ 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%
6/30/2013	232,085	2,471,561	2,239,476	9.4%
6/30/2015	134,764	2,191,285	2,056,521	6.1%

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.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2015

	Special Revenue Fund				Totals
	Major Streets Fund	Local Streets Fund	Transportation Fund	Drug Forfeiture Fund	
ASSETS					
Cash and investments	\$ 66,129	\$ 96,545	\$ 42,239	\$ 91,374	\$ 296,287
Accounts receivable	44,256	39,979			84,235
Due from other funds	6,000				6,000
Total assets	<u>\$ 116,385</u>	<u>\$ 136,524</u>	<u>\$ 42,239</u>	<u>\$ 91,374</u>	<u>\$ 386,522</u>
LIABILITIES					
Accounts payable	\$ 2,284	\$ 2,851	\$ 3,459	\$ 5,062	\$ 13,656
Accrued compensation			574		574
Total liabilities	2,284	2,851	4,033	5,062	14,230
FUND BALANCE	<u>114,101</u>	<u>133,673</u>	<u>38,206</u>	<u>86,312</u>	<u>372,292</u>
Total liabilities and fund balance	<u>\$ 116,385</u>	<u>\$ 136,524</u>	<u>\$ 42,239</u>	<u>\$ 91,374</u>	<u>\$ 386,522</u>

CITY OF WALLED LAKE

**BALANCE SHEET
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Retiree Health Care Fund	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Totals
ASSETS					
Cash and investments	\$ 131,584	\$ 122,571	\$ 29,484	\$ 40,744	\$ 324,383
Accounts receivable	752	1,019			1,771
Prepaid expenditures	3,380				3,380
Total assets	\$ 135,716	\$ 123,590	\$ 29,484	\$ 40,744	\$ 329,534
LIABILITIES					
Accounts payable/ performance deposits	\$ 952	\$ 123,590	\$	\$ 40,744	\$ 165,286
Due to other funds			29,484		29,484
Total liabilities	952	123,590	29,484	40,744	194,770
NET POSITION	134,764				134,764
Total liabilities and net position	\$ 135,716	\$ 123,590	\$ 29,484	\$ 40,744	\$ 329,534

CITY OF WALLED LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUND					Totals
	Major Streets Fund	Local Streets Fund	Transportation Fund	Drug Forfeiture Fund	Debt Service Fund	
REVENUES						
Fines and forfeits	\$	\$	\$	\$ 68,378	\$	\$ 68,378
Charges for services			17,792			17,792
State shared revenues	276,102	153,441				429,543
Interest				404		404
Contribution	53,430					53,430
Total revenues	<u>329,532</u>	<u>153,441</u>	<u>17,792</u>	<u>68,782</u>		<u>569,547</u>
EXPENDITURES						
Transportation services			142,725			142,725
Public safety				184,149		184,149
Public works	151,985	105,468				257,453
Debt service						
Principal					160,000	160,000
Interest					56,827	56,827
Total expenditures	<u>151,985</u>	<u>105,468</u>	<u>142,725</u>	<u>184,149</u>	<u>216,827</u>	<u>801,154</u>
Excess of revenues over (under) expenditures	<u>177,547</u>	<u>47,973</u>	<u>(124,933)</u>	<u>(115,367)</u>	<u>(216,827)</u>	<u>(231,607)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		90,000			213,968	303,968
Transfers (out)	(90,000)	(88,925)				(178,925)
Total other financing sources (uses)	<u>(90,000)</u>	<u>1,075</u>			<u>213,968</u>	<u>125,043</u>
Net changes in fund balances	<u>87,547</u>	<u>49,048</u>	<u>(124,933)</u>	<u>(115,367)</u>	<u>(2,859)</u>	<u>(106,564)</u>
FUND BALANCE, JULY 1, 2014	<u>26,554</u>	<u>84,625</u>	<u>163,139</u>	<u>201,679</u>	<u>2,859</u>	<u>478,856</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 114,101</u>	<u>\$ 133,673</u>	<u>\$ 38,206</u>	<u>\$ 86,312</u>	<u>\$</u>	<u>\$ 372,292</u>

**INDIVIDUAL FUND
GENERAL FUND DETAIL**

GENERAL FUND

CITY OF WALLED LAKE

GENERAL FUND
BALANCE SHEET
JUNE 30, 2015

ASSETS

Cash and investments		\$ 2,542,743
Receivables		
Taxes		18,475
State		113,428
Accounts		43,575
Due from other funds		29,484
Inventory		15,484
Prepaid expenditures		<u>138,337</u>
Total assets		<u><u>\$ 2,901,526</u></u>

LIABILITIES

Accounts payable	\$ 155,024	
Accrued wages and payroll taxes	82,823	
Accrued sick and vacation	16,581	
Due to other funds	6,000	
Performance deposits	<u>36,443</u>	
Total liabilities		\$ 296,871

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue		18,475
---------------------	--	--------

