



City of Walled Lake Michigan
Report on Audited Financial Statements

For the Fiscal Year ended June 30, 2016

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CITY OF WALLED LAKE

CITY COUNCIL

Linda Ackley – Mayor, MPA
Casey Ambrose – Mayor Pro Tem
Susan Helke - Council Member
Tamra Loch - Council Member
Bennett Lublin - Council Member, CPA
John Owsinek - Council Member
Robert Robertson - Council Member

CITY OFFICIALS

L. Dennis Whitt, City Manager, MBA, MPA, MSM, MALS
Chelsea Rodgers, Assistant City Manager
Colleen Coogan, Director of Finance & Budget, CPA, CPFO
Paul Shakinas, Chief of Police, MS
James Coomer, Jr., Fire Chief
Jennifer Stuart, City Clerk, CMMC

LEGAL COUNSEL

Vahan Vanerian
Secret, 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 | 9 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENTAL-WIDE FINANCIAL STATEMENTS | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| FUND FINANCIAL STATEMENTS | |
| Balance Sheet - Governmental Funds | 19 |
| Reconciliation of Governmental Fund Balances to Statement of Net Position | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 21 |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Statement of Net Position - Proprietary Funds | 23 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 24 |
| Statement of Cash Flows - Proprietary Funds | 25 |
| Statement of Net Position - Fiduciary Funds | 26 |
| Statement of Changes in Fiduciary Net Position - Retiree Healthcare Fund | 27 |
| Balance Sheet – Component Units | 28 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Units | 29 |
| NOTES TO FINANCIAL STATEMENTS | 31 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| GENERAL FUND | |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 56 |
| SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN | 57 |
| SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - DEFINED BENEFIT PENSION PLAN | 58 |
| SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN | 59 |

TABLE OF CONTENTS

PAGE NUMBER

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

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

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INDEPENDENT AUDITORS' REPORT

November 10, 2016

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 - 13 and 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, Michigan'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, 2016

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, 2016 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 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 \$8,446,673. This is a \$98,979 increase over last year's net position of \$8,347,694. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure repairs by funding major road repairs on Maple Road and lengthening the sidewalk on Pontiac Trail this fiscal year. The Downtown Development Authority has also shifted their focus to capital improvements and has been able to contribute to these citywide projects.

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>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
| Assets | | | | | | | | |
| Current and other assets | \$ 4,460,210 | \$ 3,460,928 | \$ 1,682,351 | \$ 1,531,494 | \$ 6,142,561 | \$ 4,992,422 | \$ 1,443,345 | \$ 1,123,551 |
| Capital assets | 10,355,659 | 10,119,451 | 4,302,469 | 4,557,052 | 14,658,128 | 14,676,503 | 762,466 | 781,924 |
| Total assets | <u>14,815,869</u> | <u>13,580,379</u> | <u>5,984,820</u> | <u>6,088,546</u> | <u>20,800,689</u> | <u>19,668,925</u> | <u>2,205,811</u> | <u>1,905,475</u> |
| Deferred outflow of resources | | | | | | | | |
| Pension | 1,242,728 | 289,281 | | | 1,242,728 | 289,281 | | |
| Liabilities | | | | | | | | |
| Other liabilities | 465,162 | 480,673 | 1,068,629 | 665,457 | 1,533,791 | 1,146,130 | 51,877 | 43,596 |
| Long-term liabilities | 12,062,953 | 10,464,382 | | | 12,062,953 | 10,464,382 | | |
| Total liabilities | <u>12,528,115</u> | <u>10,945,055</u> | <u>1,068,629</u> | <u>665,457</u> | <u>13,596,744</u> | <u>11,610,512</u> | <u>51,877</u> | <u>43,596</u> |
| Net position: | | | | | | | | |
| Invested in capital assets, net of related debt | 9,050,659 | 8,654,451 | 4,302,469 | 4,557,052 | 13,353,128 | 13,211,503 | 762,466 | 781,924 |
| Restricted | 407,769 | 478,856 | | | 407,769 | 478,856 | 180,264 | 213,924 |
| Unrestricted | (5,925,994) | (6,208,702) | 613,722 | 866,037 | (5,312,272) | (5,342,665) | 1,211,204 | 866,031 |
| Total net position | <u>\$ 3,530,482</u> | <u>\$ 2,924,605</u> | <u>\$ 4,916,191</u> | <u>\$ 5,423,089</u> | <u>\$ 8,446,673</u> | <u>\$ 8,347,694</u> | <u>\$ 2,153,934</u> | <u>\$ 1,861,879</u> |

Summary of Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | | Component Units | |
|------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|------------------------|---------------------|
| | 6/30/2016 | 6/30/2015 | 6/30/2016 | 6/30/2015 | 6/30/2016 | 6/30/2015 | 6/30/2016 | 6/30/2015 |
| Revenues: | | | | | | | | |
| Program revenues | | | | | | | | |
| Charges for services | \$ 981,797 | \$ 1,003,827 | \$ 2,859,471 | \$ 2,473,491 | \$ 3,841,268 | \$ 3,477,318 | \$ 21,382 | \$ 22,059 |
| Operating grants and contributions | 302,187 | 18,287 | | | 302,187 | 18,287 | 4,718 | 82,698 |
| Capital contributions | | | | 3,237 | | 3,237 | | |
| General revenues | | | | | | | | |
| State-shared revenue | 1,104,660 | 1,037,628 | | | 1,104,660 | 1,037,628 | 28,592 | 4,121 |
| Property taxes | 3,208,448 | 2,405,024 | | | 3,208,448 | 2,405,024 | 1,012,846 | 913,423 |
| Interest | 10,203 | 1,647 | 383 | 136 | 10,586 | 1,783 | 2 | 3 |
| Other | 325,681 | 353,743 | 326 | 809 | 326,007 | 354,552 | (1,995) | 9 |
| Total revenues | 5,932,976 | 4,820,156 | 2,860,180 | 2,477,673 | 8,793,156 | 7,297,829 | 1,065,545 | 1,022,313 |
| Program Expenses | | | | | | | | |
| General government | 1,365,234 | 1,370,747 | | | 1,365,234 | 1,370,747 | | |
| Public safety | 2,944,520 | 2,432,716 | | | 2,944,520 | 2,432,716 | | |
| Transportation | 156,557 | 142,725 | | | 156,557 | 142,725 | | |
| Public works/roads | 851,211 | 885,729 | | | 851,211 | 885,729 | | |
| Recreation | 47,940 | 49,838 | | | 47,940 | 49,838 | | |
| Interest on long-term debt | 50,633 | 61,238 | | | 50,633 | 61,238 | | |
| Refuse/utility systems | | | 3,278,082 | 2,953,879 | 3,278,082 | 2,953,879 | | |
| Library/community development | | | | | | | 773,490 | 690,410 |
| Total expenses | 5,416,095 | 4,942,993 | 3,278,082 | 2,953,879 | 8,694,177 | 7,896,872 | 773,490 | 690,410 |
| Excess before transfers | 516,881 | (122,837) | (417,902) | (476,206) | 98,979 | (599,043) | 292,055 | 331,903 |
| Transfers | 88,996 | 83,779 | (88,996) | (83,779) | | | | |
| Changes in net position | 605,877 | (39,058) | (506,898) | (559,985) | 98,979 | (599,043) | 292,055 | 331,903 |
| Beginning 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 |
| Prior period adjustment | | (7,400,330) | | | | (7,400,330) | | |
| Ending net position | \$ 3,530,482 | \$ 2,924,605 | \$ 4,916,191 | \$ 5,423,089 | \$ 8,446,673 | \$ 8,347,694 | \$ 2,153,934 | \$ 1,861,879 |

Financial Analysis of the City's Funds

Property tax income increased by \$768,100 over last fiscal year - \$602,000 of this is due to the new 10 year Public Safety Millage which was approved for first levy on the 2015 tax bills. Ahead of both the State and the nation in repairing crumbling infrastructure, the City's strategic planning sessions have focused the use of resources on rehabilitating the City's infrastructure over the last several years.

