



City of Walled Lake, Michigan Annual Report

on audited financial statements



For FY ended
June 30, 2024



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 Resource Director, MPA, MiPMC

LEGAL COUNSEL

Vahan C. Vanerian, Esq.

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 12, 2024

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, 2024, 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, 2024, 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 54-61 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, 2024

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, 2024 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 \$18,123,301. This is a \$6,839,372 increase over last year's net position of \$11,283,94. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital improvements.

Fiscal Year 2024 has remained focused on continued infrastructure improvements to our local roads and the public safety campus. The City was awarded a Local Road Improvement Grant for \$16,563. These funds were used for repaving Annjo Street. The City also repaired sidewalks by Woods Court and paving project in Glenwood Court.

Pension debt continues to be a financial challenge. However, the City was a grant recipient of the Protecting MI Pension Grant in September 2023 and was awarded \$4.3 million. The grant went directly to the pension plan. The budget overage in grant revenue and pension expenditures is due to the recording of the pension grant that was not anticipated in the budget amendments. The increase was primarily due to the decrease in pension liability of \$4,641,181. This grant has helped the City meet the State requirement of achieving a funded ratio of 60% to the City's pension liability.

The City and Downtown Development Authority (DDA) continues to focus on creating a more walkable community, improving the stormwater infrastructure, and further the goal of making a better Walled Lake. The DDA installed new light and gateway signs.

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	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Assets								
Current and other assets	\$ 7,748,648	\$ 6,311,799	\$ 5,123,278	\$ 4,119,977	\$12,871,926	\$10,431,776	\$ 2,604,885	\$ 2,147,911
Capital assets	11,796,628	12,134,437	2,949,197	3,180,736	14,745,825	15,315,173	3,998,491	3,868,986
Total assets	19,545,276	18,446,236	8,072,475	7,300,713	27,617,751	25,746,949	6,603,376	6,016,897
Deferred outflow of resources								
Pension activities	928,046	1,040,472			928,046	1,040,472		
Liabilities								
Other liabilities	314,138	838,278	256,471	141,111	570,609	979,389	20,006	9,816
Long-term liabilities	8,775,743	13,441,279			8,775,743	13,441,279		
Total liabilities	9,089,881	14,279,557	256,471	141,111	9,346,352	14,420,668	20,006	9,816
Deferred inflow of resources								
Lease activities	1,045,165	1,082,829			1,045,165	1,082,829		
Net position								
Invested in capital assets, net of related debt	11,796,628	12,034,437	2,949,197	3,180,736	14,745,825	15,215,173	3,998,491	3,868,986
Restricted	1,684,476	1,353,465			1,684,476	1,353,465	2,562,120	2,128,121
Unrestricted	(3,142,828)	(9,263,580)	4,866,807	3,978,866	1,723,979	(5,284,714)	22,759	9,974
Total 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

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>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
Revenues								
Program revenues								
Charges for services	\$ 967,167	\$ 1,128,244	\$ 3,806,071	\$ 3,349,228	\$ 4,773,238	\$ 4,477,472	\$ 11,960	\$ 13,253
Operating grants and contributions	4,782,744	255,247	225,629	29,046	5,008,373	284,293	169,229	25,905
General revenues								
State revenue sources	1,753,815	1,687,620			1,753,815	1,687,620	10,373	7,915
Property taxes	4,611,574	4,255,797			4,611,574	4,255,797	1,402,070	1,303,294
Interest	267,396	48,714	60,618	5,178	328,014	53,892	103,864	1
Other	411,477	299,678		416	411,477	300,094	356	4,158
Total revenues	<u>12,794,173</u>	<u>7,675,300</u>	<u>4,092,318</u>	<u>3,383,868</u>	<u>16,886,491</u>	<u>11,059,168</u>	<u>1,697,852</u>	<u>1,354,526</u>
Program Expenses								
General government	1,077,440	1,024,212			1,077,440	1,024,212		
Public safety	2,770,926	3,800,579			2,770,926	3,800,579		
Public works/roads	2,531,833	1,925,001			2,531,833	1,925,001		
Transportation	33,865	23,149			33,865	23,149		
Recreation	162,155	132,024			162,155	132,024		
Interest on long-term debt	4,000	9,000			4,000	9,000		
Refuse/utility systems			3,435,916	3,795,872	3,435,916	3,795,872		
Library/community development							1,121,563	929,008
Total expenses	<u>6,580,219</u>	<u>6,913,965</u>	<u>3,435,916</u>	<u>3,795,872</u>	<u>10,016,135</u>	<u>10,709,837</u>	<u>1,121,563</u>	<u>929,008</u>
Changes in net position	6,213,954	761,335	656,402	(412,004)	6,870,356	349,331	576,289	425,518
Beginning net position	<u>4,124,322</u>	<u>3,362,987</u>	<u>7,159,602</u>	<u>7,571,606</u>	<u>11,283,924</u>	<u>10,934,593</u>	<u>6,007,081</u>	<u>5,581,563</u>
Ending net position	<u>\$10,338,276</u>	<u>\$ 4,124,322</u>	<u>\$ 7,816,004</u>	<u>\$ 7,159,602</u>	<u>\$18,154,280</u>	<u>\$11,283,924</u>	<u>\$ 6,583,370</u>	<u>\$ 6,007,081</u>

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 \$7.2 million net pension liability. Pension payments were \$5,402,369 (or 52% of General Fund expenditures), which includes \$4,365,124 from the Protecting MI Pension Grant the City was awarded in the fiscal year to help reduce the pension liability.

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 54, the actual expenditures were more than authorized appropriations by approximately \$3,884,000 while revenues exceeded those anticipated by approximately \$4,893,000. As previously mentioned, after taking into consideration the intended use of fund balance, the fund balance of the General Fund actually increased by approximately \$1,600,000 in fiscal year 2024.

Capital Asset and Debt Administration

The Governmental Funds spent \$249,968 on capital assets during the year. Most of the acquisitions were related to roads, sidewalks, equipment, etc, including a 2023 Durango for \$42,410, a new server for \$15,247, a power stretcher system for \$25,203, and a police training room for \$39,314.

Debt service payments of \$105,000 for outstanding bond issues included principal reduction of \$100,000 and interest payments of \$5,000. The City has no other 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 work with Oakland County Water Resource Commission (WRC) to improve the City's water and sewer system and services to the residents. WRC's expertise in the field has helped the City with speedy repairs and improvements to the City's healthy financial status. The City's water loss is now a respectable 11%.

The City continues to receive proposals for redevelopment projects downtown and gateway areas. The City is a built-out community of 2.5 square miles and redevelopment projects are important to the City's budget. FY 2025 there will be several new quality economic developments breaking ground throughout the City. Business owners and residents continue to make improvements to their property which in turn will improve the City's taxable value.

