

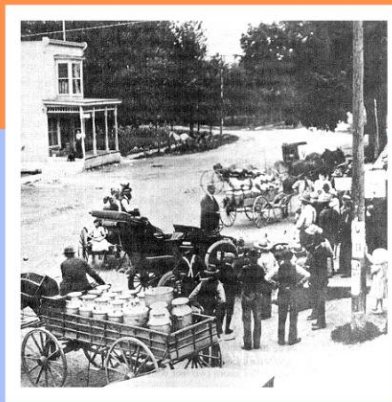
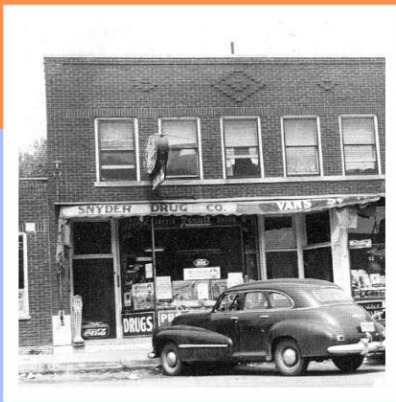


CITY OF WALLED LAKE

ANNUAL REPORT



ON AUDITED FINANCIALS STATEMENTS



FOR FY ENDED
JUNE 30, 2025



CITY OF WALLED LAKE

CITY COUNCIL

Linda S. Ackley, Mayor, MPA
Ryan Woods, Mayor Pro Tem
Casey Robert Ambrose, Council Member
Mindy Fernandes, Council Member
Tamra Loch, Council Member
Bennett Lublin, Council Member, CPA
John Owsinek, Council Member

CITY OFFICIALS

L. Dennis Whitt, City Manager, MBA, MPA, MSM, MALS
Hana Jaquays, Assistant City Manager, MPA, MiPMC
Chelsea Pesta, Finance Director, MPA, MiCPT, CMC, MiPMC II
Paul Shakinas, Chief of Police, MPA, MS
Jason Gonzalez, Fire Chief, CFI II
Jennifer Stuart, City Clerk, MPA, CMC, MiPMC II
Miranda Sears, Human Resources Director, MPA, CMC, MiPMC

LEGAL COUNSEL

Vahan C. Vanerian, Esq.

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 18, 2025

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:

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 7-11 and 55-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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, 2025

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, 2025 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 government-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 and 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 \$20,822,567. This is a \$2,668,287 increase over last year's net position of \$18,154,280. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital improvements.

Fiscal Year 2025 continued with more infrastructure improvements to our local roads and the sidewalks. The city was awarded a Local Road Improvement Grant for \$15,957. These funds were used for repairs downtown to the storm pipe, road and curb on Ferland Street. Through the combined support of the Downtown Development Authority (DDA) and Tri-Party funding, the City successfully enhanced its primary gateway corridor by repaving Ladd Road from Pontiac Trail to the City limits. This improvement not only upgraded critical infrastructure but also contributed to improved accessibility and aesthetic appeal within the community.

The City, in partnership with the Downtown Development Authority (DDA), continues to prioritize initiatives that enhance walkability and connectivity within the community. During the year, the DDA contributed funding toward the construction of a new sidewalk along Ladd Road, providing a direct connection to the Airline Trail and improving pedestrian access and safety.

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

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Assets								
Current and other assets	\$ 9,548,282	\$ 7,748,648	\$ 6,036,345	\$ 5,123,278	\$15,584,627	\$12,871,926	\$ 3,139,868	\$ 2,604,885
Capital assets	11,403,420	11,796,628	2,826,757	2,949,197	14,230,177	14,745,825	4,152,484	3,998,491
Total assets	20,951,702	19,545,276	8,863,102	8,072,475	29,814,804	27,617,751	7,292,352	6,603,376
Deferred outflow of resources								
Pension activities	759,151	928,046			759,151	928,046		
Liabilities								
Other liabilities	363,356	314,138	408,189	256,471	771,545	570,609	41,225	20,006
Long-term liabilities	7,949,934	8,775,743			7,949,934	8,775,743		
Total liabilities	8,313,290	9,089,881	408,189	256,471	8,721,479	9,346,352	41,225	20,006
Deferred inflow of resources								
Lease activities	1,012,118	1,045,165			1,012,118	1,045,165		
Pension activities	17,791				17,791			
Total deferred inflows of resources	1,029,909	1,045,165			1,029,909	1,045,165		
Net position								
Invested in capital assets, net of related debt	11,403,420	11,796,628	2,826,757	2,949,197	14,230,177	14,745,825	4,152,484	3,998,491
Restricted	2,351,454	1,684,476			2,351,454	1,684,476	3,063,517	2,562,120
Unrestricted	(1,387,220)	(3,142,828)	5,628,156	4,866,807	4,240,936	1,723,979	35,126	22,759
Total net position	\$12,367,654	\$10,338,276	\$ 8,454,913	\$ 7,816,004	\$20,822,567	\$18,154,280	\$ 7,251,127	\$ 6,583,370

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2024</u>
Revenues								
Program revenues								
Charges for services	\$ 811,967	\$ 967,167	\$ 4,003,622	\$ 3,806,071	\$ 4,815,589	\$ 4,773,238	\$ 12,892	\$ 11,960
Operating grants and contributions	107,856	4,782,744	66,819	225,629	174,675	5,008,373	9,552	169,229
General revenues								
State revenue sources	1,786,463	1,753,815			1,786,463	1,753,815	8,692	10,373
Property taxes	4,986,374	4,611,574			4,986,374	4,611,574	1,546,837	1,402,070
Interest	397,016	267,396	77,555	60,618	474,571	328,014	124,786	103,864
Other	302,482	411,477			302,482	411,477		356
Total revenues	8,392,158	12,794,173	4,147,996	4,092,318	12,540,154	16,886,491	1,702,759	1,697,852
Program Expenses								
General government	832,701	1,077,440			832,701	1,077,440		
Public safety	3,663,677	2,770,926			3,663,677	2,770,926		
Public works/roads	1,710,100	2,531,833			1,710,100	2,531,833		
Transportation	11,051	33,865			11,051	33,865		
Recreation	145,251	162,155			145,251	162,155		
Interest on long-term debt		4,000				4,000		
Refuse/utility systems			3,509,087	3,435,916	3,509,087	3,435,916		
Library/community development							1,035,002	1,121,563
Total expenses	6,362,780	6,580,219	3,509,087	3,435,916	9,871,867	10,016,135	1,035,002	1,121,563
Changes in net position	2,029,378	6,213,954	638,909	656,402	2,668,287	6,870,356	667,757	576,289
Beginning net position	10,338,276	4,124,322	7,816,004	7,159,602	18,154,280	11,283,924	6,583,370	6,007,081
Ending net position	\$12,367,654	\$10,338,276	\$ 8,454,913	\$ 7,816,004	\$20,822,567	\$18,154,280	\$ 7,251,127	\$ 6,583,370

Financial Analysis of the City's Funds

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. During the prior fiscal year, both the police & command and the fire divisions were closed. All new hires are now placed in a division with a lower multiplier, yielding a reduction in liabilities. The fiscal year closed with 15 years remaining to pay off the \$6.5 million net pension liability. Pension payments were \$1,177,449 (18.1%) of General Fund expenditures.

The City continues to ensure the stability and health of the General Fund, major funds, non-major funds and the component unit funds. The use of fund balance has been both intentional and pragmatic, with the focus on capital projects designed to improve character and amenities of the City. The fund balances of all funds conform with the Fund Balance Policy adopted by the City Council.