The City has contained the legacy debt for retirement benefits to those benefits offered before 2010. All current employee benefits are paid in full as incurred and no additional debt is being added. However, due to changes in actuarial assumptions on the City's defined benefit pension plan the City's net pension liability increased by \$1.6 million dollars. The assumption changes included a reduction of the expected rate of return from 8.00% to 7.75% and an update to the longevity tables. Fiscal year 2016 closed with 24 years remaining to pay off the \$9.6 million dollar actuarial computed net pension liability. \$441,000 or 11% of General Fund expenditures was for pension payments.

The Retiree Health Care Trust Fund Balance closed fiscal year 2016 with only \$23,000 in reserves to contribute to the ongoing \$125,000 per year in health care payments for retirees, the shortfall will be made up by the General Fund.

The Council approved a Water and Sewer rate methodology that structures the activities into five (5) distinct cost center: Water Operations, Sewer Operations, Water Capital Replacement, Sewer Capital Replacement, and Sewer Industrial pre-treatment. Each of the cost centers has a different cost recovery methodology including a phase in of the cost pass through to the customers.

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 \$833,000 due to delayed capital expenditures and unfilled positions and the new public safety millage revenues of \$602,000 which are designated for capital improvements in 2017.

Capital Asset and Debt Administration

The governmental funds acquired \$424,545 of new capital assets during the year. Most of these acquisitions were related to various Road and Sidewalk Projects.

Debt service payments of \$211,941 for two outstanding bond issues included principal reduction of \$160,000 and interest payments of \$51,941. The City has no other debt financing arrangements and current management is committed to maintaining that status.

Economic Conditions and Future Activities

Seven (7) years ago the newly elected City Council majority arrested the forward momentum of a \$9 million dollar mega municipal complex plan that had been put in place in favor of restoring and rehabilitating the existing structures.

In 2014 voters approved a Public Safety millage to provide funds for capital improvements and operations related to public safety. In keeping with recent conservative fiscal decisions Council and Administrative will be utilizing the new millage for necessary infrastructure and capital improvements and rejecting any debt related financing options.

2016 is the first year of revenues from this voter approved Public Safety millage and the annual expected increase of \$600,000 in tax revenues for the General Fund has been planned for use by Council in fiscal year 2017 and 2018 to replace the old ambulance and pumper truck, several police vehicles, the end-of-life server, and contribute to some significant rehabilitation activities on the Public Safety/City Hall complex.

The taxable value of the City's residential properties is expected to increase at a higher than inflation rate due to home sales including some new construction. The commercial property values are expected to remain somewhat stagnant.

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, 2016**

| | | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| Inventory | 21,417 | 7,792 | 29,209 | |
| Prepaid expenses | 43,528 | | 43,528 | |
| Capital assets, not being depreciated | | | | |
| Non-depreciated | 1,990,372 | | 1,990,372 | |
| Depreciated, net | 8,365,287 | 4,302,469 | 12,667,756 | 762,466 |
| Total assets | 14,815,869 | 5,984,820 | 20,800,689 | 2,205,811 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension investment activities | 1,025,827 | | 1,025,827 | |
| Subsequent pension contributions | 216,901 | | 216,901 | |
| Total deferred outflows of resources | 1,242,728 | | 1,242,728 | |
| LIABILITIES | | | | |
| Accounts payable | 190,261 | 1,068,629 | 1,258,890 | 49,805 |
| Accrued wages | 38,817 | | 38,817 | 2,072 |
| Accrued interest payable | 14,014 | | 14,014 | |
| Performance deposits | 33,050 | | 33,050 | |
| Non-current liabilities | | | | |
| Net pension liability | 9,629,100 | | 9,629,100 | |
| Due within one year: | | | | |
| Compensated absences | 9,020 | | 9,020 | |
| Current portion of long-term debt | 180,000 | | 180,000 | |
| Due in more than one year: | | | | |
| Compensated absences | 150,692 | | 150,692 | |
| Long-term debt | 1,125,000 | | 1,125,000 | |
| Other non-current liability - other post-employment benefit liability | 1,158,161 | | 1,158,161 | |
| Total liabilities | 12,528,115 | 1,068,629 | 13,596,744 | 51,877 |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | 9,050,659 | 4,302,469 | 13,353,128 | 762,466 |
| Restricted | 407,769 | | 407,769 | 180,264 |
| Unrestricted | (5,927,946) | 613,722 | (5,314,224) | 1,211,204 |
| Total net position | \$ 3,530,482 | \$ 4,916,191 | \$ 8,446,673 | \$ 2,153,934 |
| | 2,287,754 | 4,916,191 | 7,203,945 | 2,153,934 |

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, 2016

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | | Component Units |
|---------------------------------------|-----------------------|----------------------|------------------------------------|--|--------------------------|---------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ (1,365,234) | \$ 771,492 | \$ 20,948 | \$ (572,794) | \$ | \$ (572,794) | \$ |
| Public safety | (2,944,520) | 36,987 | 274,226 | (2,633,307) | | (2,633,307) | |
| Transportation | (156,557) | 173,318 | | 16,761 | | 16,761 | |
| Public works/roads | (851,211) | | | (851,211) | | (851,211) | |
| Recreation | (47,940) | | 7,013 | (40,927) | | (40,927) | |
| Interest on long-term debt | (50,633) | | | (50,633) | | (50,633) | |
| Total governmental activities | (5,416,095) | 981,797 | 302,187 | (4,132,111) | | (4,132,111) | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Refuse | (316,175) | 332,042 | | | 15,867 | 15,867 | |
| Water/sewer system | (2,961,907) | 2,527,429 | | | (434,478) | (434,478) | |
| Total business-type activities | (3,278,082) | 2,859,471 | | | (418,611) | (418,611) | |
| Total primary government | \$ (8,694,177) | \$ 3,841,268 | \$ 302,187 | (4,132,111) | (418,611) | (4,550,722) | |
| COMPONENT UNITS | | | | | | | |
| Downtown Development Authority | \$ (415,234) | \$ 6 | \$ | | | | (415,228) |
| Walled Lake City Library | (358,256) | 21,376 | 4,718 | | | | (332,162) |
| Total component units | \$ (773,490) | \$ 21,382 | \$ 4,718 | | | | (747,390) |
| General revenues | | | | | | | |
| Property taxes | | | | 3,208,448 | | 3,208,448 | 1,012,846 |
| State shared revenues | | | | 1,104,660 | | 1,104,660 | 28,592 |
| Interest income | | | | 10,203 | 383 | 10,586 | 2 |
| Franchise fees | | | | 230,824 | | 230,824 | |
| Rental income - cell tower | | | | 36,199 | | 36,199 | |
| Other income | | | | 56,587 | 326 | 56,913 | 50 |
| Gain (loss) on sale of assets | | | | 2,071 | | 2,071 | (2,045) |
| Total general revenues | | | | 4,648,992 | 709 | 4,649,701 | 1,039,445 |
| Transfers in (out) | | | | 88,996 | (88,996) | | |
| Changes in net position | | | | 605,877 | (506,898) | 98,979 | 292,055 |
| Net position, July 1, 2015 | | | | 2,924,605 | 5,423,089 | 8,347,694 | 1,861,879 |
| Net position, June 30, 2016 | | | | \$ 3,530,482 | \$ 4,916,191 | \$ 8,446,673 | \$ 2,153,934 |