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, 2024**

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash, cash equivalents, and investments	\$ 6,132,376	\$ 3,886,066	\$ 10,018,442	\$ 2,555,700
Receivables				
Taxes	31,339		31,339	22,759
Other governments	283,801		283,801	13,708
Accounts	61,986	1,170,438	1,232,424	
Lease receivable	1,090,546		1,090,546	
Inventory	15,421		15,421	
Prepaid expenses	133,179	66,774	199,953	12,718
Capital assets, not being depreciated				
Non-depreciated	1,572,172		1,572,172	8,333
Depreciated, net	10,224,456	2,949,197	13,173,653	3,990,158
Total assets	<u>19,545,276</u>	<u>8,072,475</u>	<u>27,617,751</u>	<u>6,603,376</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension activities	928,046		928,046	
LIABILITIES				
Accounts payable	121,545	256,471	378,016	9,916
Accrued wages	167,208		167,208	9,178
Non-current liabilities				
Due within one year:				
Compensated absences	25,385		25,385	912
Due in more than one year:				
Compensated absences	191,439		191,439	
Net pension liability	7,248,776		7,248,776	
Other post-employment benefit liability	1,335,528		1,335,528	
Total liabilities	<u>9,089,881</u>	<u>256,471</u>	<u>9,346,352</u>	<u>20,006</u>
DEFERRED INFLOWS OF RESOURCES				
Lease activities	1,045,165		1,045,165	
NET POSITION				
Invested in capital assets, net of related debt	11,796,628	2,949,197	14,745,825	3,998,491
Restricted	1,684,476		1,684,476	2,562,120
Unrestricted	(3,142,828)	4,866,807	1,723,979	22,759
Total net position	<u>\$ 10,338,276</u>	<u>\$ 7,816,004</u>	<u>\$ 18,154,280</u>	<u>\$ 6,583,370</u>

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

CITY OF WALLED LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES							
General government	\$ (1,077,440)	\$ 940,430	\$ 4,744,686	\$ 4,607,676	\$	\$ 4,607,676	\$
Public safety	(2,770,926)	26,737	26,280	(2,717,909)		(2,717,909)	
Public works/roads	(2,531,833)			(2,531,833)		(2,531,833)	
Transportation	(33,865)			(33,865)		(33,865)	
Recreation	(162,155)		11,778	(150,377)		(150,377)	
Interest and fees on long-term debt	(4,000)			(4,000)		(4,000)	
Total governmental activities	<u>(6,580,219)</u>	<u>967,167</u>	<u>4,782,744</u>	<u>(830,308)</u>		<u>(830,308)</u>	
BUSINESS-TYPE ACTIVITIES							
Refuse	(383,431)	377,141			(6,290)	(6,290)	
Water/sewer system	(3,052,485)	3,428,930	225,629		602,074	602,074	
Total business-type activities	<u>(3,435,916)</u>	<u>3,806,071</u>	<u>225,629</u>		<u>595,784</u>	<u>595,784</u>	
Total primary government	<u>\$ (10,016,135)</u>	<u>\$ 4,773,238</u>	<u>\$ 5,008,373</u>	<u>(830,308)</u>	<u>595,784</u>	<u>(234,524)</u>	
COMPONENT UNITS							
Downtown Development Authority	\$ (564,150)	\$	\$				(564,150)
Walled Lake City Library	(557,413)	11,960	169,229				(376,224)
Total component units	<u>\$ (1,121,563)</u>	<u>\$ 11,960</u>	<u>\$ 169,229</u>				<u>(940,374)</u>
General revenues							
Property taxes				4,611,574		4,611,574	1,402,070
State revenues sources				1,753,815		1,753,815	10,373
Interest income				267,396	60,618	328,014	103,864
Franchise fees				205,238		205,238	
Rental income - cell tower				45,612		45,612	
Other income				128,467		128,467	356
Gain (loss) on sale of assets				32,160		32,160	
Total general revenues				<u>7,044,262</u>	<u>60,618</u>	<u>7,104,880</u>	<u>1,516,663</u>
Change before transfers				<u>6,213,954</u>	<u>656,402</u>	<u>6,870,356</u>	<u>576,289</u>
Other financing sources							
Transfers in				105,250		105,250	
Transfers (out)				(105,250)		(105,250)	
Total transfers							
Changes in net position				<u>6,213,954</u>	<u>656,402</u>	<u>6,870,356</u>	<u>576,289</u>
Net position, July 1, 2023				<u>4,124,322</u>	<u>7,159,602</u>	<u>11,283,924</u>	<u>6,007,081</u>
Net position, June 30, 2024				<u>\$ 10,338,276</u>	<u>\$ 7,816,004</u>	<u>\$ 18,154,280</u>	<u>\$ 6,583,370</u>

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, 2024**

	General Fund	Major Road Fund	Nonmajor Funds	Total
ASSETS				
Cash, cash equivalents, and investments	\$ 4,528,078	\$ 782,068	\$ 822,230	\$ 6,132,376
Receivables				
Taxes	31,339			31,339
Other governments	158,227	91,101	34,473	283,801
Lease receivable	1,090,546			1,090,546
Accounts	31,882			31,882
Due from other funds	30,104			30,104
Inventory			15,421	15,421
Prepaid expenditures	133,179			133,179
	\$ 6,003,355	\$ 873,169	\$ 872,124	\$ 7,748,648
LIABILITIES				
Accounts payable	\$ 85,249	\$ 3,138	\$ 3,996	\$ 92,383
Accrued payroll	167,208			167,208
Compensated absences	25,385			25,385
Due to other funds			29,162	29,162
	277,842	3,138	33,158	314,138
DEFERRED INFLOW OF RESOURCES				
Deferred Inflows - lease activities	1,045,165			1,045,165
Deferred Inflows - property tax	31,339			31,339
	1,076,504			1,076,504
FUND BALANCE				
Nonspendable: Prepaid Items	133,179			133,179
Inventory			15,421	15,421
Restricted: Road Improvements		870,031	694,698	1,564,729
Transportation			108,813	108,813
Drug forfeiture			1,173	1,173
State drug forfeiture			9,761	9,761
Assigned for future deficit			9,100	9,100
Unassigned	4,515,830			4,515,830
	4,649,009	870,031	838,966	6,358,006
Total liabilities, deferred inflow of resources and fund balances	\$ 6,003,355	\$ 873,169	\$ 872,124	\$ 7,748,648