General Fund Budgetary Highlights

The City Council adopted the General Fund budget prior to the end of the prior fiscal year in accordance with Public Act 493 of 2000. As reported on page 55, the actual expenditures were less than authorized appropriations by approximately \$121,747 while revenues exceeded those anticipated by approximately \$268,639. As previously mentioned, after taking into consideration the intended use of fund balance, the fund balance of the General Fund actually increased by approximately \$1,115,076 in fiscal year 2025.

Capital Asset and Debt Administration

The Governmental Funds spent \$216,658 on capital assets during the year. This included a 2025 Durango for \$44,269; a 2025 Durango for \$52,715; a 2024 GMC Sierra for \$58,513; a zero turn mower for \$17,677; and a boiler for \$43,484.

The City has no debt financing arrangements and current management is committed to maintaining that status as long as possible.

Economic Conditions and Future Activities

The City continues to experience modest growth in taxable values and stable revenue streams. The fiscal year 2026 budget maintains a balanced approach, focusing on infrastructure reinvestment, equipment replacement, and maintaining adequate fund balance reserves to support long-term financial stability.

In 2025, the public safety millage supported key investments that strengthened the City's overall economic stability and quality of life, including the installation of a new air filtration system in the fire department and the purchase of several police vehicles to enhance public safety operations.

The City is a fully developed community encompassing approximately 2.5 square miles, where redevelopment and reinvestment play a vital role in sustaining and enhancing the local tax base. During FY 2026, several new, high-quality economic development projects are expected to break ground throughout the City. In addition, continued property improvements by both business owners and residents are anticipated to further strengthen the City's taxable value and long-term financial position.

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, Walled Lake, MI 48390.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WALLED LAKE
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 7,975,452	\$ 4,604,252	\$ 12,579,704	\$ 3,080,526
Receivables				
Taxes	48,169		48,169	35,126
Other governments	284,921		284,921	18,116
Accounts	38,224	1,396,364	1,434,588	
Lease receivable	1,070,465		1,070,465	
Prepaid expenses	131,051	35,729	166,780	6,100
Capital assets, not being depreciated				
Non-depreciated	1,572,172		1,572,172	
Depreciated, net	9,831,248	2,826,757	12,658,005	4,152,484
Total assets	20,951,702	8,863,102	29,814,804	7,292,352
DEFERRED OUTFLOWS OF RESOURCES				
Pension activities	759,151		759,151	
LIABILITIES				
Accounts payable	113,728	408,189	521,917	28,604
Due to other governments	16,948		16,948	
Accrued wages	159,876		159,876	9,490
Non-current liabilities				
Due within one year:				
Compensated absences	72,804		72,804	3,131
Due in more than one year:				
Compensated absences	224,452		224,452	
Net pension liability	6,530,804		6,530,804	
Other post-employment benefit liability	1,194,678		1,194,678	
Total liabilities	8,313,290	408,189	8,721,479	41,225
DEFERRED INFLOWS OF RESOURCES				
Lease activities	1,012,118		1,012,118	
Pension activities	17,791		17,791	
Total deferred inflows of resources	1,029,909		1,029,909	
NET POSITION				
Invested in capital assets, net				
of related debt	11,403,420	2,826,757	14,230,177	4,152,484
Restricted	2,351,454		2,351,454	3,063,517
Unrestricted	(1,387,220)	5,628,156	4,240,936	35,126
Total net position	\$ 12,367,654	\$ 8,454,913	\$ 20,822,567	\$ 7,251,127

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, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES							
General government	\$ (832,701)	\$ 782,500	\$ 39,131	\$ (11,070)	\$	\$ (11,070)	\$
Public safety	(3,663,677)	29,467	57,609	(3,576,601)		(3,576,601)	
Public works/roads	(1,710,100)			(1,710,100)		(1,710,100)	
Transportation	(11,051)			(11,051)		(11,051)	
Recreation	(145,251)		11,116	(134,135)		(134,135)	
Total governmental activities	(6,362,780)	811,967	107,856	(5,442,957)		(5,442,957)	
BUSINESS-TYPE ACTIVITIES							
Refuse	(412,865)	421,880			9,015	9,015	
Water/sewer system	(3,096,222)	3,581,742	66,819		552,339	552,339	
Total business-type activities	(3,509,087)	4,003,622	66,819		561,354	561,354	
Total primary government	\$ (9,871,867)	\$ 4,815,589	\$ 174,675	(5,442,957)	561,354	(4,881,603)	
COMPONENT UNITS							
Downtown Development Authority	\$ (636,199)	\$	\$				(636,199)
Walled Lake City Library	(398,803)	12,892	9,552				(376,359)
Total component units	\$ (1,035,002)	\$ 12,892	\$ 9,552				(1,012,558)
General revenues							
Property taxes				4,986,374		4,986,374	1,546,837
State revenues sources				1,786,463		1,786,463	8,692
Interest income				397,016	77,555	474,571	124,786
Franchise fees				177,213		177,213	
Rental income - cell tower				40,972		40,972	
Other income				79,843		79,843	
Gain (loss) on sale of assets				4,454		4,454	
Total general revenues				7,472,335	77,555	7,549,890	1,680,315
Changes in net position				2,029,378	638,909	2,668,287	667,757
Net position, July 1, 2024				10,338,276	7,816,004	18,154,280	6,583,370
Net position, June 30, 2025				\$ 12,367,654	\$ 8,454,913	\$ 20,822,567	\$ 7,251,127

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, 2025**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS				
Cash, cash equivalents, and investments	\$ 5,743,927	\$ 987,582	\$ 1,243,943	\$ 7,975,452
Receivables				
Taxes	48,169			48,169
Other governments	154,207	94,821	35,893	284,921
Lease receivable	1,070,465			1,070,465
Accounts	37,753			37,753
Due from other funds	471			471
Prepaid expenditures	131,051			131,051
Total assets	<u>\$ 7,186,043</u>	<u>\$1,082,403</u>	<u>\$ 1,279,836</u>	<u>\$ 9,548,282</u>
LIABILITIES				
Accounts payable	\$ 109,353	\$ 1,685	\$	\$ 111,038
Due to other governments	16,948			16,948
Accrued payroll	159,876			159,876
Compensated absences	72,804			72,804
Due to other funds	2,690			2,690
Total liabilities	<u>361,671</u>	<u>1,685</u>		<u>363,356</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflows - lease activities	1,012,118			1,012,118
Deferred Inflows - property tax	48,169			48,169
Total deferred inflows of resources	<u>1,060,287</u>			<u>1,060,287</u>
FUND BALANCE				
Nonspendable: Prepaid Items	131,051			131,051
Inventory				
Restricted: Road Improvements		1,080,718	1,087,378	2,168,096
Transportation			97,762	97,762
Drug forfeiture			75,047	75,047
State drug forfeiture			10,549	10,549
Assigned for future deficit			9,100	9,100
Unassigned	5,633,034			5,633,034
Total fund balances	<u>5,764,085</u>	<u>1,080,718</u>	<u>1,279,836</u>	<u>8,124,639</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 7,186,043</u>	<u>\$1,082,403</u>	<u>\$ 1,279,836</u>	<u>\$ 9,548,282</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
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2025**

Total fund balance per balance sheet		\$ 8,124,639
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	\$ 1,572,172	
Depreciable assets, net of depreciation	<u>9,831,248</u>	
Capital assets net of depreciation		11,403,420
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		
Investments in excess of projection returns	156,550	
Differences in actuarial assumptions to actual	(17,791)	
Differences in actuarial experience to actual	17,955	
Contributions subsequent to measurement date	<u>584,646</u>	
Total		741,360
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		(6,530,804)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Compensated absences	(224,452)	
Other post-employment benefits	<u>(1,194,678)</u>	
Total		(1,419,130)
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		
		<u>48,169</u>
Net position of governmental activities		<u><u>\$ 12,367,654</u></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
OF COMPONENT UNITS - DDA AND LIBRARY
JUNE 30, 2025**