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, 2016

| | General | Nonmajor Funds | Totals |
|--|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 3,700,636 | \$ 271,676 | \$ 3,972,312 |
| Receivables | | | |
| Taxes | 20,481 | | 20,481 |
| State shared revenues | 114,027 | | 114,027 |
| Accounts | 72,948 | 175,999 | 248,947 |
| Due from other funds | 1,983 | | 1,983 |
| Inventory | | 21,417 | 21,417 |
| Prepaid expenditures | 43,528 | | 43,528 |
| | <u>43,528</u> | <u>21,417</u> | <u>43,528</u> |
| Total assets | <u>\$ 3,953,603</u> | <u>\$ 469,092</u> | <u>\$ 4,422,695</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 166,876 | \$ 23,385 | \$ 190,261 |
| Accrued payroll | 38,288 | 529 | 38,817 |
| Compensated absences | 9,020 | | 9,020 |
| Performance deposits | 33,050 | | 33,050 |
| | <u>33,050</u> | <u>23,385</u> | <u>33,050</u> |
| Total liabilities | <u>247,234</u> | <u>23,914</u> | <u>271,148</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unearned revenue | 20,481 | | 20,481 |
| | <u>20,481</u> | | <u>20,481</u> |
| Total liabilities and deferred inflow of resources | <u>267,165</u> | <u>23,914</u> | <u>291,629</u> |
| FUND BALANCE | | | |
| Nonspendable: Prepaid items | 43,528 | | 43,528 |
| Inventory | | 21,417 | 21,417 |
| Restricted: Road improvements | | 237,037 | 237,037 |
| Transportation | | 137,429 | 137,429 |
| Public safety | | 33,303 | 33,303 |
| Committed: Public safety | 185,160 | | 185,160 |
| Assigned: Fiscal 2017 Budget | 884,642 | | 884,642 |
| Unassigned | 2,572,558 | 15,992 | 2,588,550 |
| | <u>2,572,558</u> | <u>15,992</u> | <u>2,588,550</u> |
| Total fund balances | <u>3,685,888</u> | <u>445,178</u> | <u>4,131,066</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 3,953,603</u> | <u>\$ 469,092</u> | <u>\$ 4,422,695</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, 2016**

| | | |
|---|--------------------|----------------------------|
| Total fund balance per balance sheet | | \$ 4,131,066 |
| 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 | \$ 1,990,372 | |
| Depreciable assets, net of depreciation | <u>8,365,287</u> | |
| Capital assets net of depreciation | | 10,355,659 |
| Pension related activities are not a consumption of current resources and therefore are reported as deferred outflow (inflow) of resources in the Statement of Net Position | | |
| Differences in actuarial experience to actual | 192,929 | |
| Differences in actuarial assumptions | 453,864 | |
| Investments in excess (deficient) of projection returns | 379,034 | |
| Contributions subsequent to measurement date | <u>216,901</u> | |
| Total | | 1,242,728 |
| 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 | | (9,629,100) |
| 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 | (1,305,000) | |
| Compensated absences | (150,692) | |
| Other post-employment benefits | <u>(1,158,161)</u> | |
| Total | | (2,613,853) |
| Taxes receivable that were not collected within 60 days of year-end are realized in the Statement of Activities | | |
| | | 20,481 |
| Accrued interest is not due and payable in the current period and is not reported in the funds | | |
| | | (14,014) |
| 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>37,515</u> |
| Net position of governmental activities | | <u><u>\$ 3,530,482</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, 2016

| | General Fund | Nonmajor Funds | Total |
|---|---------------------|-------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 3,206,442 | \$ | \$ 3,206,442 |
| State shared revenues - general government | 623,057 | | 623,057 |
| State shared revenues - roads | | 481,603 | 481,603 |
| Grant income | 21,533 | | 21,533 |
| Licenses and permits | 7,745 | | 7,745 |
| Recreation and culture | 7,013 | | 7,013 |
| Building and zoning permits | 159,573 | | 159,573 |
| Charges for services - interfund | 526,550 | | 526,550 |
| Charges for services | 48,047 | 278,548 | 326,595 |
| Fines and forfeitures | 29,577 | 36,987 | 66,564 |
| Interest | 10,053 | 150 | 10,203 |
| Other | 633,386 | | 633,386 |
| Total revenues | <u>5,272,976</u> | <u>797,288</u> | <u>6,070,264</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 933,251 | | 933,251 |
| Public safety | 2,392,580 | 65,402 | 2,457,982 |
| Transportation | | 156,557 | 156,557 |
| Recreation and culture | 44,530 | | 44,530 |
| Public works | 251,142 | 267,417 | 518,559 |
| Debt service: | | | |
| Principal | | 160,000 | 160,000 |
| Interest/fees | | 52,191 | 52,191 |
| Capital outlay: | | | |
| General government | 8,729 | | 8,729 |
| Public safety | 30,120 | 24,744 | 54,864 |
| Public works | 478,467 | 123,607 | 602,074 |
| Total expenditures | <u>4,138,819</u> | <u>849,918</u> | <u>4,988,737</u> |
| Excess of revenues over (under) expenditures | <u>1,134,157</u> | <u>(52,630)</u> | <u>1,081,527</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of assets | 2,071 | | 2,071 |
| Transfers in | 7,500 | 212,191 | 219,691 |
| Transfers (out) | (44,020) | (86,675) | (130,695) |
| Total other financing sources (uses) | <u>(34,449)</u> | <u>125,516</u> | <u>91,067</u> |
| Net changes in fund balances | 1,099,708 | 72,886 | 1,172,594 |
| FUND BALANCE, JULY 1, 2015 | <u>2,586,180</u> | <u>372,292</u> | <u>2,958,472</u> |
| FUND BALANCE, JUNE 30, 2016 | <u>\$ 3,685,888</u> | <u>\$ 445,178</u> | <u>\$ 4,131,066</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, 2016**

| | |
|---|---------------------------------|
| Net change in fund balances - governmental funds | \$ 1,172,594 |
| 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 | \$ 665,667 |
| Depreciation expense | <u>(429,459)</u> |
| Total | 236,208 |
| 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 deferred outflow of resources | (686,723) |
| 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 | |
| | 2,006 |
| 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 | (118,827) |
| Accrued absences for PTO for the employees is recorded on the Statement of Net Position | |
| | (19,574) |
| Change in accrued interest payable for the year | |
| | 1,558 |
| Revenue received but not earned is recorded as revenue on Statement of Activities | |
| | <u>(141,365)</u> |
| Change in net position of governmental activities | <u><u>\$ 605,877</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, 2016**