FUND BALANCE

Non-spendable:		
Prepaid	138,337	
Inventory	15,484	
Unassigned	<u>2,432,359</u>	
Total fund balance		<u>2,586,180</u>
Total liabilities, deferred inflows of resources and fund balance		<u><u>\$ 2,901,526</u></u>

CITY OF WALLED LAKE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 2,424,040	\$ 2,406,504	\$ (17,536)
Licenses and permits	59,550	50,667	(8,883)
State shared revenues	605,000	608,085	3,085
Charges for services	730,585	774,912	44,327
Interest	2,000	1,243	(757)
Miscellaneous revenue	<u>292,250</u>	<u>285,963</u>	<u>(6,287)</u>
Total revenues	4,113,425	4,127,374	13,949
EXPENDITURES	<u>4,116,985</u>	<u>3,511,494</u>	<u>605,491</u>
Excess of revenues over (under) expenditures	<u>(3,560)</u>	<u>615,880</u>	<u>619,440</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	10,800	5,000	(5,800)
Transfers (out)	<u>(42,299)</u>	<u>(41,264)</u>	<u>1,035</u>
Total other financing sources (uses)	<u>(31,499)</u>	<u>(36,264)</u>	<u>(4,765)</u>
Net change in fund balance	(35,059)	579,616	614,675
FUND BALANCE, JULY 1, 2014	<u>2,006,564</u>	<u>2,006,564</u>	
FUND BALANCE, JUNE 30, 2015	<u><u>\$ 1,971,505</u></u>	<u><u>\$ 2,586,180</u></u>	<u><u>\$ 614,675</u></u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
TAXES	\$ 2,424,040	\$ 2,406,504	\$ (17,536)
LICENSES AND PERMITS	59,550	50,667	(8,883)
STATE SHARED REVENUES	605,000	608,085	3,085
CHARGES FOR SERVICES			
Cemetery		5,900	
Tax administration fees		86,861	
Equipment rental		10,425	
Planning and zoning fees		7,050	
Court fees		21,069	
Crossing guard		7,423	
Mobile home park fees		746	
Police fees		7,275	
Fire department charges		36,951	
Administrative charges		533,635	
Other charges for services		4,949	
Farmer's Market/Market day/Beach party		8,474	
Penalty and interest		44,154	
Total charges for services	<u>730,585</u>	<u>774,912</u>	<u>44,327</u>
INTEREST	<u>2,000</u>	<u>1,243</u>	<u>(757)</u>
MISCELLANEOUS REVENUE			
Grants		17,702	
Miscellaneous		7,761	
Insurance dividends		65,740	
Rental income		34,245	
Reimbursement		1,424	
Cablevision franchise fees		159,091	
Total miscellaneous revenue	<u>292,250</u>	<u>285,963</u>	<u>(6,287)</u>
Total revenues	<u>\$ 4,113,425</u>	<u>\$ 4,127,374</u>	<u>\$ 13,949</u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
LEGISLATIVE			
City Council			
Salaries	\$	\$ 4,680	\$
Payroll taxes		321	
Insurance		16	
Total city council	<u>12,075</u>	<u>5,017</u>	<u>7,058</u>
TOTAL LEGISLATIVE	<u>12,075</u>	<u>5,017</u>	<u>7,058</u>
GENERAL GOVERNMENT			
City Manager			
Salaries		181,931	
Payroll taxes		13,857	
Insurance - benefits		28,629	
Pension and OPEB		26,617	
Insurance - liability		1,683	
Training		160	
Miscellaneous		75	
Personnel allocation		(139,040)	
Total city manager	<u>127,624</u>	<u>113,912</u>	<u>13,712</u>
Assessor			
County equalization		49,651	
Printing and postage		39	
Total assessor	<u>55,500</u>	<u>49,690</u>	<u>5,810</u>
Attorney	<u>39,600</u>	<u>39,600</u>	
Litigation	<u>95,000</u>	<u>90,258</u>	<u>4,742</u>
Finance and Budget			
Salaries		130,826	
Payroll taxes		9,613	
Insurance - benefits		16,835	
Pension and OPEB		37,450	
Insurance - liability		1,564	
Dues, training and education		1,490	
Personnel allocation		(105,900)	
Total finance and budget	<u>108,200</u>	<u>91,878</u>	<u>16,322</u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government			
Salaries		47,725	
Payroll taxes		3,648	
Insurance - benefits		21,685	
Pension and OPEB		184,212	
Insurance - liability		51,626	
Office supplies and postage		9,116	
Utilities		28,497	
Repairs and maintenance		40,929	
Dues and subscriptions		8,841	
Professional fees		10,801	
Community development		5,500	
Senior center		13,365	
Miscellaneous		2,265	
Equipment rental		2,779	
Printing and publishing		520	
Personnel allocation		(24,888)	
	<hr/>	<hr/>	<hr/>
Total general government	461,307	406,621	54,686
	<hr/>	<hr/>	<hr/>
City Clerk			
Salaries		51,557	
Payroll taxes		3,861	
Insurance - benefits		12,778	
Retirement and OPEB		3,914	
Insurance - liability		470	
Office supplies and postage		3,417	
Dues and subscriptions		465	
Transportation		207	
Printing and publishing		510	
Repair and maintenance		499	
Conferences and training		3,367	
Miscellaneous		29	
Personnel allocation		8,220	
	<hr/>	<hr/>	<hr/>
Total city clerk	98,210	89,294	8,916
	<hr/>	<hr/>	<hr/>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Board of Review	1,550	1,520	30
Treasurer			
Education and training		40	
Postage		1,090	
Banking and payroll fees		1,204	
Membership and dues		100	
Printing and publishing		1,777	
Telephone		3,290	
Computer and software maintenance		749	
Equipment rental		4,500	
Miscellaneous		27	
Tax bill preparation		2,694	
Personnel allocation		23,073	
Total treasurer	66,334	38,544	27,790
Elections	11,000	8,342	2,658
Cemetery	1,800	600	1,200
Parks and Recreation	43,265	41,223	2,042
Planning Commission			
Personnel allocation		17,268	
Office supplies and postage		70	
Review		85	
Consultant		15,170	
Ordinance		90	
Membership and dues		1,275	
Printing and publishing		733	
Education and training		958	
Miscellaneous		4,143	
Total planning commission	49,418	39,792	9,626
Zoning Board of Appeals	1,000	198	802
TOTAL GENERAL GOVERNMENT	1,159,808	1,011,472	148,336