DDA	
Fund balance per balance sheet for DDA component unit	\$ 2,689,379
Amounts reported in the DDA component unit 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.	
Depreciable assets, net of depreciation	3,776,142
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>30,983</u>
Net position of DDA component unit	<u><u>\$ 6,496,504</u></u>
LIBRARY	
Fund balance per balance sheet for Library component unit	\$ 374,138
Amounts reported in the Library component unit 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.	
Depreciable assets, net of depreciation	376,342
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>4,143</u>
Net position of Library component unit	<u><u>\$ 754,623</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, 2025**

	General Fund	Major Road Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$ 4,969,544	\$	\$	\$ 4,969,544
State sources - general government	923,787			923,787
State sources - roads		594,871	267,805	862,676
Grant income	39,131		57,609	96,740
Licenses and permits	177,213			177,213
Recreation and culture	11,116			11,116
Building and zoning permits	116,599			116,599
Charges for services - interfund	516,120			516,120
Charges for services	149,781			149,781
Fines and forfeitures	29,467			29,467
Interest	340,064	37,232	19,720	397,016
Other proceeds	117,705		3,110	120,815
Total revenues	7,390,527	632,103	348,244	8,370,874
EXPENDITURES				
Current:				
General government	1,050,448			1,050,448
Public safety	3,757,294		4,913	3,762,207
Public works	1,118,987	151,416	180,210	1,450,613
Transportation services			11,051	11,051
Recreation and culture	132,064			132,064
Debt service:				
Principal				
Interest/fees				
Capital outlay:				
General government	216,658			216,658
Total expenditures	6,275,451	151,416	196,174	6,623,041
Excess of revenues over (under) expenditures	1,115,076	480,687	152,070	1,747,833
OTHER FINANCING SOURCES (USES)				
Sale of assets			18,800	18,800
Transfers in			270,000	270,000
Transfers (out)		(270,000)		(270,000)
Total other financing sources (uses)		(270,000)	288,800	18,800
Net changes in fund balances	1,115,076	210,687	440,870	1,766,633
FUND BALANCE, JULY 1, 2024	4,649,009	870,031	838,966	6,358,006
FUND BALANCE, JUNE 30, 2025	\$ 5,764,085	\$ 1,080,718	\$ 1,279,836	\$ 8,124,639

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

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances - governmental funds \$ 1,766,633

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	\$ 216,658	
Depreciation expense	(595,520)	
Proceeds from sale of assets	(18,800)	
Gain on sale of assets	<u>4,454</u>	
Total		(393,208)

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 outflows of resources 531,286

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 140,850

Compensated absences for the employees is recorded on the Statement of Net Position

(33,013)

Revenue received but not earned is recorded as revenue on the Statement of Activities.

16,830

Change in net position of governmental activities \$ 2,029,378

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

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
OF COMPONENT UNITS - DDA AND LIBRARY
FOR THE YEAR ENDED JUNE 30, 2025**

DDA

Net change in fund balances - DDA component unit	\$ 431,647
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Amounts reported for DDA component unit 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	\$ 234,735	
Depreciation expense	(113,175)	
Total		121,560

Revenue received but not earned is recorded as revenue on the Statement of Activities.	10,990

Change in net position of DDA component unit	\$ 564,197

LIBRARY

Net change in fund balances - Library component unit	\$ 69,750
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Amounts reported for Library component unit 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	\$ 70,214	
Depreciation expense	(37,781)	
Total		32,433

Revenue received but not earned is recorded as revenue on the Statement of Activities.	1,377

Change in net position of Library component unit	\$ 103,560

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, 2025**

	Water and Sewer Fund	Nonmajor Fund Refuse	Eliminations	Total
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	\$ 1,697,345	\$		\$ 1,697,345
Accounts receivable - other	1,290,931	105,433		1,396,364
Due from other funds	21,097		(21,097)	
Prepaid expenses	35,729			35,729
Restricted assets:				
Cash, cash equivalents, and investments	2,906,907			2,906,907
Noncurrent assets:				
Utility system, net	2,826,757			2,826,757
Total assets	\$ 8,778,766	\$ 105,433	\$ (21,097)	\$ 8,863,102
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 407,879	\$ 310		\$ 408,189
Due to other funds		21,097	(21,097)	
Total liabilities	407,879	21,407	(21,097)	408,189
NET POSITION				
Invested in capital assets, net of related debt	2,826,757			2,826,757
Unrestricted	5,544,130	84,026		5,628,156
Total net position	8,370,887	84,026		8,454,913
Total liabilities and net position	\$ 8,778,766	\$ 105,433	\$	\$ 8,863,102

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 FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
OPERATING REVENUES			
User charges	\$ 3,581,742	421,880	\$ 4,003,622
OPERATING EXPENSES			
Refuse		412,865	412,865
Sewer and water	2,973,782		2,973,782
Depreciation	122,440		122,440
Total operating expenses	3,096,222	412,865	3,509,087
Operating income	485,520	9,015	494,535
NON-OPERATING REVENUES			
Interest income - operating	77,555		77,555
Excess of revenues over expenses	563,075	9,015	572,090
CAPITAL CONTRIBUTIONS			
Tap in fees	66,819		66,819
Changes in net position	629,894	9,015	638,909
NET POSITION, JULY 1, 2024	7,740,993	75,011	7,816,004
NET POSITION, JUNE 30, 2025	\$ 8,370,887	\$ 84,026	\$ 8,454,913

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, 2025**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from customers	\$ 3,461,249	\$ 316,447	\$ 3,777,696
Cash payments to suppliers	(2,844,845)	(359,039)	(3,203,884)
Net cash from (used in) operating activities	616,404	(42,592)	573,812
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	66,819		66,819
Net cash from (used in) capital and related financing activities	66,819		66,819
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	77,555		77,555
Net increase in cash and cash equivalents	760,778	(42,592)	718,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD	3,843,474	42,592	3,886,066
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD	\$ 4,604,252	\$	\$ 4,604,252
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating income	\$ 485,520	\$ 9,015	\$ 494,535
Adjustments to reconcile operating income to net cash (used in) operating activities:			
Depreciation	122,440		122,440
Change in assets and liabilities:			
(Increase) decrease in receivables, net	(120,493)	(105,433)	(225,926)
(Increase) decrease in prepaid	(1,681)	32,726	31,045
Increase (decrease) in accounts and other payables	151,715	3	151,718
Increase (decrease) in due to other funds	(21,097)	21,097	
Net cash from (used in) operating activities	\$ 616,404	\$ (42,592)	\$ 573,812

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, 2025

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 336,151</u>
LIABILITIES	
Accrued expenses	\$ 335,680
Due to other funds	<u>471</u>
Total liabilities	<u>\$ 336,151</u>

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

CITY OF WALLED LAKE

**BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2025**

	Downtown Development Authority	Library	Total
ASSETS			
Cash and investments	\$ 2,710,283	\$ 370,243	\$ 3,080,526
Receivables:			
Taxes	30,983	4,143	35,126
Other governments		15,426	15,426
Prepays		6,100	6,100
Due from other funds		2,690	2,690
Total assets	<u><u>\$ 2,741,266</u></u>	<u><u>\$ 398,602</u></u>	<u><u>\$ 3,139,868</u></u>
LIABILITIES			
Accounts payable	\$ 20,904	\$ 7,700	\$ 28,604
Accrued payroll		9,490	9,490
Compensated absences		3,131	3,131
Total liabilities	<u>20,904</u>	<u>20,321</u>	<u>41,225</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	<u>30,983</u>	<u>4,143</u>	<u>35,126</u>
Total liabilities and deferred inflow of resources	<u>51,887</u>	<u>24,464</u>	<u>76,351</u>
FUND BALANCE			
Restricted - Library		374,138	374,138
Restricted - DDA	<u>2,689,379</u>		<u>2,689,379</u>
Total fund balances	<u>2,689,379</u>	<u>374,138</u>	<u>3,063,517</u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 2,741,266</u></u>	<u><u>\$ 398,602</u></u>	<u><u>\$ 3,139,868</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
COMPONENT UNITS**