| | <u>Water and Sewer Fund</u> | <u>Non-major Fund Refuse Fund</u> | <u>Total</u> |
|--|-------------------------------------|---|----------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 865,790 | \$ 96,727 | \$ 962,517 |
| Accounts receivable | 664,822 | 47,220 | 712,042 |
| Inventory | 7,792 | | 7,792 |
| Noncurrent assets: | | | |
| Utility system, net | <u>4,302,469</u> | | <u>4,302,469</u> |
| Total assets | <u><u>\$ 5,840,873</u></u> | <u><u>\$ 143,947</u></u> | <u><u>\$ 5,984,820</u></u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | <u>\$ 1,017,361</u> | <u>\$ 51,268</u> | <u>\$ 1,068,629</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 4,302,469 | | 4,302,469 |
| Unrestricted | <u>521,043</u> | <u>92,679</u> | <u>613,722</u> |
| Total net position | <u>4,823,512</u> | <u>92,679</u> | <u>4,916,191</u> |
| Total liabilities and net position | <u><u>\$ 5,840,873</u></u> | <u><u>\$ 143,947</u></u> | <u><u>\$ 5,984,820</u></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, 2016**

| | <u>Water and Sewer Fund</u> | <u>Nonmajor Fund Refuse Fund</u> | <u>Total</u> |
|---|-------------------------------------|--|---------------------|
| OPERATING REVENUES | | | |
| User charges | \$ 2,527,429 | \$ 332,042 | \$ 2,859,471 |
| OPERATING EXPENSES | | | |
| Refuse | | 316,175 | 316,175 |
| Sewer and water | 2,657,155 | | 2,657,155 |
| Depreciation | 304,752 | | 304,752 |
| | <u>2,961,907</u> | <u>316,175</u> | <u>3,278,082</u> |
| Total operating expenses | | | |
| | <u>(434,478)</u> | <u>15,867</u> | <u>(418,611)</u> |
| NON-OPERATING REVENUES (EXPENSE) | | | |
| Interest income - operating | 383 | | 383 |
| Other income (expense) | 589 | (263) | 326 |
| | <u>972</u> | <u>(263)</u> | <u>709</u> |
| Total non-operating revenues | | | |
| | <u>(433,506)</u> | <u>15,604</u> | <u>(417,902)</u> |
| Excess of revenues over (under) expenses | | | |
| OTHER FINANCING USES | | | |
| Transfers in | | 2,600 | 2,600 |
| Transfers (out) | (84,096) | (7,500) | (91,596) |
| | <u>(84,096)</u> | <u>(4,900)</u> | <u>(88,996)</u> |
| Total | | | |
| | <u>(517,602)</u> | <u>10,704</u> | <u>(506,898)</u> |
| Changes in net position | | | |
| NET POSITION, JULY 1, 2015 | <u>5,341,114</u> | <u>81,975</u> | <u>5,423,089</u> |
| NET POSITION, JUNE 30, 2016 | <u>\$ 4,823,512</u> | <u>\$ 92,679</u> | <u>\$ 4,916,191</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, 2016

| | <u>Water and Sewer Fund</u> | <u>Nonmajor Fund Refuse Fund</u> | <u>Total</u> |
|---|-------------------------------------|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,342,285 | \$ 332,176 | \$ 2,674,461 |
| Cash payments to suppliers | 2,307,653 | 264,929 | 2,572,582 |
| Net cash from operating activities | <u>34,632</u> | <u>67,247</u> | <u>101,879</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of fixed assets | (50,169) | | (50,169) |
| Transfers (out) | (84,096) | (4,900) | (88,996) |
| Other income (expense) | 589 | (263) | 326 |
| Net cash (used in) capital and related financing activities | <u>(133,676)</u> | <u>(5,163)</u> | <u>(138,839)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on cash | 383 | | 383 |
| Net increase (decrease) in cash and cash equivalents | (98,661) | 62,084 | (36,577) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD | <u>964,451</u> | <u>34,643</u> | <u>999,094</u> |
| CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD | <u>\$ 865,790</u> | <u>\$ 96,727</u> | <u>\$ 962,517</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (434,478) | \$ 15,867 | \$ (418,611) |
| Adjustments to reconcile operating income (loss) to net cash (used in) operating activities: | | | |
| Depreciation | 304,752 | | 304,752 |
| Change in assets and liabilities: | | | |
| Receivables, net | (185,144) | 134 | (185,010) |
| Inventory | (2,424) | | (2,424) |
| Accounts and other payables | 351,926 | 51,246 | 403,172 |
| Net cash from operating activities | <u>\$ 34,632</u> | <u>\$ 67,247</u> | <u>\$ 101,879</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, 2016

| | <u>Agency Funds</u> | <u>Retiree Healthcare Fund</u> |
|---|-------------------------|--|
| ASSETS | | |
| Cash and cash investments | \$ 221,060 | \$ 21,698 |
| Due from others | 3,428 | |
| Prepaid expenditures | | 1,991 |
| Total assets | <u>\$ 224,488</u> | <u>\$ 23,689</u> |
| LIABILITIES | | |
| Accrued expenses | \$ 222,505 | \$ 722 |
| Due to other funds | 1,983 | |
| Total liabilities | 224,488 | 722 |
| NET POSITION | | |
| Restricted for OPEB | | <u>22,967</u> |
| Total liabilities and net position | <u>\$ 224,488</u> | <u>\$ 23,689</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, 2016**

ADDITIONS

Investment income:

Interest and dividends

\$ 1

Net increase in fair value of investments

(1,545)

Net investment income

\$ (1,544)

Contributions - Employer

Contributions - Participants

12,530

Total additions

10,986

DEDUCTIONS

Retiree healthcare premiums

122,783

NET (DECREASE) IN NET POSITION HELD IN TRUST

(111,797)

NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

Beginning of year

134,764

NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

End of year

\$ 22,967

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

CITY OF WALLED LAKE

BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2016

| | <u>Downtown Development Authority</u> | <u>Library</u> | <u>Totals</u> |
|---|---|-------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,240,405 | \$ 172,445 | \$ 1,412,850 |
| Receivables | | | |
| Taxes | 8,011 | 2,531 | 10,542 |
| Accounts | 38 | 19,915 | 19,953 |
| | <u>38</u> | <u>19,915</u> | <u>19,953</u> |
| Total assets | <u>\$ 1,248,454</u> | <u>\$ 194,891</u> | <u>\$ 1,443,345</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 37,250 | \$ 12,555 | \$ 49,805 |
| Compensated absences | | 2,072 | 2,072 |
| | <u>37,250</u> | <u>14,627</u> | <u>51,877</u> |
| Total liabilities | <u>37,250</u> | <u>14,627</u> | <u>51,877</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unearned revenue | 8,011 | 2,531 | 10,542 |
| | <u>8,011</u> | <u>2,531</u> | <u>10,542</u> |
| Total liabilities and deferred inflow of resources | <u>45,261</u> | <u>17,158</u> | <u>62,419</u> |
| FUND BALANCE | | | |
| Restricted - Library | | 177,733 | 177,733 |
| Restricted - DDA | 1,203,193 | | 1,203,193 |
| | <u>1,203,193</u> | <u>177,733</u> | <u>1,380,926</u> |
| Total fund balances | <u>1,203,193</u> | <u>177,733</u> | <u>1,380,926</u> |
| Total liabilities and deferred inflow of resources and fund balances | <u>\$ 1,248,454</u> | <u>\$ 194,891</u> | <u>\$ 1,443,345</u> |