CITY OF WALLED LAKE

GENERAL FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY			
Police Department			
Salaries		791,542	
Payroll taxes		60,568	
Insurance - benefits		60,537	
Pension and OPEB		151,871	
Insurance - liability		34,648	
Dispatch services		79,931	
Operating supplies		5,147	
Professional fees		7,697	
Uniforms		7,242	
Fuel		22,806	
Auxiliary services		1,651	
Prevention programs		594	
Utilities		7,732	
Lien claims		14,342	
Telephone		10,235	
Repairs and maintenance		34,552	
Record retention		585	
Training		12,290	
Capital outlay		3,606	
Office supplies and postage		3,793	
Miscellaneous		657	
Personnel allocation		33,500	
	<hr/>	<hr/>	<hr/>
Total police department	1,441,355	1,345,526	95,829
	<hr/>	<hr/>	<hr/>
Crossing guards	8,500	7,672	828
	<hr/>	<hr/>	<hr/>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire Department			
Salaries		358,847	
Payroll taxes		26,770	
Insurance - benefits		75,833	
Pension and OPEB		21,007	
Insurance - general liability		26,156	
Dispatch services		20,241	
Office supplies and postage		794	
Operating supplies		8,889	
Fire prevention		1,290	
Uniforms		1,488	
Fuel		6,876	
Cost recovery billing		5,686	
Dues and subscriptions		8,274	
Professional fees		2,102	
Telephone and utilities		19,690	
Repairs and maintenance		30,159	
Training		6,555	
Equipment rental		4,525	
Capital outlay		22,345	
Printing and publishing		77	
Miscellaneous		1,073	
	<hr/>	<hr/>	<hr/>
Total fire department	<u>769,510</u>	<u>648,677</u>	<u>120,833</u>
Building Inspection Department			
Salaries		54,708	
Payroll taxes		3,030	
Personnel allocation		17,268	
Fuel		800	
Insurance - liability		3,367	
Supplies and postage		1,124	
Inspection fees		6,140	
Telephone		12,338	
Repairs and maintenance		7,322	
Education and training		237	
	<hr/>	<hr/>	<hr/>
Total building inspection department	<u>118,173</u>	<u>106,334</u>	<u>11,839</u>
TOTAL PUBLIC SAFETY	<u>2,337,538</u>	<u>2,108,209</u>	<u>229,329</u>

CITY OF WALLED LAKE

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC WORKS			
DPW			
Salaries		300,880	
Payroll taxes		23,684	
Insurance - benefits		57,724	
Pension and OPEB		32,684	
Insurance - liability		14,988	
Office supplies and postage		665	
Operating supplies		7,003	
Uniforms		723	
Fuel		11,698	
Contracted services		4,294	
Dues and subscriptions		570	
Telephone		4,869	
Utilities		18,703	
Repairs and maintenance		18,878	
Equipment rental		46,457	
Small equipment		1,798	
Miscellaneous		1,075	
Personnel allocation		(284,640)	
Total DPW	<u>330,314</u>	<u>262,053</u>	<u>68,261</u>
Beautification	<u>2,000</u>	<u>1,389</u>	<u>611</u>
Storm Water Drains/Lake	<u>9,750</u>	<u>7,245</u>	<u>2,505</u>
Streetlights	<u>73,500</u>	<u>69,066</u>	<u>4,434</u>
TOTAL PUBLIC WORKS	415,564	339,753	75,811
CAPITAL OUTLAY			
Capital outlay	<u>192,000</u>	<u>47,043</u>	<u>144,957</u>
Total expenditures	<u>\$ 4,116,985</u>	<u>\$ 3,511,494</u>	<u>\$ 605,491</u>