FOR THE YEAR ENDED JUNE 30, 2025

	Downtown Development Authority	Library	Total
REVENUES			
Taxes	\$ 1,075,502	\$ 458,968	\$ 1,534,470
Local community stabilization	3,687	5,005	8,692
Grants		7,877	7,877
Charges for services - other		2,087	2,087
Fines and forfeitures		10,805	10,805
Interest	110,217	14,569	124,786
Donations		1,675	1,675
Total revenues	1,189,406	500,986	1,690,392
EXPENDITURES			
Current:			
Downtown development	523,024		523,024
Library		361,022	361,022
Capital outlay:			
Downtown development	234,735		234,735
Library		70,214	70,214
Total expenditures	757,759	431,236	1,188,995
Net change in fund balance	431,647	69,750	501,397
FUND BALANCE, JULY 1, 2024	2,257,732	304,388	2,562,120
FUND BALANCE, JUNE 30, 2025	\$ 2,689,379	\$ 374,138	\$ 3,063,517

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City reports the following two major governmental funds:

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

The Major Road Fund accounts for all of the activity associated with constructing and maintaining the City's major road projects.

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 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, 2025**

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 2024 levy was assessed at an adjusted taxable value of \$254,261,950 for the City and \$297,230,410 for the Library. 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's millage is captured by the Downtown Development Authority.

The City levies the following millage:

General City operations	13.8644
Public Safety	4.1479
Library - component unit	1.5483
	19.5606

E. CAPITAL ASSETS

Under GASB Standards, 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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, 2025

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 OUTFLOWS/INFLOWS OF RESOURCES

Under GASB standards, the City will report two additional sections in the Statement of Net Position (Government Wide Statements) and in the Balance Sheet (Fund Statements) which are called *deferred outflows* (previously called *assets*) and *deferred inflows* (previously called *liabilities*) of resources.

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

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

For the year ended June 30, 2025, the City records deferred outflows of resources relating to pension changes in actuarial assumptions, changes in experience and differences from expected investment returns compared to actual. In addition, the City records deferred outflows of resources for pension contributions made subsequent to Net Pension Liability measurement date of December 31, 2024.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as revenue until that time. The City record deferred inflows of resources related to lease activities as described in Section N.

Deferred outflows (inflows) of resources as of June 30, 2025 are as follows:

<u>Deferred Outflows (Inflows) of Resources</u>	
Differences in experience	\$ 17,955
Differences in actuarial assumptions	(17,791)
Differences in investment expectations versus actual	156,550
Contributions made subsequent to pension liability measurement date	584,646
Lease activities	<u>(1,012,118)</u>
Total	<u>\$ (270,758)</u>

L. DEFINED PENSION BENEFIT PLAN

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, smoothed over 5 years.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

M. DEFINED BENEFIT OPEB PLAN

The Governmental Accounting Standards Board approved GASB Standard 74 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" and GASB Standard 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The City implemented GASB 75 relating to the retiree health care reimbursement liability during the year ended June 30, 2020.

GASB 74, relating to the employer reporting of postemployment benefits, was made effective for fiscal years beginning after June 15, 2017.

N. LEASE RECEIVABLE

The City is a lessor for noncancelable leases of land upon which the lessee has constructed a cell tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of the lease, the City initially measures the lease receivable at present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines the discount rate it used to discount the expected lease receipts to present value, lease term and lease receipts.

The City uses an imputed interest rate, which approximates its incremental borrowing cost as the discount rate for leases.

The lease term includes the noncancelable period of the lease as well as the option period to the extent it is reasonable that the option to extend the lease will be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2 - DESCRIPTION OF REPORTING ENTITY- continued

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.

NOTE 3 - INTERFUND BALANCES/TRANSFERS

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

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Library Fund	\$ 2,690
Sewer Fund	Refuse Fund	21,097
Current Tax Fund	General Fund	<u>471</u>
		<u>\$ 24,258</u>

The following transfers were made during the year:

<u>Transfer in to</u>	<u>Transfer out from</u>	<u>Amounts</u>	<u>Purpose</u>
Local Streets Fund	Major Road Fund	<u>\$ 270,000</u>	Fund local roads

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.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Benefits Provided

<u>Division</u>	<u>Status</u>	<u>Benefit Multiplier</u>	<u>FAC</u>	<u>Vesting Period</u>	<u>Retirement Age</u>	<u>Early Retirement</u>
01 - Public Works	Open	Bridged 2.25% to 1.70% no maximum	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	Closed	Bridged 2.50% to 1.90% 80% maximum	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	Closed	Bridged 2.50% to 1.70% no maximum	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	Bridged 2.25% to 1.70% no maximum	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% maximum	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 maximum	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
13 - Admin. Employees with bridged multiplier	Closed	Bridged: 2.50% multiplier (80% max.) -Frozen FAC; 1.50% multiplier (no max)	3 years	6 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 50 with 25 years
21 - Fire & Police after 6/30/2016	Open	1.50% no maximum	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

The benefit multiplier represents the percentage of final average compensation for each year of service to be paid annually upon retirement, up to the maximum percentage listed.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Division	Inactive employees or beneficiaries current receiving benefits	Inactive employees entitled to, but not yet receiving benefits	Active Employees
01 - Public Works	5	1	4
02 - FT Police & Command (closed)	17	3	2
05 - Fire (closed)	1	1	1
10 - Clerical	3	2	
11 - Administrative Unit (closed)	10	2	1
12 - FT Administrative after 7/1/2013	1	3	5
13 - Admin. employees with bridged multiplier	1		2
21 - Fire & Police after 6/30/2016			6
Total	38	12	21

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 phased-in contribution rates for the year ended June 30, 2025 were:

Division	Employer Contribution Rate	Employee Contribution Rate
01 - Public Works	33.14%	5.00%
02 - FT Police & Command (closed)	\$52,272 / month	8.00%
05 - Fire (closed)	\$2,330 / month	5.00%
10 - Clerical	\$419 / month	5.00%
11 - Administrative Unit (closed)	\$23,872 / month	5.25%
12 - FT Administrative after 7/1/2013	5.96%	3.00%
13 - Admin. employees with bridged multiplier	\$7,075 / month	5.25%
21 - Fire & Police after 6/30/2016	5.41%	5.00%

Total employer contributions for the year ended June 30, 2025 were \$1,100,154.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2024, 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, 2025**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary increases: 3.00%

Investment rate of return: 6.93%, net of investment expense, including inflation (this is a reduction of 0.07% from the prior year)

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with price inflation of 2.5%.

Mortality rates were updated for the December 31, 2024 actuarial computations and are based on the 2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014 to 2018.