CITY OF WALLED LAKE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Downtown Development Authority | Library | Totals |
|-------------------------------------|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Taxes | \$ 712,012 | \$ 300,118 | \$ 1,012,130 |
| Local community stabilization | 21,550 | 2,465 | 24,015 |
| State aids | | 4,577 | 4,577 |
| Donations | | 4,718 | 4,718 |
| Charges for services | 6 | 6,572 | 6,578 |
| Fines and forfeitures | | 14,804 | 14,804 |
| Interest | | 2 | 2 |
| Other | | 50 | 50 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>733,568</u> | <u>333,306</u> | <u>1,066,874</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Downtown development | 388,863 | | 388,863 |
| Library | | 311,234 | 311,234 |
| Capital outlay: | | | |
| Library | | 55,980 | 55,980 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>388,863</u> | <u>367,214</u> | <u>756,077</u> |
| Net changes in fund balances | 344,705 | (33,908) | 310,797 |
| FUND BALANCE, JULY 1, 2015 | <u>858,488</u> | <u>211,641</u> | <u>1,070,129</u> |
| FUND BALANCE, JUNE 30, 2016 | <u>\$ 1,203,193</u> | <u>\$ 177,733</u> | <u>\$ 1,380,926</u> |

NOTES TO FINANCIAL STATEMENTS

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016**

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, 2016

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 July 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 2015 levy was assessed at an adjusted taxable value of \$180,318,540. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. A portion of the City and Library millage is captured by the Downtown Development Authority.

The City levies the following millage:

| | |
|--------------------------|-----------------------|
| General City operations | 15.8185 |
| Public Safety | 3.9168 |
| Library - component unit | <u>1.7671</u> |
| | <u><u>21.5024</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, 2016

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 2016:

| | |
|---|----------------|
| 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

Nonspendable Fund Balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

Assigned Fund Balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

Unassigned Fund Balance - amounts that are available for any purpose; these amounts are reported only in the general fund.

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.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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.

Investments are stated at market value.

K. DEFERRED OUTFLOW/INFLOW 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 Outflow (previously called assets) and Deferred Inflow (previously called liabilities).

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

Deferred outflow 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, 2016 the City records deferred outflow 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, 2015.

Deferred outflow of resources as of June 30, 2016 are as follows:

| <u>Deferred Outflow of Resources</u> | |
|---|---------------------|
| Differences in experience | \$ 192,929 |
| Differences in actuarial assumptions | 453,864 |
| Differences in investment expectations versus actual | 379,034 |
| Contributions made subsequent to pension liability measurement date | <u>216,901</u> |
| | <u>\$ 1,242,728</u> |

Deferred inflow 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 outflow of resources and deferred inflow 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, 2016**

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, 2016**

NOTE 3 - INTERFUND BALANCES/TRANSFERS

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

| Due from Fund | Due to Fund | Amount |
|----------------------|--------------------|------------------------|
| Tax Fund | General Fund | <u><u>\$ 1,983</u></u> |

The following transfers were made during the year:

| Transfer in to | Transfer out from | Amounts | Purpose |
|-----------------------|--------------------------|--------------------------|--------------------------------|
| General Fund | Refuse Fund | \$ 7,500 | Reimburse Administrative Fees |
| Refuse Fund | General Fund | 2,600 | Reimburse City Yard Waste Cost |
| Debt Service Fund | General Fund | 41,420 | Building Authority Bonds |
| Debt Service Fund | Local Street Fund | 86,675 | 2009 Local Roads Bonds |
| Debt Service Fund | Water Operating Fund | <u>84,096</u> | Building Authority bBnds |
| | | <u><u>\$ 222,291</u></u> | |

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

| <u>Division</u> | <u>Status</u> | <u>Benefits</u> | <u>FAC</u> | <u>Vesting Period</u> | <u>Retirement Age</u> | <u>Early Retirement</u> |
|---------------------------------|---------------|---------------------------|------------|-----------------------|-----------------------|--|
| 01 - Public Works | Open | 2.25% to 1.70% 80% max | 5 years | 10 years | Age 60 | <u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 20 years |
| 02 - FT Police & Command | Open | 2.50% to 1.90% 80% max | 3 years | 10 years | Age 60 | <u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years |
| 05 - Fire | Open | 2.25% to 1.70% 80% max | 3 years | 10 years | Age 60 | <u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years |
| 10 - Clerical | Open | 2.25% to 1.70% 80% max | 5 years | 6 years | Age 60 | <u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years |
| 11 - Admin Unit | Closed | 2.50%, 80% max | 3 years | 6 years | Age 60 | <u>Reduced:</u> Age 55 with 15 years <u>Unreduced:</u> Age 50 with 25 years |
| 12 - FT Admin after 7/1/2013 | Open | 1.50%, no max | 3 years | 3 years | Age 60 | <u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 30 |
| Inactive employees entitled to but not yet receiving benefits | 13 |
| Active employees | 20 |
| | 63 |

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 actuarially determined contribution rates for the year ended June 30, 2016 were:

| Division | Employer Contribution Rate | Employee Contribution Rate |
|--------------------------------------|---|---|
| 01 - Public Works | 12.90% | 5.00% |
| 02 - FT Police & Command | 23.87% | 8.00% |
| 05 - Fire | 7.88% | 5.00% |
| 10 - Clerical | 7.14% | 5.00% |
| 11 - Administrative Unit (closed) | \$15,353/ month | 5.25% |
| 12- FT Administrative after 7/1/2013 | 4.22% | 3.00% |

Total employer contributions for the year ended June 30, 2016 were \$447,696.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increases: 3.75%

Investment rate of return: 7.75%, net of investment expense, including inflation (this is a reduction of .25% from 2014)

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with price inflation of 2.5%.

Mortality rates were updated for the December 31, 2015 actuarial computations and are based on the 2014 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 2015.

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.