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, 2024**

Total fund balance per balance sheet		\$ 6,358,006
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>10,224,456</u>	
Capital assets net of depreciation		11,796,628
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	214,907	
Differences in actuarial assumptions to actual	91,197	
Differences in actuarial experience to actual	107,690	
Contributions subsequent to measurement date	<u>514,252</u>	
Total		928,046
Pension liabilities, net of pension plan fiduciary net position, are not due and payable in the current period and are not reported in the fund financial statements		
Net pension liability		(7,248,776)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Compensated absences	(191,439)	
Other post-employment benefits	<u>(1,335,528)</u>	
Total		(1,526,967)
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		
		<u>31,339</u>
Net position of governmental activities		<u><u>\$ 10,338,276</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, 2024**

DDA	
Fund balance per balance sheet for DDA component unit	\$ 2,257,732
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.	
Non-depreciated assets	\$ 8,333
Depreciable assets, net of depreciation	<u>3,646,249</u>
Capital assets net of depreciation	3,654,582
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>19,993</u>
Net position of DDA component unit	<u><u>\$ 5,932,307</u></u>
LIBRARY	
Fund balance per balance sheet for Library component unit	\$ 304,388
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	343,909
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>2,766</u>
Net position of Library component unit	<u><u>\$ 651,063</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, 2024**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
REVENUES					
Taxes	\$ 4,619,062	\$	\$	\$	\$ 4,619,062
State sources - general government	929,665				929,665
State sources - roads		568,212		255,938	824,150
Grant income	4,248,381		492,108	30,477	4,770,966
Licenses and permits	205,238				205,238
Recreation and culture	11,778				11,778
Building and zoning permits	134,480				134,480
Charges for services - interfund	628,565				628,565
Charges for services	177,385				177,385
Fines and forfeitures	26,737				26,737
Interest	227,550	24,197		15,649	267,396
Other proceeds	166,681			7,398	174,079
Total revenues	<u>11,375,522</u>	<u>592,409</u>	<u>492,108</u>	<u>309,462</u>	<u>12,769,501</u>
EXPENDITURES					
Current:					
General government	2,782,602		7,765		2,790,367
Public safety	4,948,998			3,723	4,952,721
Public works	2,301,920	142,938		171,765	2,616,623
Transportation services				33,865	33,865
Recreation and culture	147,976				147,976
Debt service:					
Principal				100,000	100,000
Interest/fees				5,250	5,250
Capital outlay:					
General government	54,561				54,561
Public safety	25,203			54,240	79,443
Public works				115,964	115,964
Total expenditures	<u>10,261,260</u>	<u>142,938</u>	<u>7,765</u>	<u>484,807</u>	<u>10,896,770</u>
Excess of revenues over (under) expenditures	<u>1,114,262</u>	<u>449,471</u>	<u>484,343</u>	<u>(175,345)</u>	<u>1,872,731</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	1,000			31,160	32,160
Transfers in	484,343			380,250	864,593
Transfers (out)		(275,000)	(484,343)	(105,250)	(864,593)
Total other financing sources (uses)	<u>485,343</u>	<u>(275,000)</u>	<u>(484,343)</u>	<u>306,160</u>	<u>32,160</u>
Net changes in fund balances	1,599,605	174,471		130,815	1,904,891
FUND BALANCE, JULY 1, 2023	<u>3,049,404</u>	<u>695,560</u>		<u>708,151</u>	<u>4,453,115</u>
FUND BALANCE, JUNE 30, 2024	<u>\$ 4,649,009</u>	<u>\$ 870,031</u>	<u>\$</u>	<u>\$ 838,966</u>	<u>\$ 6,358,006</u>

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, 2024**

Net change in fund balances - governmental funds	\$ 1,904,891
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	\$ 249,968
Depreciation expense	(587,777)
Proceeds from sale of assets	(32,160)
Gain on sale of assets	<u>32,160</u>
Total	(337,809)
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	4,528,755
Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Repayment of long-term debt	100,000
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	59,079
Compensated absences for the employees is recorded on the Statement of Net Position	
	(34,724)
Change in accrued interest payable for the year	
	1,250
Revenue received but not earned is recorded as revenue on the Statement of Activities.	
	<u>(7,488)</u>
Change in net position of governmental activities	<u>\$ 6,213,954</u>

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, 2024**

DDA	
Net change in fund balances - DDA component unit	\$ 520,529
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	\$ 80,103
Depreciation expense	<u>(105,057)</u>
Total	(24,954)
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>13,444</u>
Change in net position of DDA component unit	<u>\$ 509,019</u>

LIBRARY	
Net change in fund balances - Library component unit	\$ (86,530)
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	\$ 186,945
Depreciation expense	<u>(32,486)</u>
Total	154,459
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>(659)</u>
Change in net position of Library component unit	<u>\$ 67,270</u>

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

CITY OF WALLED LAKE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 1,639,831	\$ 42,592	\$ 1,682,423
Accounts receivable - other	1,170,438		1,170,438
Prepaid expenses	34,048	32,726	66,774
Restricted assets:			
Cash, cash equivalents, and investments	2,203,643		2,203,643
Noncurrent assets:			
Utility system, net	2,949,197		2,949,197
Total assets	\$ 7,997,157	\$ 75,318	\$ 8,072,475
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 256,164	\$ 307	\$ 256,471
Total liabilities	256,164	307	256,471
 NET POSITION			
Invested in capital assets, net of related debt	2,949,197		2,949,197
Unrestricted	4,791,796	75,011	4,866,807
Total net position	7,740,993	75,011	7,816,004
Total liabilities and net position	\$ 7,997,157	\$ 75,318	\$ 8,072,475

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, 2024**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
OPERATING REVENUES			
User charges	\$ 3,428,930	377,141	\$ 3,806,071
OPERATING EXPENSES			
Refuse		383,431	383,431
Sewer and water	2,820,946		2,820,946
Depreciation	231,539		231,539
	Total operating expenses	383,431	3,435,916
	Operating income (loss)	(6,290)	370,155
NON-OPERATING REVENUES			
Interest income - operating	60,618		60,618
	Excess of revenues over (under) expenses	(6,290)	430,773
CAPITAL CONTRIBUTIONS			
Tap in fees	225,629		225,629
	Changes in net position	(6,290)	656,402
NET POSITION, JULY 1, 2023	7,078,301	81,301	7,159,602
NET POSITION, JUNE 30, 2024	\$ 7,740,993	\$ 75,011	\$ 7,816,004