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:

Asset Class	Target Allocation		Target Allocation Gross Rate of Return		Long-Term Expected Real Rate of Return
Global Equity	60.00%	x	7.00%	=	4.20%
Global Fixed Income	20.00%	x	4.66%	=	0.93%
Private Investments	20.00%	x	9.00%	=	1.80%
					<u>6.93%</u>

The sum of the target allocations is 6.93%, which matches the assumed rate of return used in the actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability is 7.18% throughout the 2024 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, 2025**

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 12/31/2023	\$ 18,545,272	\$ 11,296,496	\$ 7,248,776
Changes for the year			
Service cost	187,587		187,587
Interest on total pension liability	1,297,334		1,297,334
Changes in benefits			
Difference between expected and actual experience	(71,675)		(71,675)
Changes in assumptions	(126,780)		(126,780)
Contribution from non-employer entity			
Employer contributions		1,100,154	(1,100,154)
Employee contributions		86,630	(86,630)
Net investment income		842,847	(842,847)
Benefit payments, including employee refunds	(1,140,718)	(1,140,718)	
Administrative expense		(25,197)	25,197
Other changes	(4)		(4)
Net changes	<u>145,744</u>	<u>863,716</u>	<u>(717,972)</u>
Balances as of 12/31/2024	<u>\$ 18,691,016</u>	<u>\$ 12,160,212</u>	<u>\$ 6,530,804</u>

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 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension Liability at 12/31/2024	\$ 6,530,804	\$ 6,530,804	\$ 6,530,804
Change in Net Pension Liability (NPL) from change in discount rate	<u>2,141,040</u>		<u>(1,795,899)</u>
Calculated NPL	<u>\$ 8,671,844</u>	<u>\$ 6,530,804</u>	<u>\$ 4,734,905</u>

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Pension Expense and Deferred Outflow of Resources Related to Pension

For the year ended June 30, 2025, the City recognized pension expense of \$374,262 in the government-wide statements. Deferred outflow of resources related to pensions are from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Total
Differences in experience	\$ 17,955		\$ 17,955
Differences in actuarial assumptions		(17,791)	(17,791)
(Excess) Deficit of investment returns	156,550		156,550
Total to be amortized as pension expense	174,505	(17,791)	156,714
Contributions subsequent to the measurement date	584,646		584,646
Total	\$ 759,151	\$ (17,791)	\$ 741,360

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2025.

Amounts reported as deferred outflows and inflows of resources related to pensions (before contributions subsequent to the measurement date) will be recognized in pension expense as follows:

Year Ended	Expense
2026	\$ 81,664
2027	155,857
2028	(74,605)
2029	(6,202)
Total	\$ 156,714

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5 - OTHER POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT HEALTHCARE PLAN

Plan Description

In March of 2017, the City closed its Public Act 149 City of Walled Lake Retiree Healthcare Fund (WLRHF) due to insolvency and now pays the retiree benefits out of the General Fund revenue. Benefits are provided to eligible retired public safety and general employees. The City reimburses premiums up to \$800 per month per retiree in deference to expired collective bargaining and individual employment agreements. 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.

Eligibility

The defined benefit reimbursement option 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 would not commence until the employee is eligible to receive pension benefits from the City's MERS pension plan.

Assumptions and Methods

The City's liability was measured as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2025. The following actuarial assumptions were used in the measurement:

Inflation:	Not applicable
Salary increases:	Not applicable
Investment rate of return:	Not applicable; this plan is not pre-funded
20-year Aa Municipal bond rate:	4.81%
Mortality:	Public Safety and Public general 2016 Healthy Retiree, Headcount weighted.
Improvement Scale:	IRS 2024 Adjusted Scale MP-2021

As this plan is not pre-funded, no long-term expected rate of return on Plan investments was determined.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.81%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", 2019), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5 - OTHER POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT HEALTHCARE PLAN - continued

Summary of Plan Participants

The Retirement plan membership for the fiscal year ended June 30, 2025 consisted of the following:

Inactive plan members receiving benefits	2
Terminated vested plan participants	<u>12</u>
Total participants	<u><u>14</u></u>

Funding Policy

The City has closed the Retiree Healthcare Fund and has adopted a true pay as you go funding policy. Eligible benefits are reimbursed to the retiree upon receipt of proof of payment. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not a definitive requirement. Currently benefit payments are made from general operating funds.

Measurement of Net OPEB Liability

The net OPEB Liability has been measured as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2024	<u>\$ 1,335,528</u>	<u>\$</u>	<u>\$ 1,335,528</u>
Changes during the year			
Service cost			
Interest	54,569		54,569
Change in experience	(63,995)		(63,995)
Change in actuarial assumptions	(52,723)		(52,723)
Change in plan benefits			
Contributions to OPEB trust			
Contributions/benefit paid from general operating funds		78,701	(78,701)
Net investment income			
Benefit payments, including refunds of employee contributions	(78,701)	(78,701)	
Administrative expenses			
Other changes			
Net changes	<u>(140,850)</u>		<u>(140,850)</u>
Balance at June 30, 2025	<u><u>\$ 1,194,678</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,194,678</u></u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5 - OTHER POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT HEALTHCARE PLAN - continued

Net OPEB Liability (Asset) - Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NPL) of the City, calculated using healthcare trend and discount rates 1% higher or lower than the base assumptions:

<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,290,724	\$ 1,194,678	\$ 1,110,916
Plan Fiduciary Net Position			
Net OPEB Liability	\$ 1,290,724	\$ 1,194,678	\$ 1,110,916

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,176,552	\$ 1,194,678	\$ 1,209,473
Plan Fiduciary Net Position			
Net OPEB Liability	\$ 1,176,552	\$ 1,194,678	\$ 1,209,473

OPEB Expense

Components of the City's OPEB Expense under GASB 75 for the fiscal year ended June 30, 2025 are as follows:

	<u>Fiscal Year Ending June 30, 2025</u>
Service cost	\$
Interest on total OPEB liability	54,569
Experience (gains)/losses	(63,995)
Changes of assumptions	(52,723)
Change in plan terms	
Employee contributions	
Projected earnings on OPEB plan investments	
Investment earnings (gains)/losses	
Administrative expenses	
Other changes in fiduciary net position	
Total OPEB expense	\$ (62,149)

Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the deferred inflows and outflows of resources were zero.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - 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 administrative staff 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 performed a buy-out of the defined benefit plan into this defined contribution plan over the period July 1, 2013 to June 30, 2017, which 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, 2024 to June 30, 2025 equaled \$37,408.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Additions	Deletions	Reclasses	Balance 6/30/2025
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,572,172	\$	\$	\$	\$ 1,572,172
Capital assets being depreciated:					
Roads and sidewalks	14,242,744				14,242,744
Building and improvements	1,552,684	43,484	(30,464)		1,565,704
Vehicles, furniture and equipment	4,060,891	173,174	(69,444)		4,164,621
Subtotal	19,856,319	216,658	(99,908)		19,973,069
Less accumulated depreciation for:					
Roads and sidewalks	(6,328,729)	(307,664)			(6,636,393)
Building and improvements	(780,087)	(135,010)	17,580		(897,517)
Vehicles, furniture and equipment	(2,523,047)	(152,846)	67,982		(2,607,911)
Less accumulated depreciation	(9,631,863)	(595,520)	85,562		(10,141,821)
Net capital assets being depreciated	10,224,456	(378,862)	(14,346)		9,831,248
Governmental capital assets	\$11,796,628	\$ (378,862)	\$ (14,346)	\$	\$11,403,420

No debt is attributed to these assets.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$ 37,723
Public safety	211,177
Public works	333,433
Recreation and culture	<u>13,187</u>
	<u>\$ 595,520</u>

Capital asset activity in the business-type activities for the year ended June 30, 2025 was as follows:

	<u>Balance 7/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2025</u>
Business-type activities:				
Capital assets being depreciated:				
Water systems	\$ 3,653,951	\$	\$	\$ 3,653,951
Sewer systems	<u>12,425,302</u>		<u>(28,905)</u>	<u>12,396,397</u>
Total capital assets being depreciated	<u>16,079,253</u>		<u>(28,905)</u>	<u>16,050,348</u>
Less accumulated depreciation for:				
Water systems	(2,612,976)	(24,425)		(2,637,401)
Sewer systems	<u>(10,517,080)</u>	<u>(98,015)</u>	<u>28,905</u>	<u>(10,586,190)</u>
Total accumulated depreciation	<u>(13,130,056)</u>	<u>(122,440)</u>	<u>28,905</u>	<u>(13,223,591)</u>
Net capital assets being depreciated	<u>2,949,197</u>	<u>(122,440)</u>		<u>2,826,757</u>
Business-type capital assets, net	<u>\$ 2,949,197</u>	<u>\$ (122,440)</u>	<u>\$</u>	<u>\$ 2,826,757</u>