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 8.00% throughout the 2015 year. 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, 2016

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 12/31/2014 | \$ 12,431,833 | \$ 4,442,903 | \$ 7,988,930 |
| Changes for the year | | | |
| Service cost | 132,765 | | 132,765 |
| Interest on total pension liability | 994,968 | | 994,968 |
| Changes in benefits | | | |
| Difference between expected and actual experience | 289,393 | | 289,393 |
| Changes in assumptions | 680,796 | | 680,796 |
| Employer contributions | | 456,209 | (456,209) |
| Employee contributions | | 72,984 | (72,984) |
| Net investment income | | (62,071) | 62,071 |
| Benefit payments, including employee refunds | (875,996) | (875,996) | |
| Administrative expense | | (9,370) | 9,370 |
| Other changes | | | |
| Net changes | <u>1,221,926</u> | <u>(418,244)</u> | <u>1,640,170</u> |
| Balances as of 12/31/15 | <u>\$ 13,653,759</u> | <u>\$ 4,024,659</u> | <u>\$ 9,629,100</u> |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

| | 1% Decrease 7.00% | Current Discount Rate 8.00% | 1% Increase 9.00% |
|---|------------------------------|--|------------------------------|
| Net Pension Liability at 12/31/15 | \$ 9,629,100 | \$ 9,629,100 | \$ 9,629,100 |
| Change in Net Pension Liability (NPL) from change in discount rate | 1,609,433 | | (1,345,693) |
| Calculated NPL | \$ 11,238,533 | \$ 9,629,100 | \$ 8,283,407 |

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 Outflow of Resources Related to Pension

For the year ended June 30, 2016, the City recognized pension expense of \$1,242,728 in the government-wide statements. Deferred outflow of resources related to pensions are from the following sources:

| | |
|--|--|
| | Deferred Outflow of Resources |
| Differences in experience | \$ 192,929 |
| Differences in assumptions | 453,864 |
| (Excess) Deficit of Investment Returns | 379,034 |
| Contributions subsequent to the measurement date | 216,901 |
| Totals | \$ 1,242,728 |

The amounts reported as deferred outflow 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, 2016

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> |
|-------------------|----------------------------|
| 2017 | \$ 422,147 |
| 2018 | 422,148 |
| 2019 | 98,750 |
| 2020 | <u>82,782</u> |
| Total | <u>\$ 1,025,827</u> |

NOTE 5 - 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 and individual employment 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, 2016 (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 2016 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, 2016. 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, 2016**

NOTE 5 - 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, 2016. 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) | \$ 162,223 |
| Interest on the June 30, 2016 net OPEB obligation | 33,778 |
| Adjustment to the annual required contribution | <u>(77,175)</u> |
| Annual OPEB cost | 118,826 |
| Amounts contributed to the WLRHF trust | <u> </u> |
| Increase in net OPEB obligation | 118,826 |
| Net OPEB obligation, June 30, 2015 | <u>1,039,334</u> |
| Net OPEB obligation, June 30, 2016 | <u><u>\$ 1,158,160</u></u> |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - continued

The funded status of the plan as of June 30, 2016 is as follows:

| Fiscal Year Ended | Actuarial Valuation Date | Annual 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 |
| 6/30/2016 | 6/30/2015 | 118,826 | 0.0% | 1,158,160 |

The funding progress of the defined benefit plan as of June 30, 2016 (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% |
| 6/30/2014 | 134,764 | 2,191,285 | 2,056,521 | 6.1% |
| 6/30/2016 | 22,967 | 2,296,019 | 2,273,052 | 1.0% |

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 2014 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, 2016 (the most recent valuation rate of 19 years).

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 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, 2015 to June 30, 2016 equaled \$48,472.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2016 was as follows:

| | <u>Balance 7/1/2015</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 6/30/2016</u> |
|---|-----------------------------|-------------------|---------------------|------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,572,172 | \$ | \$ | \$ 1,572,172 |
| Construction in progress | 241,337 | 365,200 | (188,337) | 418,200 |
| Subtotal | <u>1,813,509</u> | <u>365,200</u> | <u>(188,337)</u> | <u>1,990,372</u> |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 10,697,247 | 311,944 | | 11,009,191 |
| Building and improvements | 1,244,727 | 8,729 | | 1,253,456 |
| Vehicles, furniture and equipment | 2,735,844 | 168,131 | (7,721) | 2,896,254 |
| Subtotal | <u>14,677,818</u> | <u>488,804</u> | <u>(7,721)</u> | <u>15,158,901</u> |
| Less accumulated depreciation for: | | | | |
| Roads and sidewalks | (3,789,940) | (243,059) | | (4,032,999) |
| Building and improvements | (443,453) | (26,476) | | (469,929) |
| Vehicles, furniture and equipment | (2,138,483) | (159,924) | 7,721 | (2,290,686) |
| Less accumulated depreciation | <u>(6,371,876)</u> | <u>(429,459)</u> | <u>7,721</u> | <u>(6,793,614)</u> |
| Net capital assets being depreciated | <u>8,305,942</u> | <u>59,345</u> | | <u>8,365,287</u> |
| Net capital assets | <u>\$ 10,119,451</u> | <u>\$ 424,545</u> | <u>\$ (188,337)</u> | 10,355,659 |
| Related long-term debt outstanding at June 30, 2016 | | | | <u>(1,305,000)</u> |
| Governmental capital assets, net of related long-term debt | | | | <u>\$ 9,050,659</u> |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

| | | |
|------------------------|----|---------|
| General government | \$ | 35,111 |
| Public safety | | 120,190 |
| Public works | | 270,748 |
| Recreation and culture | | 3,410 |
| | | 3,410 |
| | \$ | 429,459 |

Capital asset activity in the business-type activities for the year ended June 30, 2016 was as follows:

| | <u>Balance 7/1/2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2016</u> |
|--|-----------------------------|------------------|------------------|------------------------------|
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Water systems | \$ 3,384,939 | \$ 50,169 | \$ (110,300) | \$ 3,324,808 |
| Sewer systems | 12,706,918 | | | 12,706,918 |
| | | | | |
| Total capital assets at historical cost | 16,091,857 | 50,169 | (110,300) | 16,031,726 |
| Less accumulated depreciation for: | | | | |
| Water systems | (2,896,045) | (56,824) | 110,300 | (2,842,569) |
| Sewer systems | (8,638,760) | (247,928) | | (8,886,688) |
| | | | | |
| Total accumulated depreciation | (11,534,805) | (304,752) | 110,300 | (11,729,257) |
| Business-type capital assets, net | \$ 4,557,052 | \$ (254,583) | \$ | \$ 4,302,469 |

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, 2016

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2016 was as follows:

| | <u>Balance 7/1/2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2016</u> |
|--|-----------------------------|--------------------|-------------------|------------------------------|
| Capital assets being depreciated: | | | | |
| Street lighting and road improvements | \$ 832,704 | \$ | \$ | \$ 832,704 |
| Furniture and equipment | 275,825 | 26,584 | (22,339) | 280,070 |
| Books, periodicals and materials | 437,978 | 29,396 | | 467,374 |
| Subtotal | 1,546,507 | 55,980 | (22,339) | 1,580,148 |
| Less accumulated depreciation | <u>(764,583)</u> | <u>(73,393)</u> | <u>20,294</u> | <u>(817,682)</u> |
| Net capital assets | <u>\$ 781,924</u> | <u>\$ (17,413)</u> | <u>\$ (2,045)</u> | <u>\$ 762,466</u> |

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

| | |
|----------------------|------------------|
| Downtown development | \$ 26,371 |
| Library | <u>47,022</u> |
| | <u>\$ 73,393</u> |

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

| <u>Description</u> | <u>Amount</u> |
|--|-----------------------------------|
| 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 | \$ 605,000 |
| 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>700,000</u> |
| Total of general obligations | <u><u>\$ 1,305,000</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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 - LONG-TERM DEBT - continued