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, 2024

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from customers	\$ 3,600,063	\$ 471,404	\$ 4,071,467
Cash payments to suppliers	(2,646,212)	(428,812)	(3,075,024)
Net cash from (used in) operating activities	<u>953,851</u>	<u>42,592</u>	<u>996,443</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	225,629		225,629
Net cash from (used in) capital and related financing activities	<u>225,629</u>		<u>225,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	60,618		60,618
Net increase in cash and cash equivalents	1,240,098	42,592	1,282,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD	<u>2,603,376</u>		<u>2,603,376</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD	<u>\$ 3,843,474</u>	<u>\$ 42,592</u>	<u>\$ 3,886,066</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 376,445	\$ (6,290)	\$ 370,155
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	231,539		231,539
Change in assets and liabilities:			
(Increase) decrease in receivables, net	171,133	94,263	265,396
(Increase) decrease in prepaid	17,852	(3,859)	13,993
Increase (decrease) in accounts and other payables	150,762	(9,575)	141,187
Increase (decrease) in due to other funds	6,120	(31,947)	(25,827)
Net cash from (used in) operating activities	<u>\$ 953,851</u>	<u>\$ 42,592</u>	<u>\$ 996,443</u>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 363,418
LIABILITIES	
Accrued expenses	\$ 362,476
Due to other funds	<u>942</u>
Total liabilities	<u>\$ 363,418</u>

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

CITY OF WALLED LAKE

BALANCE SHEET
 COMPONENT UNITS
 JUNE 30, 2024

	Downtown Development Authority	Library	Total
ASSETS			
Cash and investments	\$ 2,252,874	\$ 302,826	\$ 2,555,700
Receivables:			
Taxes	19,993	2,766	22,759
Other governments		13,708	13,708
Prepays	8,566	4,152	12,718
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,281,433</u></u>	<u><u>\$ 323,452</u></u>	<u><u>\$ 2,604,885</u></u>
LIABILITIES			
Accounts payable	\$ 3,708	\$ 6,208	\$ 9,916
Accrued payroll		9,178	9,178
Compensated absences		912	912
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,708</u>	<u>16,298</u>	<u>20,006</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	19,993	2,766	22,759
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflow of resources	<u>23,701</u>	<u>19,064</u>	<u>42,765</u>
FUND BALANCE			
Restricted - Library		304,388	304,388
Restricted - DDA	2,257,732		2,257,732
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,257,732</u>	<u>304,388</u>	<u>2,562,120</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 2,281,433</u></u>	<u><u>\$ 323,452</u></u>	<u><u>\$ 2,604,885</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, 2024**

	Downtown Development Authority	Library	Total
REVENUES			
Taxes	\$ 954,485	\$ 434,800	\$ 1,389,285
Local community stabilization	7,165	3,208	10,373
Grants		167,016	167,016
Charges for services - other		2,001	2,001
Fines and forfeitures		9,959	9,959
Interest	98,075	5,789	103,864
Other		356	356
Donations		2,213	2,213
Total revenues	1,059,725	625,342	1,685,067
EXPENDITURES			
Current:			
Downtown development	459,093		459,093
Library		524,927	524,927
Capital outlay:			
Downtown development	80,103		80,103
Library		186,945	186,945
Total expenditures	539,196	711,872	1,251,068
Net change in fund balance	520,529	(86,530)	433,999
FUND BALANCE, JULY 1, 2023	1,737,203	390,918	2,128,121
FUND BALANCE, JUNE 30, 2024	\$ 2,257,732	\$ 304,388	\$ 2,562,120

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, 2024**

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, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City reports the following three 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 ARPA Fund accounts for receiving and spending the federal grants applicable to the American Rescue Plan Act.

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, 2024**

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 2023 levy was assessed at an adjusted taxable value of \$237,226,540 for the City and \$276,322,172 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	14.0385
Public Safety	3.7349
Library - component unit	<u>1.5678</u>
	<u>19.3412</u>

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, 2024

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, 2024

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, 2024, 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, 2023.

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, 2024 are as follows:

<u>Deferred Outflows (Inflows) of Resources</u>	
Differences in experience	\$ 107,690
Differences in actuarial assumptions	91,197
Differences in investment expectations versus actual	214,907
Contributions made subsequent to pension liability measurement date	514,252
Lease activities	<u>(1,045,165)</u>
Total	<u>\$ (117,119)</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, 2024**

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, 2024**

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:

Due from Fund	Due to Fund	Amount
Drug Forfeiture Fund	General Fund	\$ 29,162
Trust and Agency Fund	General Fund	692
Current Tax Fund	General Fund	250
		\$ 30,104

The following transfers were made during the year:

Transfer in to	Transfer out from	Amounts	Purpose
Debt Service Fund	Local Streets Fund	\$ 105,250	Building Authority bonds
General Fund	ARPA Fund	484,343	General expenditures
Local Streets Fund	Major Road Fund	275,000	Fund local roads
		\$ 864,593	

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, 2024

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, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2023 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	4	1	5
02 - FT Police & Command (closed)	18	4	2
05 - Fire (closed)		1	2
10 - Clerical	3	2	
11 - Administrative Unit (closed)	9	3	1
12 - FT Administrative after 7/1/2013	1	3	6
13 - Admin. employees with bridged multiplier	1		2
21 - Fire & Police after 6/30/2016			6
Total	36	14	24

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, 2024 were:

Division	Employer Contribution Rate	Employee Contribution Rate
01 - Public Works	36.16%	5.00%
02 - FT Police & Command (closed)	\$40,582 / month	8.00%
05 - Fire (closed)	\$2,224 / month	5.00%
10 - Clerical	\$386 / month	5.00%
11 - Administrative Unit (closed)	\$23,868 / month	5.25%
12 - FT Administrative after 7/1/2013	5.15%	3.00%
13 - Admin. employees with bridged multiplier	\$6,930 / month	5.25%
21 - Fire & Police after 6/30/2016	6.04%	5.00%

Total employer contributions for the year ended June 30, 2024 were \$5,382,142, which included \$4,365,124 from the Protecting MI Pension Grant.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2023, 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, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2023 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, 2023 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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Target Allocation Gross Rate of Return</u>	=	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	x	7.00%	=	4.20%
Global Fixed Income	20.00%	x	4.15%	=	0.83%
Private Investments	20.00%	x	9.50%	=	1.90%
					<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 2023 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, 2024

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2022	\$ 17,842,315	\$ 5,952,358	\$ 11,889,957
Changes for the year			
Service cost	183,275		183,275
Interest on total pension liability	1,262,477		1,262,477
Changes in benefits			
Difference between expected and actual experience	161,374		161,374
Changes in assumptions	136,795		136,795
Contribution from non-employer entity		4,365,124	(4,365,124)
Employer contributions		1,017,019	(1,017,019)
Employee contributions		87,102	(87,102)
Net investment income		933,452	(933,452)
Benefit payments, including employee refunds	(1,040,966)	(1,040,966)	
Administrative expense		(17,593)	17,593
Other changes	2		2
Net changes	702,957	5,344,138	(4,641,181)
Balances as of 12/31/2023	\$ 18,545,272	\$ 11,296,496	\$ 7,248,776

In September 2023, the City was a grant recipient of the Protecting MI Pension Grant and was awarded \$4,365,124 to help reduce the pension liability. The funds were deposited directly into the pension plan as a contribution from a non-employer entity.