All depreciation is charged to water and sewer activities. There is no related debt with these assets.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2025 was as follows:

	<u>Balance 7/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance 6/30/2025</u>
Component unit activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 8,333	\$ 174,413	\$	\$ (182,746)	\$
Capital assets being depreciated:					
Street lighting and					
road improvements	4,322,406	47,310		182,746	4,552,462
Furniture and equipment	524,896	21,987			546,883
Books, periodicals and materials	403,966	61,239			465,205
Subtotal	<u>5,251,268</u>	<u>130,536</u>		<u>182,746</u>	<u>5,564,550</u>
Less accumulated depreciation	<u>(1,261,110)</u>	<u>(150,956)</u>			<u>(1,412,066)</u>
Net capital assets being depreciated	<u>3,990,158</u>	<u>(20,420)</u>		<u>182,746</u>	<u>4,152,484</u>
Net capital assets	<u>\$ 3,998,491</u>	<u>\$ 153,993</u>	<u>\$</u>	<u>\$ 182,746</u>	<u>\$ 4,152,484</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 113,175
Library	<u>37,781</u>
	<u>\$ 150,956</u>

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 - GASB 77 - TAX ABATEMENTS

The City has a court ordered abatement involving the Walled Lake Villa Mid-Rise Building reducing their tax liability to a 'payment in lieu' of tax amount that is a percentage of collected rents. This judgment lasts until the mortgage held by the State of Michigan Housing Development Authority is paid in full. For the fiscal year ended June 30, 2025, the taxes abated under this program totaled \$23,777.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 - 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.

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.

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

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025	Due within one year
Governmental Activities					
Accumulated compensated absences	\$ 216,824	\$ 80,432	\$	\$ 297,256	\$ 72,804

The Library had compensated absences of \$3,130, of which \$3,130 is due within 60 days.

NOTE 11 - 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.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

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

	Primary Government	Fiduciary Funds	Component Units	Total	Percent
Deposits					
Checking accounts	\$ 285,621	\$ 107,194	\$ 62,091	\$ 454,906	11.0%
Money market and saving accounts	770,260		10,695	780,955	18.9%
Cash held in trust by county	2,906,907			2,906,907	70.2%
Total deposits	3,962,788	107,194	72,786	4,142,768	100.0%
Investments					
External investment pool	8,630,478	229,018	3,007,740	11,867,236	100.0%
Total investments	8,630,478	229,018	3,007,740	11,867,236	100.0%
Total deposits and investments	\$ 12,593,266	\$ 336,212	\$ 3,080,526	\$ 16,010,004	

Cash, cash equivalents, and investments are presented in the financial statements in the following areas:

	Governmental Activities	Business-type Activities	Component Units	Total
Statement of Net Position				
Cash, cash equivalents, and investments	\$ 7,975,453	\$ 1,697,345	\$ 3,080,525	\$ 12,753,323
Cash, cash equivalents, and investments - restricted		2,906,907		2,906,907
Fiduciary Funds				
Cash	336,151			336,151
Total cash, cash equivalents, and investments	\$ 8,311,604	\$ 4,604,252	\$ 3,080,525	\$ 15,996,381

The carrying amount of cash and investments reported in the financial statements is \$15,966,381. The difference between the carrying amounts in the financial statements and the bank balances in the above schedule arise from cash on hand, 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.

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.

Deposits

As of June 30, 2025, deposits in banks totaled \$4,142,768, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 3,648,136
Uninsured and uncollateralized	494,632
Total	\$ 4,142,768

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Investments

As of June 30, 2025, investments totaled \$11,867,236, which was not exposed to custodial credit risk.

The City's \$11,867,236 held in an external investment pool is managed in accordance with the "2A-7 likepool" risk. It is not subject to custodial credit risk.

Credit Risk - Investments

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. The investments in external investment pools, investments in mutual funds, and investments issued or explicitly guaranteed by the U.S. government are not subject to credit risk. At year end the City had the following investments exposed to credit risk:

<u>Investment Type</u>	<u>Rating by S & P</u>	<u>Amount</u>
MiClass	AAAm	<u>\$ 11,867,236</u>

Interest Rate Risk - Investments

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 \$11,867,236 in investment pools that meet the definition of a 2a7 - like pool. These investments are not subject to interest rate risk.

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. The City's \$11,867,236 held in an external investment pool is not subject to concentration of credit risk.

NOTE 12 - FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities to be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritized the inputs and valuation techniques used to measure fair value.

The standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the standards require the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs for which there is little or no market data, which requires the use of the reporting entity's own assumptions.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 12 - FAIR VALUE MEASUREMENTS - continued

The carrying value of receivables, cash and cash equivalents, and the current liabilities included in the accompanying balances sheets approximated fair value at June 30, 2025.

The City's investment of \$11,867,236 held in an investment pool are measure at net asset value per share.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at June 30, 2025

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MI CLASS	<u>\$11,867,236</u>	<u>\$</u>	None	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 13 - ASSETS HELD IN TRUST AT OAKLAND COUNTY

The City has contracted with Oakland County to perform all retail operations for the local water and sewer system. As such, there are assets held in trust at Oakland County. These assets are legally restricted for use in operating and maintaining the water and sewer system.

At June 30, 2025, the following amounts held at Oakland County were included in the Proprietary Funds Statement of Net Position:

<u>Description</u>	<u>Amount</u>
Cash, cash equivalents, and investments	\$ 2,906,907
Accounts receivable - other	1,290,931
Accounts payable	407,879
Net assets	3,789,199

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2025, the date the financial statements were available to be issued. Management has determined that the City does not have any material recognizable or non-recognizable events.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 15 - LEASES

The following table presents the balance of certain information related to the operating leases as of and for the year ended June 30, 2025:

Cash	\$ 42,999
Lease receivable	1,070,465
Deferred inflows leases	(1,012,118)
Rental income	(37,836)
Interest income - leases	(22,918)

NOTE 16 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

The City implemented these Standards for the year ended June 30, 2025. The adoption did not have a significant impact on the City's financial statements for the year ended June 30, 2025.

NOTE 17 - UPCOMING GASB PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement established new accounting and financial reporting requirements – or modified existing requirements – related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses and changes in fund position, information about major components and budgetary comparison information. The City is currently evaluating the impact this standard will have on the financial statements when it is adopted during the year ending June 30, 2026.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 17 - UPCOMING GASB PRONOUNCEMENTS - continued

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Leased assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of the underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, the Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosure for capital assets held for sale. The City is currently evaluating the impact this Statement will have on the financial statements when it is adopted during the year ending June 30, 2026.