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

| | <u>Balance 7/1/2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2016</u> | <u>Due within one year</u> |
|----------------------------------|-----------------------------|------------------|-------------------|------------------------------|--------------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 1,465,000 | \$ | \$ 160,000 | \$ 1,305,000 | \$ 180,000 |
| Accumulated compensated absences | 147,699 | 12,013 | | 159,712 | 9,020 |
| Total general obligations | <u>\$ 1,612,699</u> | <u>\$ 12,013</u> | <u>\$ 160,000</u> | <u>\$ 1,464,712</u> | <u>\$ 189,020</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> |
| 2017 | \$ 180,000 | \$ 47,303 | \$ 227,303 |
| 2018 | 180,000 | 41,650 | 221,650 |
| 2019 | 175,000 | 35,846 | 210,846 |
| 2020 | 175,000 | 30,076 | 205,076 |
| 2021 | 200,000 | 24,232 | 224,232 |
| 2022 - 2024 | 395,000 | 32,062 | 427,062 |
| Total | <u>\$ 1,305,000</u> | <u>\$ 211,169</u> | <u>\$ 1,516,169</u> |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 | \$ 3,048,652 | \$ 270,005 | \$ 1,402,391 | \$ 4,721,048 | 77.8% |
| Fifth Third | 602,650 | | | 602,650 | 9.9% |
| PNC | 501,068 | | | 501,068 | 8.3% |
| Walled Lake Fed Credit Union | 230,161 | | 10,458 | 240,619 | 4.0% |
| | <u>4,382,531</u> | <u>270,005</u> | <u>1,412,849</u> | <u>6,065,385</u> | <u>100.0%</u> |
| Investments | | | | | |
| Non-negotiable certificate of deposit | 249,568 | | | 249,568 | 52.7% |
| Negotiable certificate of deposit | 79,275 | | | 79,275 | 16.7% |
| Government bonds | 457 | | | 457 | 0.1% |
| 2a7 funds | 144,195 | | | 144,195 | 30.5% |
| | <u>473,495</u> | | | <u>473,495</u> | <u>100.0%</u> |
| Total deposits and investments | <u>\$ 4,856,026</u> | <u>\$ 270,005</u> | <u>\$ 1,412,849</u> | <u>\$ 6,538,880</u> | |

The carrying amount of cash and investments reported in the financial statements is \$6,590,433. The difference between the carrying amounts in the financial statements and the bank balances in the above schedule arise from cash on hand of \$1,150, 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, 2016

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 \$5,074,766 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 credit risk as follows:

| <u>Investment Type</u> | <u>Rating by S & P</u> | <u>Amount</u> |
|--|--------------------------------|-------------------|
| Money Market funds | Not rated | \$ 23,199 |
| Government National Mortgage Association | AAA | 457 |
| MI CLASS Investment Pool | AAAm | 120,996 |
| Non-negotiable Certificates of Deposit | Not rated | 249,568 |
| Negotiable Certificates of Deposit | Not rated | 79,275 |
| | | <u>\$ 473,495</u> |

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 has \$144,195 in investment pools that meet the definition of a 2a7 - like pool. These investments are not subject to interest rate risk.

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

| Investment Type | Total | Investment Maturities (in years) | |
|---------------------------------------|-------------------|---|-------------------|
| | | Less than 5 | 5-10 years |
| Government Securities | \$ 457 | \$ | \$ 457 |
| Non-negotiable Certificate of Deposit | 249,568 | 249,568 | |
| Negotiable Certificate of Deposit | 79,275 | 79,275 | |
| Total | \$ 329,300 | \$ 328,843 | \$ 457 |

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.

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, 2016**

| | Budgets | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 3,082,740 | \$ 3,082,740 | \$ 3,206,442 | \$ 123,702 |
| Fines and forfeitures | 25,000 | 25,000 | 29,577 | 4,577 |
| State sources | 621,300 | 621,300 | 623,057 | 1,757 |
| Licenses and permits | 4,550 | 4,550 | 7,745 | 3,195 |
| Other proceeds | 276,700 | 276,700 | 626,006 | 349,306 |
| Building and zoning permits | 61,200 | 61,200 | 159,573 | 98,373 |
| Recreation and culture | 7,000 | 7,000 | 7,013 | 13 |
| Federal sources | 34,000 | 34,000 | 21,533 | (12,467) |
| Charges for services | 40,150 | 40,150 | 48,047 | 7,897 |
| Other local government | 7,100 | 7,100 | 7,380 | 280 |
| Interest | 1,000 | 1,000 | 10,053 | 9,053 |
| Interfund charge for service | 565,885 | 546,710 | 526,550 | (20,160) |
| Total revenues | 4,726,625 | 4,707,450 | 5,272,976 | 565,526 |
| EXPENDITURES | | | | |
| Legislative | 12,075 | 12,075 | 3,359 | 8,716 |
| City administration | 448,245 | 443,700 | 404,435 | 39,265 |
| Public services | 1,111,694 | 1,112,894 | 803,351 | 309,543 |
| Public safety | 2,650,419 | 2,646,669 | 2,392,580 | 254,089 |
| Capital outlay | 467,500 | 756,529 | 535,094 | 221,435 |
| Total expenditures | 4,689,933 | 4,971,867 | 4,138,819 | 833,048 |
| Excess of revenue (under) over expenditures | 36,692 | (264,417) | 1,134,157 | 1,398,574 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of assets | 10,800 | 10,800 | 2,071 | (8,729) |
| Transfer in | 7,500 | 7,500 | 7,500 | |
| Transfer (out) | (44,103) | (44,103) | (44,020) | 83 |
| Total other financing sources (uses) | (25,803) | (25,803) | (34,449) | (8,646) |
| Net change in fund balance | 10,889 | (290,220) | 1,099,708 | 1,389,928 |
| FUND BALANCE, JULY 1, 2015 | 2,586,180 | 2,586,180 | 2,586,180 | |
| FUND BALANCE, JUNE 30, 2016 | \$ 2,597,069 | \$ 2,295,960 | \$ 3,685,888 | \$ 1,389,928 |

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule of Employer Contributions

| | For the Plan Year Ended <u>December 31, 2015</u> | For the Plan Year Ended <u>December 31, 2014</u> |
|--|---|---|
| Actuarial determined contributions | \$ 385,001 | \$ 352,649 |
| Contributions in relation to the actuarial determined contribution | <u>385,001</u> | <u>352,648</u> |
| Contribution (deficiency) excess | <u>\$</u> | <u>\$ 1</u> |
| Covered employee payroll | <u>\$ 1,336,356</u> | <u>\$ 1,197,308</u> |
| Contributions as a percentage of covered payroll | <u>28.81%</u> | <u>29.45%</u> |

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 | 23 years |
| Asset valuation method | 5 years smoothed |
| Inflation | 2.50% |
| Salary increases | 3.75% |
| Investment rate of return | 7.75% |
| 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 ten year smoothed asset valuation method was used for the time period of 2005 through 2014.

An 8.00% assumed investment rate of return, 3.50% rate of inflation and 4.50% assumed salary increases were used through 2014.