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	Current	1% Increase
	6.18%	Discount Rate 7.18%	8.18%
Net Pension Liability at 12/31/2023	\$ 7,248,776	\$ 7,248,776	\$ 7,248,776
Change in Net Pension Liability (NPL) from change in discount rate	2,155,145		(1,804,628)
Calculated NPL	\$ 9,403,921	\$ 7,248,776	\$ 5,444,148

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, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Pension Expense and Deferred Outflow of Resources Related to Pension

For the year ended June 30, 2024, the City recognized pension expense of \$4,431,677 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	\$ 107,690		\$ 107,690
Differences in actuarial assumptions	91,197		91,197
(Excess) Deficit of investment returns	214,907		214,907
Total to be amortized as pension expense	413,794		413,794
Contributions subsequent to the measurement date	514,252		514,252
Total	\$ 928,046	\$	\$ 928,046

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, 2024.

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
2025	\$ 133,045
2026	187,093
2027	162,059
2028	(68,403)
Total	\$ 413,794

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024. 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:	4.21%
Mortality:	Public Safety and Public general 2010 Employee and Healthy Retiree, Headcount weighted.

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 4.21%. 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, 2024**

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, 2024 consisted of the following:

Inactive plan members receiving benefits	13
Terminated vested plan participants	<u>2</u>
Total participants	<u><u>15</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	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2023	\$ 1,394,607	\$	\$ 1,394,607
Changes during the year			
Service cost			
Interest	55,821		55,821
Change in experience	(10,730)		(10,730)
Change in actuarial assumptions	(18,178)		(18,178)
Change in plan benefits			
Contributions to OPEB trust			
Contributions/benefit paid from general operating funds		85,992	(85,992)
Net investment income			
Benefit payments, including refunds of employee contributions	(85,992)	(85,992)	
Administrative expenses			
Other changes			
Net changes	(59,079)		(59,079)
Balance at June 30, 2024	\$ 1,335,528	\$	\$ 1,335,528

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 1,302,591	\$ 1,335,528	\$ 1,362,472
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,302,591</u>	<u>\$ 1,335,528</u>	<u>\$ 1,362,472</u>
<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,454,330	\$ 1,335,528	\$ 1,232,947
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,454,330</u>	<u>\$ 1,335,528</u>	<u>\$ 1,232,947</u>

OPEB Expense

Components of the City's OPEB Expense under GASB 75 for the fiscal year ended June 30, 2024 are as follows:

	<u>Fiscal Year Ending June 30, 2024</u>
Service cost	\$
Interest on total OPEB liability	55,821
Experience (gains)/losses	(10,730)
Changes of assumptions	(18,178)
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	<u>\$ 26,913</u>

Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the deferred inflows and outflows of resources were zero.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2023 to June 30, 2024 equaled \$38,157.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2024 was as follows:

	<u>Balance 7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Balance 6/30/2024</u>
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,572,172	\$	\$	\$	\$ 1,572,172
Capital assets being depreciated:					
Roads and sidewalks	14,126,780	115,964			14,242,744
Building and improvements	1,513,370	39,314			1,552,684
Vehicles, furniture and equipment	3,966,201	94,690			4,060,891
Subtotal	<u>19,606,351</u>	<u>249,968</u>			<u>19,856,319</u>
Less accumulated depreciation for:					
Roads and sidewalks	(6,015,431)	(313,298)			(6,328,729)
Building and improvements	(662,745)	(117,342)			(780,087)
Vehicles, furniture and equipment	(2,365,910)	(157,137)			(2,523,047)
Less accumulated depreciation	<u>(9,044,086)</u>	<u>(587,777)</u>			<u>(9,631,863)</u>
Net capital assets being depreciated	<u>10,562,265</u>	<u>(337,809)</u>			<u>10,224,456</u>
Governmental capital assets	<u>\$12,134,437</u>	<u>\$ (337,809)</u>	<u>\$</u>	<u>\$</u>	<u>\$11,796,628</u>

No debt is attributed to these assets.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$	34,667
Public safety		198,752
Public works		340,179
Recreation and culture		<u>14,179</u>
	\$	<u><u>587,777</u></u>

Capital asset activity in the business-type activities for the year ended June 30, 2024 was as follows:

	<u>Balance 7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2024</u>
Business-type activities:				
Capital assets being depreciated:				
Water systems	\$ 3,653,951	\$	\$	\$ 3,653,951
Sewer systems	<u>12,425,302</u>			<u>12,425,302</u>
Total capital assets being depreciated	<u>16,079,253</u>			<u>16,079,253</u>
Less accumulated depreciation for:				
Water systems	(2,588,551)	(24,425)		(2,612,976)
Sewer systems	<u>(10,309,966)</u>	<u>(207,114)</u>		<u>(10,517,080)</u>
Total accumulated depreciation	<u>(12,898,517)</u>	<u>(231,539)</u>		<u>(13,130,056)</u>
Net capital assets being depreciated	<u>3,180,736</u>	<u>(231,539)</u>		<u>2,949,197</u>
Business-type capital assets, net	<u>\$ 3,180,736</u>	<u>\$ (231,539)</u>	<u>\$</u>	<u>\$ 2,949,197</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, 2024**

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2024 was as follows:

	<u>Balance 7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance 6/30/2024</u>
Component unit activities:					
Capital assets not being depreciated:					
Construction in progress	\$	\$ 8,333	\$	\$	\$ 8,333
Capital assets being depreciated:					
Street lighting and road improvements	4,264,736	57,670			4,322,406
Furniture and equipment	372,592	152,304			524,896
Books, periodicals and materials	355,225	48,741			403,966
Subtotal	<u>4,992,553</u>	<u>258,715</u>			<u>5,251,268</u>
Less accumulated depreciation	<u>(1,123,567)</u>	<u>(137,543)</u>			<u>(1,261,110)</u>
Net capital assets being depreciated	<u>3,868,986</u>	<u>121,172</u>			<u>3,990,158</u>
Net capital assets	<u>\$ 3,868,986</u>	<u>\$ 129,505</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,998,491</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 105,057
Library	<u>32,486</u>
	<u>\$ 137,543</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, 2024, the taxes abated under this program totaled \$22,221.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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:

	<u>Balance</u> <u>7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2024</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
General obligation bonds	\$ 100,000	\$	\$ 100,000	\$	\$
Accumulated compensated absences	<u>215,775</u>	<u>1,049</u>	<u></u>	<u>216,824</u>	<u>25,385</u>
Total general obligations	<u>\$ 315,775</u>	<u>\$ 1,049</u>	<u>\$ 100,000</u>	<u>\$ 216,824</u>	<u>\$ 25,385</u>

The Library had compensated absences of \$5,137, of which \$912 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, 2024**