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, 2025**

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 4,818,750	\$ 4,818,750	\$ 4,969,544	\$ 150,794
Fines and forfeitures	15,000	15,000	29,467	14,467
State sources	769,000	769,000	923,787	154,787
Licenses and permits	202,800	202,800	177,213	(25,587)
Other proceeds	103,000	103,000	117,705	14,705
Building and zoning permits	107,600	107,600	116,599	8,999
Recreation and culture	5,070	5,070	11,116	6,046
Grant income	28,000	28,000	39,131	11,131
Charges for services	79,650	79,650	125,674	46,024
Other local government	4,800	4,800	24,107	19,307
Interest	100,000	400,000	340,064	(59,936)
Interfund charge for service	588,218	588,218	516,120	(72,098)
Total revenues	6,821,888	7,121,888	7,390,527	268,639
EXPENDITURES				
Legislative	6,955	6,955	3,346	3,609
City administration	968,797	968,797	1,047,102	(78,305)
Public services	1,303,776	1,303,776	1,251,051	52,725
Public safety	3,788,670	3,888,670	3,757,294	131,376
Capital outlay	181,000	229,000	216,658	12,342
Total expenditures	6,249,198	6,397,198	6,275,451	121,747
Net change in fund balance	572,690	724,690	1,115,076	390,386
FUND BALANCE, JULY 1, 2024	4,649,009	4,649,009	4,649,009	
FUND BALANCE, JUNE 30, 2025	\$ 5,221,699	\$ 5,373,699	\$ 5,764,085	\$ 390,386

CITY OF WALLED LAKE

MAJOR ROAD FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
State sources - roads	\$ 570,000	\$ 570,000	\$ 594,871	\$ 24,871
Interest	10,000	46,000	37,232	(8,768)
Total revenues	580,000	616,000	632,103	16,103
EXPENDITURES				
Public works	177,432	177,432	151,416	26,016
Excess of revenue over (under) expenditures	402,568	438,568	480,687	42,119
OTHER FINANCING SOURCES (USES)				
Transfer (out)	(270,000)	(270,000)	(270,000)	
Net change in fund balance	132,568	168,568	210,687	42,119
FUND BALANCE, JULY 1, 2024	870,031	870,031	870,031	
FUND BALANCE, JUNE 30, 2025	<u>\$ 1,002,599</u>	<u>\$ 1,038,599</u>	<u>\$ 1,080,718</u>	<u>\$ 42,119</u>

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule of Employer Contributions

This schedule is presented to illustrate the requirement to show information for 10 years.

	For the Plan Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$1,099,175	\$1,017,019	\$ 995,103	\$ 908,475	\$ 813,809	\$ 733,780	\$ 883,776	\$ 839,587	\$ 512,898	\$ 385,001
Contributions in relation to the actuarial determined contribution	1,100,154	1,017,019	1,024,903	908,475	813,809	733,780	883,776	859,587	512,898	385,001
Contribution (deficiency) excess	\$ 979	\$	\$ 29,800	\$	\$	\$	\$	\$ 20,000	\$	\$
Covered employee payroll	\$1,744,670	\$1,744,570	\$1,683,500	\$1,568,939	\$1,542,928	\$1,579,697	\$1,408,639	\$1,577,339	\$1,420,690	\$1,336,356
Contributions as a percentage of covered payroll	63.06%	58.30%	60.88%	57.90%	52.74%	46.45%	62.74%	54.50%	36.10%	28.81%

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	Unfunded accrued liability - 23 years
	Gain/(loss) on investments - 22 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%
Retirement age	Normal - Age 60
	Early - Varies by division. See Note 4 in Notes To Financial Statements

Previous Actuarial Methods and Assumptions

A five year smoothed asset valuation method was used for the time period of 2005 through 2014.

A 8.00% assumed investment rate of return, 3.50% rate of inflation, 4.50% assumed salary increases, and 7.75% investment rate of return 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, 2025**

	For the Plan Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ 187,587	\$ 183,275	\$ 177,518	\$ 168,939	\$ 150,609	\$ 176,704	\$ 160,746	\$ 183,020	\$ 152,357	\$ 132,765
Interest	1,297,334	1,262,477	1,233,772	1,250,643	1,229,678	1,134,676	1,163,046	1,105,519	1,063,470	994,968
Changes in benefit terms										
Differences between expected and actual experience	(71,675)	161,374	323	(495,485)	(434,926)	204,807	(47,194)	323,729	170,459	289,393
Changes of assumptions	(126,780)	136,795		638,321	306,141	615,209				680,796
Benefit payments, including refunds of employee contributions	(1,140,718)	(1,040,966)	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)
Other	(4)	2	(2)	(1)	(1)	59,717	1			
Net change in total pension liability	145,744	702,957	415,464	548,590	295,699	1,290,856	391,431	733,358	513,158	1,221,926
TOTAL PENSION LIABILITY - BEGINNING	18,545,272	17,842,315	17,426,851	16,878,261	16,582,562	15,291,706	14,900,275	14,166,917	13,653,759	12,431,833
TOTAL PENSION LIABILITY - ENDING	<u>\$ 18,691,016</u>	<u>\$ 18,545,272</u>	<u>\$ 17,842,315</u>	<u>\$ 17,426,851</u>	<u>\$ 16,878,261</u>	<u>\$ 16,582,562</u>	<u>\$ 15,291,706</u>	<u>\$ 14,900,275</u>	<u>\$ 14,166,917</u>	<u>\$ 13,653,759</u>
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,100,154	\$ 1,017,019	\$ 1,024,903	\$ 908,475	\$ 813,810	\$ 733,780	\$ 883,776	\$ 859,587	\$ 512,898	\$ 456,209
Contributions - non-employer entity		4,365,124								
Contributions - employee	86,630	87,102	80,758	75,218	92,920	82,543	80,988	82,905	71,494	72,984
Net investment income	842,847	933,452	(675,313)	808,192	660,698	621,074	(192,425)	538,984	436,176	(62,071)
Benefit payments, including refunds of employee contributions	(1,140,718)	(1,040,966)	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)
Administrative expenses	(25,197)	(17,593)	(12,195)	(9,270)	(10,336)	(10,688)	(9,338)	(9,270)	(8,887)	(9,370)
Other			(269)				(250)			
Net change in plan fiduciary net position	863,716	5,344,138	(578,263)	768,788	601,290	526,452	(122,417)	593,296	138,553	(418,244)
PLAN FIDUCIARY NET POSITION - BEGINNING	11,296,496	5,952,358	6,530,621	5,761,833	5,160,543	4,634,091	4,756,508	4,163,212	4,024,659	4,442,903
PLAN FIDUCIARY NET POSITION - ENDING	<u>\$ 12,160,212</u>	<u>\$ 11,296,496</u>	<u>\$ 5,952,358</u>	<u>\$ 6,530,621</u>	<u>\$ 5,761,833</u>	<u>\$ 5,160,543</u>	<u>\$ 4,634,091</u>	<u>\$ 4,756,508</u>	<u>\$ 4,163,212</u>	<u>\$ 4,024,659</u>
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 6,530,804</u>	<u>\$ 7,248,776</u>	<u>\$ 11,889,957</u>	<u>\$ 10,896,230</u>	<u>\$ 11,116,428</u>	<u>\$ 11,422,019</u>	<u>\$ 10,657,615</u>	<u>\$ 10,143,767</u>	<u>\$ 10,003,705</u>	<u>\$ 9,629,100</u>
Plan fiduciary net position as a percentage of the total pension liability	65.06%	60.91%	33.36%	37.47%	34.14%	31.12%	30.30%	31.92%	29.39%	29.48%
Covered employee payroll	<u>\$ 1,744,670</u>	<u>\$ 1,744,570</u>	<u>\$ 1,683,500</u>	<u>\$ 1,568,939</u>	<u>\$ 1,542,928</u>	<u>\$ 1,579,697</u>	<u>\$ 1,577,339</u>	<u>\$ 1,420,690</u>	<u>\$ 1,336,356</u>	<u>\$ 1,197,308</u>
Net pension liability as a percentage of covered employee payroll	374.33%	415.51%	706.26%	694.50%	720.48%	723.05%	675.67%	714.00%	748.58%	804.23%

This schedule is presented to illustrate the requirement to show information for 10 years.