CITY OF WALLED LAKE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

| | For the Plan Year Ended December 31, 2015 | For the Plan Year Ended December 31, 2014 |
|--|--|--|
| TOTAL PENSION LIABILITY | | |
| Service Cost | \$ 132,765 | \$ 110,126 |
| Interest | 994,968 | 976,519 |
| Changes in benefit terms | | |
| Differences between expected and actual experience | 289,393 | |
| Changes of assumptions | 680,796 | |
| Benefit payments, including refunds of employee contributions | (875,996) | (872,684) |
| Other | | (2) |
| | 1,221,926 | 213,959 |
| Net change in total pension liability | 1,221,926 | 213,959 |
| TOTAL PENSION LIABILITY - BEGINNING | 12,431,833 | 12,217,874 |
| TOTAL PENSION LIABILITY - ENDING | \$ 13,653,759 | \$ 12,431,833 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 456,209 | \$ 352,648 |
| Contributions - employee | 72,984 | 61,855 |
| Net investment income | (62,071) | 282,705 |
| Benefit payments, including refunds of employee contributions | (875,996) | (872,684) |
| Administrative expenses | (9,370) | (10,270) |
| | (418,244) | (185,746) |
| Net change in plan fiduciary net position | (418,244) | (185,746) |
| PLAN FIDUCIARY NET POSITION, BEGINNING | 4,442,903 | 4,628,649 |
| PLAN FIDUCIARY NET POSITION, ENDING | \$ 4,024,659 | \$ 4,442,903 |
| NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION) | \$ 9,629,100 | \$ 7,988,930 |
| Plan fiduciary net position as a percentage of the total pension liability | 29.48% | 35.74% |
| Covered employee payroll | \$ 1,336,356 | \$ 1,197,308 |
| Net pension liability as a percentage of covered employee payroll | 720.55% | 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, 2016**

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 |
| 6/30/2016 | 6/30/2015 | 118,826 | 0.0% | 1,158,160 |

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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% |
| 6/30/2014 | 134,764 | 2,191,285 | 2,056,521 | 6.1% |
| 6/30/2015 | 22,967 | 2,296,019 | 2,273,052 | 1.0% |

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, 2016

| | Special Revenue Fund | | | | Totals |
|---|----------------------|--------------------|---------------------|----------------------|-------------------|
| | Major Streets Fund | Local Streets Fund | Transportation Fund | Drug Forfeiture Fund | |
| ASSETS | | | | | |
| Cash and investments | \$ 119,268 | \$ 24,538 | \$ 88,071 | \$ 39,799 | \$ 271,676 |
| Accounts receivable | 47,845 | 53,224 | 74,930 | | 175,999 |
| Inventory | | 21,417 | | | 21,417 |
| Total assets | <u>\$ 167,113</u> | <u>\$ 99,179</u> | <u>\$ 163,001</u> | <u>\$ 39,799</u> | <u>\$ 469,092</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 10,701 | \$ 3,913 | \$ 2,275 | \$ 6,496 | \$ 23,385 |
| Accrued compensation | | | 529 | | 529 |
| Total liabilities | <u>10,701</u> | <u>3,913</u> | <u>2,804</u> | <u>6,496</u> | <u>23,914</u> |
| FUND BALANCE | | | | | |
| Restricted | | | | | |
| Road improvement | 156,412 | 80,625 | | | 237,037 |
| Transportation | | | 137,429 | | 137,429 |
| Public safety | | | | 33,303 | 33,303 |
| Assigned for future budget deficit | | 14,641 | 22,768 | | 37,409 |
| Total fund balance | <u>156,412</u> | <u>95,266</u> | <u>160,197</u> | <u>33,303</u> | <u>445,178</u> |
| Total liabilities and fund balance | <u>\$ 167,113</u> | <u>\$ 99,179</u> | <u>\$ 163,001</u> | <u>\$ 39,799</u> | <u>\$ 469,092</u> |

CITY OF WALLED LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | SPECIAL REVENUE FUND | | | | | Totals |
|---|----------------------|--------------------|---------------------|----------------------|-------------------|-------------------|
| | Major Streets Fund | Local Streets Fund | Transportation Fund | Drug Forfeiture Fund | Debt Service Fund | |
| REVENUES | | | | | | |
| Fines and forfeits | \$ | \$ | \$ | \$ 36,987 | \$ | \$ 36,987 |
| Charges for services | | | 278,548 | | | 278,548 |
| State shared revenues | 290,936 | 190,667 | | | | 481,603 |
| Interest | | | | 150 | | 150 |
| Total revenues | <u>290,936</u> | <u>190,667</u> | <u>278,548</u> | <u>37,137</u> | | <u>797,288</u> |
| EXPENDITURES | | | | | | |
| Transportation services | | | 156,557 | | | 156,557 |
| Public safety | | | | 65,402 | | 65,402 |
| Public works | 248,625 | 18,792 | | | | 267,417 |
| Capital outlay | | | | | | |
| Public safety | | | | 24,744 | | 24,744 |
| Roads | | 123,607 | | | | 123,607 |
| Debt service | | | | | | |
| Principal | | | | | 160,000 | 160,000 |
| Interest | | | | | 52,191 | 52,191 |
| Total expenditures | <u>248,625</u> | <u>142,399</u> | <u>156,557</u> | <u>90,146</u> | <u>212,191</u> | <u>849,918</u> |
| Excess of revenues over (under) expenditures | <u>42,311</u> | <u>48,268</u> | <u>121,991</u> | <u>(53,009)</u> | <u>(212,191)</u> | <u>(52,630)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | 212,191 | 212,191 |
| Transfers (out) | | (86,675) | | | | (86,675) |
| Total other financing sources (uses) | | <u>(86,675)</u> | | | <u>212,191</u> | <u>125,516</u> |
| Net changes in fund balances | 42,311 | (38,407) | 121,991 | (53,009) | | 72,886 |
| FUND BALANCE, JULY 1, 2015 | <u>114,101</u> | <u>133,673</u> | <u>38,206</u> | <u>86,312</u> | | <u>372,292</u> |
| FUND BALANCE, JUNE 30, 2016 | <u>\$ 156,412</u> | <u>\$ 95,266</u> | <u>\$ 160,197</u> | <u>\$ 33,303</u> | <u>\$</u> | <u>\$ 445,178</u> |

CITY OF WALLED LAKE
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Retiree Health Care Fund | Trust and Agency Fund | Current Tax Fund | Payroll Fund | Totals |
|---|---|--------------------------------------|-----------------------------|-------------------------|-------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 21,698 | \$ 168,135 | \$ 1,983 | \$ 50,942 | \$ 242,758 |
| Accounts receivable | | 3,026 | | 402 | 3,428 |
| Prepaid expenditures | 1,991 | | | | 1,991 |
| Total assets | \$ 23,689 | \$ 171,161 | \$ 1,983 | \$ 51,344 | \$ 248,177 |
| LIABILITIES | | | | | |
| Accounts payable/ performance deposits | \$ 722 | \$ 171,161 | \$ | \$ 51,344 | \$ 223,227 |
| Due to other funds | | | 1,983 | | 1,983 |
| Total liabilities | 722 | 171,161 | 1,983 | 51,344 | 225,210 |
| NET POSITION | 22,967 | | | | 22,967 |
| Total liabilities and net position | \$ 23,689 | \$ 171,161 | \$ 1,983 | \$ 51,344 | \$ 248,177 |