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>	<u>Percent</u>
Deposits					
Checking accounts	\$ 508,401	\$ 288,336	\$ 30,753	\$ 827,490	21.5%
Money market and saving accounts	799,851		10,694	810,545	21.1%
Cash held in trust by county	<u>2,203,643</u>			<u>2,203,643</u>	<u>57.4%</u>
Total deposits	<u>3,511,895</u>	<u>288,336</u>	<u>41,447</u>	<u>3,841,678</u>	<u>100.0%</u>
Investments					
External investment pool	<u>6,530,348</u>	<u>75,692</u>	<u>2,514,252</u>	<u>9,120,292</u>	<u>100.0%</u>
Total investments	<u>6,530,348</u>	<u>75,692</u>	<u>2,514,252</u>	<u>9,120,292</u>	<u>100.0%</u>
Total deposits and investments	<u>\$ 10,042,243</u>	<u>\$ 364,028</u>	<u>\$ 2,555,699</u>	<u>\$ 12,961,970</u>	

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Position				
Cash, cash equivalents, and investments	\$ 6,132,376	\$ 1,682,423	\$ 2,555,700	\$ 10,370,499
Cash, cash equivalents, and investments - restricted		2,203,643		2,203,643
Fiduciary Funds				
Cash	<u>363,418</u>			<u>363,418</u>
Total cash, cash equivalents, and investments	<u>\$ 6,495,794</u>	<u>\$ 3,886,066</u>	<u>\$ 2,555,700</u>	<u>\$ 12,937,560</u>

The carrying amount of cash and investments reported in the financial statements is \$12,937,560. 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, 2024, deposits in banks totaled \$3,841,678, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 2,944,847
Uninsured and uncollateralized	<u>896,831</u>
Total	<u>\$ 3,841,678</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Investments

As of June 30, 2024, investments totaled \$9,120,292, which was not exposed to custodial credit risk.

The City's \$9,120,292 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 no investments that were exposed to credit risk.

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 \$9,120,292 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 \$9,120,292 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.

The City's deposits of \$3,841,678 measured at fair value are Level 1.

The City's investments of \$9,120,292 held in an external investment pool measured at net asset value per share are Level 2. See table below for the fair value of these funds at June 30, 2024.

The City's accounts receivable and accounts payable are financial instruments which have fair values at June 30, 2024 that approximate their stated carrying amounts at those dates.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 12 - FAIR VALUE MEASUREMENTS - continued

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, 2024

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MI CLASS	<u>\$ 9,120,292</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, 2024, 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	\$	2,203,643
Accounts receivable - other		1,170,438
Accounts payable		256,164
Net assets		3,149,243

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 12, 2024, 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.

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, 2024:

Cash	\$ 41,184
Lease receivable	1,090,546
Deferred inflows leases	(1,045,165)
Rental income	(39,777)
Interest income - leases	(17,653)

NOTE 16 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

The City adopted this Statement for the year ended June 30, 2024. The adoption did not have a significant impact on the City's financial statements for the year ended June 30, 2024.

NOTE 17 - UPCOMING GASB PRONOUNCEMENTS

In June 2022, the GASB 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. The provisions of this Statement are effective for the City's financial statements for the year ending June 30, 2025.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement established new accounting and financial reporting requirements – or modifies 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 for 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, 2024**

	<u>Budgets</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 4,287,935	\$ 4,287,935	\$ 4,619,062	\$ 331,127
Fines and forfeitures	15,000	15,000	26,737	11,737
State sources	797,800	797,800	929,665	131,865
Licenses and permits	227,850	227,850	205,238	(22,612)
Other proceeds	127,700	127,700	166,681	38,981
Building and zoning permits	103,500	103,500	134,480	30,980
Recreation and culture	4,100	4,100	11,778	7,678
Grant income	27,000	27,000	4,248,381	4,221,381
Charges for services	84,550	84,550	154,207	69,657
Other local government	4,450	4,450	23,178	18,728
Interest	32,000	32,000	227,550	195,550
Interfund charge for service	770,762	770,762	628,565	(142,197)
Total revenues	<u>6,482,647</u>	<u>6,482,647</u>	<u>11,375,522</u>	<u>4,892,875</u>
EXPENDITURES				
Legislative	6,325	6,325	4,188	2,137
City administration	1,152,670	1,152,670	2,778,414	(1,625,744)
Public services	1,636,866	1,636,866	2,449,896	(813,030)
Public safety	3,515,762	3,515,762	4,948,998	(1,433,236)
Capital outlay	66,000	66,000	79,764	(13,764)
Total expenditures	<u>6,377,623</u>	<u>6,377,623</u>	<u>10,261,260</u>	<u>(3,883,637)</u>
Excess of revenue over (under) expenditures	<u>105,024</u>	<u>105,024</u>	<u>1,114,262</u>	<u>1,009,238</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets			1,000	1,000
Transfer in			484,343	484,343
Transfer (out)	(15,000)	(15,000)		15,000
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>485,343</u>	<u>500,343</u>
Net change in fund balance	90,024	90,024	1,599,605	1,509,581
FUND BALANCE, JULY 1, 2023	<u>3,049,404</u>	<u>3,049,404</u>	<u>3,049,404</u>	
FUND BALANCE, JUNE 30, 2024	<u>\$ 3,139,428</u>	<u>\$ 3,139,428</u>	<u>\$ 4,649,009</u>	<u>\$ 1,509,581</u>

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, 2024**

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
State sources - roads	\$ 555,000	\$ 555,000	\$ 568,212	\$ 13,212
Interest			24,197	24,197
Total revenues	555,000	555,000	592,409	37,409
EXPENDITURES				
Public works	217,100	217,100	142,938	74,162
Excess of revenue over (under) expenditures	337,900	337,900	449,471	111,571
OTHER FINANCING SOURCES (USES)				
Transfer (out)	(275,000)	(275,000)	(275,000)	
Net change in fund balance	62,900	62,900	174,471	111,571
FUND BALANCE, JULY 1, 2023	695,560	695,560	695,560	
FUND BALANCE, JUNE 30, 2024	<u>\$ 758,460</u>	<u>\$ 758,460</u>	<u>\$ 870,031</u>	<u>\$ 111,571</u>

CITY OF WALLED LAKE

ARPA FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grant income	\$	\$ 492,108	\$ 492,108	\$
EXPENDITURES				
General government	500,000	15,657	7,765	7,892
Excess of revenue over (under) expenditures	(500,000)	476,451	484,343	7,892
OTHER FINANCING SOURCES (USES)				
Transfer (out)		(484,343)	(484,343)	
Net change in fund balance	(500,000)	(7,892)		7,892
FUND BALANCE, JULY 1, 2023				
FUND BALANCE, JUNE 30, 2024	<u>\$ (500,000)</u>	<u>\$ (7,892)</u>	<u>\$</u>	<u>\$ 7,892</u>