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2025**

	For the Fiscal Year Ended June 30, 2025	For the Fiscal Year Ended June 30, 2024	For the Fiscal Year Ended June 30, 2023	For the Fiscal Year Ended June 30, 2022	For the Fiscal Year Ended June 30, 2021	For the Fiscal Year Ended June 30, 2020	For the Fiscal Year Ended June 30, 2019	For the Fiscal Year Ended June 30, 2018
Actuarially determined employer contribution								
Service cost with interest to June 30	\$ 56,226	\$ 57,597	\$ 52,813	\$ 34,761	\$ 44,588	\$ 49,479	\$ 66,539	\$
Amortization of unfunded liability with interest to June 30	1,391,754	1,394,607	1,291,265	1,594,552	1,676,238	1,649,315	1,719,354	162,988
Actuarially determined employer contribution	1,447,980	1,452,204	1,344,078	1,629,313	1,720,826	1,698,794	1,785,893	162,988
Employer contribution	78,701	85,992	83,311	81,668	78,568	74,648	75,715	201,739
Contribution deficiency/(excess)	<u>\$1,369,279</u>	<u>\$1,366,212</u>	<u>\$1,260,767</u>	<u>\$1,547,645</u>	<u>\$1,642,258</u>	<u>\$1,624,146</u>	<u>\$1,710,178</u>	<u>\$ (38,751)</u>
Covered employee payroll	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Employer contributions as a percentage of covered payroll	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</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

Valuation Date: June 30, 2025

Measurement Date: June 30, 2025

Actuarial Methods:

Cost method:	Entry Age Normal (level percentage of compensation)
Amortization method:	Level dollar
Asset valuation method:	Market value of assets

CITY OF WALLED LAKE

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN - CONTINUED
JUNE 30, 2025

Notes to the Schedule of Employer Contributions – continued

Actuarial Assumptions:

Discount rate - 4.21% for 2025 contribution; 4.81% for 2025 liability and 2026 contribution

Rationale - Based on 20-year Aa Municipal bond rate

Salary scale - N/A

Rationale - All participants are terminated or retired

Return on plan assets - N/A; plan is not pre-funded

Mortality rates:

Public Safety and Public General 2016 Healthy Retiree, Headcount weighted, IRS 2024 Adjusted Scaled MP-2021.

Rationale - Most current mortality rates available for municipalities.

Termination rates - N/A

Rationale - All participants are terminated or retired

Retirement rates - Later of age 62 and birthday following the valuation date

Rationale - All but two participants are retired; experience of current retirees support this assumption.

Marital assumption - actual spouse data used

Rationale - Consistent with experience

Per capita claims costs - actual retiree premium amounts reported per retiree; for further retired (currently terminated) participants, the maximum available stipend was valued

Rationale – Consistent with experience and plan provisions

Trend rates:

Pre-65 medical: 7.50% graded down by 0.25% per year to an ultimate rate of 4.5%

Post-65 medical: 5.75% graded down 0.25% per year to an ultimate rate of 4.5%;

Rationale - Based on market expectations and State of Michigan trend survey

Data Collection Date and form of data - All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete (without audit) by Watkins Ross, the plan's actuarial administrator.

CITY OF WALLED LAKE

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2025**

	For the Plan Year Ended June 30, 2025	For the Plan Year Ended June 30, 2024	For the Plan Year Ended June 30, 2023	For the Plan Year Ended June 30, 2022	For the Plan Year Ended June 30, 2021	For the Plan Year Ended June 30, 2020	For the Plan Year Ended June 30, 2019	For the Plan Year Ended June 30, 2018
TOTAL OPEB LIABILITY								
Service cost	\$	\$	\$	\$	\$	\$	\$	\$
Interest	54,569	55,821	51,109	33,871	43,543	48,359	65,074	114,193
Changes in plan terms								(453,886)
Differences between expected and actual experience	(63,995)	(10,730)	132,920	5,755	(84,020)	(675)	298,567	(86,017)
Changes of assumptions	(52,723)	(18,178)	2,624	(261,245)	37,359	53,887	(357,965)	(704,797)
Benefit payments, including refunds of employee contributions	(78,701)	(85,992)	(83,311)	(81,668)	(78,568)	(74,648)	(75,715)	(201,739)
Net change in total OPEB liability	(140,850)	(59,079)	103,342	(303,287)	(81,686)	26,923	(70,039)	(1,332,246)
TOTAL OPEB LIABILITY - BEGINNING	1,335,528	1,394,607	1,291,265	1,594,552	1,676,238	1,649,315	1,719,354	3,051,600
TOTAL OPEB LIABILITY - ENDING	\$ 1,194,678	\$ 1,335,528	\$ 1,394,607	\$ 1,291,265	\$ 1,594,552	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
PLAN FIDUCIARY NET POSITION								
Contributions to OPEB trust	\$	\$	\$	\$	\$	\$	\$	\$
Contributions/benefit payments made from general operating funds	78,701	85,992	83,311	81,668	78,568	74,648	75,715	193,071
Net investment income								
Benefit payments, including refunds of employee contributions	(78,701)	(85,992)	(83,311)	(81,668)	(78,568)	(74,648)	(75,715)	(201,739)
Administrative expenses								
Other								
Net change in fiduciary net position								(8,668)
PLAN FIDUCIARY NET POSITION, BEGINNING								8,668
PLAN FIDUCIARY NET POSITION, ENDING	\$	\$	\$	\$	\$	\$	\$	\$
NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 1,194,678	\$ 1,335,528	\$ 1,394,607	\$ 1,291,265	\$ 1,594,552	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$	\$	\$	\$	\$	\$	\$	\$
Net OPEB liability (asset) as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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 REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALLED LAKE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

NOTE - BUDGETARY INFORMATION

Budget Overruns

The following expenditures exceeded appropriations in one fund, due to the personnel allocation for the City Manager and City Clerk departments and the paid time off payout in the City Clerk department:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance (Unfavorable)</u>
General Fund			
City administration	<u>\$ 968,797</u>	<u>\$ 1,047,102</u>	<u>\$ (78,305)</u>

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2025

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	
ASSETS				
Cash and investments	\$1,051,485	\$ 85,596	\$ 106,862	\$1,243,943
Accounts receivable :				
Other governments	35,893			35,893
Total assets	<u>\$1,087,378</u>	<u>\$ 85,596</u>	<u>\$ 106,862</u>	<u>\$1,279,836</u>
FUND BALANCE				
Restricted				
Road improvement	1,087,378			1,087,378
Transportation			106,862	106,862
Drug forfeiture		75,047		75,047
State drug forfeiture		10,549		10,549
Total fund balance	<u>\$1,087,378</u>	<u>\$ 85,596</u>	<u>\$ 106,862</u>	<u>\$1,279,836</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	SPECIAL REVENUE FUNDS			
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	Total
REVENUES				
State sources - roads	\$ 267,805	\$	\$	\$ 267,805
Grant income		57,609		57,609
Interest	19,664	56		19,720
Other		3,110		3,110
Total revenues	287,469	60,775		348,244
EXPENDITURES				
Public safety		4,913		4,913
Public works	180,210			180,210
Transportation services			11,051	11,051
Total expenditures	180,210	4,913	11,051	196,174
Excess of revenues over (under) expenditures	107,259	55,862	(11,051)	152,070
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		18,800		18,800
Transfers in	270,000			270,000
Total other financing sources (uses)	270,000	18,800		288,800
Net changes in fund balances	377,259	74,662	(11,051)	440,870
FUND BALANCE, JULY 1, 2024	710,119	10,934	117,913	838,966
FUND BALANCE, JUNE 30, 2025	\$ 1,087,378	\$ 85,596	\$ 106,862	\$ 1,279,836

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Total Agency Funds
ASSETS				
Cash and investments	\$ 229,018	\$ 471	\$ 106,662	\$ 336,151
LIABILITIES				
Accounts payable/performance deposits	\$ 229,018	\$	\$ 106,662	\$ 335,680
Due to other funds		471		471
Total liabilities	\$ 229,018	\$ 471	\$ 106,662	\$ 336,151