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**

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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$1,017,019	\$ 995,103	\$ 908,475	\$ 813,809	\$ 733,780	\$ 883,776	\$ 839,587	\$ 512,898	\$ 385,001	\$ 352,649
Contributions in relation to the actuarial determined contribution	1,017,019	1,024,903	908,475	813,809	733,780	883,776	859,587	512,898	385,001	352,649
Contribution (deficiency) excess	\$	\$ 29,800	\$	\$	\$	\$	\$ 20,000	\$	\$	\$
Covered employee payroll	\$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	\$1,197,308
Contributions as a percentage of covered payroll	58.30%	60.88%	57.90%	52.74%	46.45%	62.74%	54.50%	36.10%	28.81%	29.45%

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	7.00%
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, 2024

	For the Plan Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY										
Service cost	\$ 183,275	\$ 177,518	\$ 168,939	\$ 150,609	\$ 176,704	\$ 160,746	\$ 183,020	\$ 152,357	\$ 132,765	\$ 110,126
Interest	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	976,519
Changes in benefit terms										
Differences between expected and actual experience	161,374	323	(495,485)	(434,926)	204,807	(47,194)	323,729	170,459	289,393	
Changes of assumptions	136,795		638,321	306,141	615,209				680,796	
Benefit payments, including refunds of employee contributions	(1,040,966)	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Other	2	(2)	(1)	(1)	59,717	1				(2)
Net change in total pension liability	702,957	415,464	548,590	295,699	1,290,856	391,431	733,358	513,158	1,221,926	213,959
TOTAL PENSION LIABILITY - BEGINNING	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	12,217,874
TOTAL PENSION LIABILITY - ENDING	\$ 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
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,017,019	\$ 1,024,903	\$ 908,475	\$ 813,810	\$ 733,780	\$ 883,776	\$ 859,587	\$ 512,898	\$ 456,209	\$ 352,648
Contributions - non-employer entity	4,365,124									
Contributions - employee	87,102	80,758	75,218	92,920	82,543	80,988	82,905	71,494	72,984	61,855
Net investment income	933,452	(675,313)	808,192	660,698	621,074	(192,425)	538,984	436,176	(62,071)	282,705
Benefit payments, including refunds of employee contributions	(1,040,966)	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Administrative expenses	(17,593)	(12,195)	(9,270)	(10,336)	(10,688)	(9,338)	(9,270)	(8,887)	(9,370)	(10,270)
Other		(269)				(250)				
Net change in plan fiduciary net position	5,344,138	(578,263)	768,788	601,290	526,452	(122,417)	593,296	138,553	(418,244)	(185,746)
PLAN FIDUCIARY NET POSITION - BEGINNING	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	4,628,649
PLAN FIDUCIARY NET POSITION - ENDING	\$ 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
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 7,248,776	\$ 11,889,957	\$ 10,896,230	\$ 11,116,428	\$ 11,422,019	\$ 10,657,615	\$ 10,143,767	\$ 10,003,705	\$ 9,629,100	\$ 7,988,930
Plan fiduciary net position as a percentage of the total pension liability	60.91%	33.36%	37.47%	34.14%	31.12%	30.30%	31.92%	29.39%	29.48%	35.74%
Covered employee payroll	\$ 1,744,570	\$ 1,683,500	\$ 1,568,939	\$ 1,542,928	\$ 1,579,697	\$ 1,577,339	\$ 1,420,690	\$ 1,336,356	\$ 1,197,308	\$ 1,197,308
Net pension liability as a percentage of covered employee payroll	415.51%	706.26%	694.50%	720.48%	723.05%	675.67%	714.00%	748.58%	804.23%	667.24%

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, 2024**

	<u>For the Fiscal Year Ended June 30, 2024</u>	<u>For the Fiscal Year Ended June 30, 2023</u>	<u>For the Fiscal Year Ended June 30, 2022</u>	<u>For the Fiscal Year Ended June 30, 2021</u>	<u>For the Fiscal Year Ended June 30, 2020</u>	<u>For the Fiscal Year Ended June 30, 2019</u>	<u>For the Fiscal Year Ended June 30, 2018</u>
Actuarially determined employer contribution							
Service cost with interest to June 30	\$ 57,597	\$ 52,813	\$ 34,761	\$ 44,588	\$ 49,479	\$ 66,539	\$
Amortization of unfunded liability with interest to June 30	1,394,607	1,291,265	1,594,552	1,676,238	1,649,315	1,719,354	162,988
Actuarially determined employer contribution	1,452,204	1,344,078	1,629,313	1,720,826	1,698,794	1,785,893	162,988
Employer contribution	85,992	83,311	81,668	78,568	74,648	75,715	201,739
Contribution deficiency/(excess)	<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>
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>

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, 2024

Measurement Date: June 30, 2024

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, 2024**

Notes to the Schedule of Employer Contributions – continued

Actuarial Assumptions:

Discount rate - 4.13% for 2024 contribution; 4.21% for 2024 liability and 2025 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 2010 Employee and 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, see sample rates below

Rationale - Actual 2023 monthly premiums

<u>Coverage</u>	<u>Single</u>	<u>Dual</u>
Medical, Pre-65	\$753.17	\$1,807.61
Medical, Post-65	548.00	824.75
Dental	39.04	73.58
Vision	7.79	14.79

Trend rates:

Pre-65 medical: 7.25% for two years, then graded down 0.25% per year to an ultimate rate of 4.5%;

Post-65 medical: 5.5% for two years, then graded down 0.25% per year to an ultimate rate of 4.5%;

Dental and vision: 3.0% per annum

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, 2024**

	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	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	(10,730)	132,920	5,755	(84,020)	(675)	298,567	(86,017)
Changes of assumptions	(18,178)	2,624	(261,245)	37,359	53,887	(357,965)	(704,797)
Benefit payments, including refunds of employee contributions	(85,992)	(83,311)	(81,668)	(78,568)	(74,648)	(75,715)	(201,739)
Net change in total OPEB liability	(59,079)	103,342	(303,287)	(81,686)	26,923	(70,039)	(1,332,246)
TOTAL OPEB LIABILITY - BEGINNING	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	<u>\$ 1,335,528</u>	<u>\$ 1,394,607</u>	<u>\$ 1,291,265</u>	<u>\$ 1,594,552</u>	<u>\$ 1,676,238</u>	<u>\$ 1,649,315</u>	<u>\$ 1,719,354</u>
PLAN FIDUCIARY NET POSITION							
Contributions to OPEB trust	\$	\$	\$	\$	\$	\$	\$
Contributions/benefit payments made from general operating funds	85,992	83,311	81,668	78,568	74,648	75,715	193,071
Net investment income							
Benefit payments, including refunds of employee contributions	(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	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 1,335,528</u>	<u>\$ 1,394,607</u>	<u>\$ 1,291,265</u>	<u>\$ 1,594,552</u>	<u>\$ 1,676,238</u>	<u>\$ 1,649,315</u>	<u>\$ 1,719,354</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net OPEB liability (asset) as a percentage of covered employee payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</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 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:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance (Unfavorable)</u>
General Fund			
City administration	\$ 1,152,670	\$ 2,778,414	\$ (1,625,744)
Public services	1,636,866	2,449,896	(813,030)
Public safety	3,515,762	4,948,998	(1,433,236)
Capital outlay	<u>66,000</u>	<u>79,764</u>	<u>(13,764)</u>
Total	<u>\$ 6,371,298</u>	<u>\$10,257,072</u>	<u>\$ (3,885,774)</u>

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2024

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	
ASSETS				
Cash and investments	\$ 664,221	\$ 40,096	\$ 117,913	\$ 822,230
Accounts receivable :				
Other governments	34,473			34,473
Inventory	15,421			15,421
Total assets	<u>\$ 714,115</u>	<u>\$ 40,096</u>	<u>\$ 117,913</u>	<u>\$ 872,124</u>
LIABILITIES				
Accounts payable	\$ 3,996	\$	\$	\$ 3,996
Due to other funds		29,162		29,162
Total liabilities	<u>3,996</u>	<u>29,162</u>		<u>33,158</u>
FUND BALANCE				
Non-spendable	15,421			15,421
Restricted				
Road improvement	694,698			694,698
Transportation			117,913	117,913
Drug forfeiture		1,173		1,173
State drug forfeiture		9,761		9,761
Total fund balance	<u>710,119</u>	<u>10,934</u>	<u>117,913</u>	<u>838,966</u>
Total liabilities and fund balance	<u>\$ 714,115</u>	<u>\$ 40,096</u>	<u>\$ 117,913</u>	<u>\$ 872,124</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	SPECIAL REVENUE FUNDS				Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	Debt Service Fund	
REVENUES					
State sources - roads	\$ 255,938	\$	\$	\$	\$ 255,938
Grant income		30,477			30,477
Interest	13,044	1,092	1,513		15,649
Other		4,995	2,403		7,398
Total revenues	<u>268,982</u>	<u>36,564</u>	<u>3,916</u>		<u>309,462</u>
EXPENDITURES					
Public safety		3,723			3,723
Public works	171,765				171,765
Transportation services			33,865		33,865
Debt service					
Principal				100,000	100,000
Interest and fees				5,250	5,250
Capital outlay					
Public safety		54,240			54,240
Public works	115,964				115,964
Total expenditures	<u>287,729</u>	<u>57,963</u>	<u>33,865</u>	<u>105,250</u>	<u>484,807</u>
Excess of revenues over (under) expenditures	<u>(18,747)</u>	<u>(21,399)</u>	<u>(29,949)</u>	<u>(105,250)</u>	<u>(175,345)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets		31,160			31,160
Transfers in	275,000			105,250	380,250
Transfers (out)	(105,250)				(105,250)
Total other financing sources (uses)	<u>169,750</u>	<u>31,160</u>		<u>105,250</u>	<u>306,160</u>
Net changes in fund balances	151,003	9,761	(29,949)		130,815
FUND BALANCE, JULY 1, 2023	<u>559,116</u>	<u>1,173</u>	<u>147,862</u>		<u>708,151</u>
FUND BALANCE, JUNE 30, 2024	<u>\$ 710,119</u>	<u>\$ 10,934</u>	<u>\$ 117,913</u>	<u>\$</u>	<u>\$ 838,966</u>

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and investments	\$ 271,910	\$ 250	\$ 91,258	\$ 363,418
LIABILITIES				
Accounts payable/performance deposits	\$ 271,218	\$	\$ 91,258	\$ 362,476
Due to other funds	692	250		942
Total liabilities	<u>\$ 271,910</u>	<u>\$ 250</u>	<u>\$ 91,258</u>	<u>\$ 363,418</u>



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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November 19, 2024

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

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

In planning and performing our audit of 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 of the City of Walled Lake as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Walled Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the effectiveness of the City of Walled Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Walled Lake's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses:

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

1. **Establish Control over the Financial Reporting Process**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with United States of America generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the City. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions. Specifically, management is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Response by Management

Management believes the perceived benefit of more control over the financial reporting process does not exceed the related cost. Therefore, management has chosen to continue to request the auditors to prepare the financial statements. Management has read, reviewed, understands and takes responsibility of the financial statements.

2. **Segregation Accounting Duties**

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

Response by Management

Management believes because of the size of the City, complete segregation of duties cannot be done without significant additional costs. Therefore, management has decided to maintain the current practice.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the City of Walled Lake.

If you should have any questions, comments or concerns please do not hesitate to call us.

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

November 19, 2024

City of Walled Lake
City Council
1499 E. West Maple
Walled Lake, Michigan 48390

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 5, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Walled Lake are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023/2024, except for the adoption of GASB No. 101, Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62, as described in Note 16. We noted no transactions entered into by the City of Walled Lake during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Depreciation Expense

Management's estimate of the depreciation expense is based on the estimated useful lives and salvage value of capital assets. We evaluated the methods, assumptions and data used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Lease Receivable

Management's estimate of the net present value of leases is based on the incremental borrowing rate and remaining lease term. We have evaluated the key factors and assumptions used to develop the estimate for net present value of leases in determining that it is reasonable in relation to the financial statements taken as a whole.

Inventory

Management does not maintain a perpetual inventory system and has estimated the value of inventory on hand. The valuation is based on an estimated or actual count of inventory items and an estimated cost per item. We have evaluated the key factors and assumptions used to develop an estimated inventory valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Pension - Actuarial Accrued Liability

Management has recorded an estimate for the actuarial accrued liability for future defined benefit retirement contributions. The liability is based on an estimate of wage increases, mortality tables to estimate the number of members who will reach retirement age and receive benefits during retirement, assumed retirement rates of employees, assumed rate of return on investments, and future changes in benefit provisions. We have evaluated the key factors and assumptions in developing an estimated actuarial accrued liability in determining that it is reasonable in relation to the financial statement taken as a whole.

OPEB - Actuarial Accrued Liability

Management has recorded an estimate for the actuarial accrued liability for future other post-employment benefits. The liability is based on an actuarial valuation with assumptions related to discount rate, annual wage increases, price inflation, investment rate of return, participation, retirement age, mortality tables and medical trends. We have evaluated the key factors and assumptions in developing an estimated actuarial accrued liability in determining that it is reasonable in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Walled Lake's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants