



*Welcome to
Walled Lake*



CITY OF WALLED LAKE, MICHIGAN
**REPORT ON AUDITED
FINANCIAL STATEMENTS**

FOR FY ENDED

JUNE 30, 2023



CITY OF WALLED LAKE

CITY COUNCIL

Linda S. Ackley, Mayor, MPA
Bennett Lublin, Mayor Pro Tem, CPA
Casey Robert Ambrose, Council Member
Mindy Fernandes, Council Member
Tamra Loch, Council Member
John Owsinek, Council Member
Ryan Woods, 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
James Coomer Jr., Fire Chief, MA
Jennifer Stuart, City Clerk, MPA, CMC, MiPMC II
Miranda Sears, Human Resource Director, BA, MiPMC

LEGAL COUNSEL

Vahan C. Vanerian, Esq.

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

INDEPENDENT AUDITOR'S REPORT

November 21, 2023

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, 2023, 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, 2023, 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, 2023

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, 2023 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 \$11,283,924. This is a \$349,331 increase over last year's net position of \$10,934,593. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital improvements.

Fiscal Year 2023 has remained focused on continued infrastructure improvements to our local roads and the public safety campus. Through city council resolution 2023-22 the campus is now the Casey J. Ambrose public safety campus. The City was awarded a Local Road Improvement Grant for \$15,743. These funds were used for repaving Spring Park. 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 City anticipates this grant, along with normal contributions and anticipated investment income, will achieve 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 and further the goal of making a better Walled Lake.

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	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Assets								
Current and other assets	\$ 6,311,799	\$ 5,309,887	\$ 4,119,977	\$ 4,559,487	\$10,431,776	\$ 9,869,374	\$ 2,147,911	\$ 2,195,050
Capital assets	12,134,437	12,476,689	3,180,736	3,446,049	15,315,173	15,922,738	3,868,986	3,875,891
Total assets	18,446,236	17,786,576	7,300,713	8,005,536	25,746,949	25,792,112	6,016,897	6,070,941
Deferred outflow of resources								
Pension activities	1,040,472	841,677			1,040,472	841,677		
Liabilities								
Other liabilities	838,278	1,054,375	141,111	433,930	979,389	1,488,305	9,816	489,378
Long-term liabilities	13,441,279	12,388,934			13,441,279	12,388,934		
Total liabilities	14,279,557	13,443,309	141,111	433,930	14,420,668	13,877,239	9,816	489,378
Deferred inflow of resources								
Lease activities	1,082,829	1,120,493			1,082,829	1,120,493		
Pension activities		701,464				701,464		
Total deferred inflows of resources	1,082,829	1,821,957			1,082,829	1,821,957		
Net position								
Invested in capital assets, net of related debt	12,034,437	12,276,689	3,180,736	3,446,049	15,215,173	15,722,738	3,868,986	3,875,891
Restricted	1,353,465	1,143,201			1,353,465	1,143,201	2,128,121	1,696,121
Unrestricted	(9,263,580)	(10,056,903)	3,978,866	4,125,557	(5,284,714)	(5,931,346)	9,974	9,551
Total net position	\$ 4,124,322	\$ 3,362,987	\$ 7,159,602	\$ 7,571,606	\$11,283,924	\$10,934,593	\$ 6,007,081	\$ 5,581,563

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>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2022</u>
Revenues								
Program revenues								
Charges for services	\$ 1,128,244	\$ 960,763	\$ 3,349,228	\$ 4,164,396	\$ 4,477,472	\$ 5,125,159	\$ 13,253	\$ 13,856
Operating grants and contributions	255,247	290,167	29,046	668,965	284,293	959,132	25,905	1,345,524
General revenues								
State revenue sources	1,687,620	1,645,422			1,687,620	1,645,422	7,915	13,026
Property taxes	4,255,797	3,995,809			4,255,797	3,995,809	1,303,294	1,213,905
Interest	48,714	19,152	5,178	3,643	53,892	22,795	1	1
Other	299,678	335,081	416	15,596	300,094	350,677	4,158	19,763
Total revenues	7,675,300	7,246,394	3,383,868	4,852,600	11,059,168	12,098,994	1,354,526	2,606,075
Program Expenses								
General government	1,024,212	468,339			1,024,212	468,339		
Public safety	3,800,579	3,250,375			3,800,579	3,250,375		
Public works/roads	1,925,001	2,042,021			1,925,001	2,042,021		
Transportation	23,149	17,992			23,149	17,992		
Recreation	132,024	119,873			132,024	119,873		
Interest on long-term debt	9,000	13,953			9,000	13,953		
Refuse/utility systems			3,795,872	3,473,350	3,795,872	3,473,350		
Library/community development							929,008	995,581
Total expenses	6,913,965	5,912,553	3,795,872	3,473,350	10,709,837	9,385,903	929,008	995,581
Excess before transfers	761,335	1,333,841	(412,004)	1,379,250	349,331	2,713,091	425,518	1,610,494
Transfers, net		81,951		(81,951)				
Change in estimate								349,500
Changes in net position	761,335	1,415,792	(412,004)	1,297,299	349,331	2,713,091	425,518	1,959,994
Beginning net position	3,362,987	1,947,195	7,571,606	6,274,307	10,934,593	8,221,502	5,581,563	3,621,569
Ending net position	\$ 4,124,322	\$ 3,362,987	\$ 7,159,602	\$ 7,571,606	\$11,283,924	\$10,934,593	\$ 6,007,081	\$ 5,581,563

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 16 years remaining to pay off the \$11.9 million net pension liability. Pension payments were \$1,016,543 (or 18% of General Fund expenditures). 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 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 less than authorized appropriations by approximately \$409,000 while revenues exceeded those anticipated by approximately \$568,000. As previously mentioned, after taking into consideration the intended use of fund balance, the fund balance of the General Fund actually increased by approximately \$1,027,000 in fiscal year 2023.

Capital Asset and Debt Administration

The Governmental Funds spent \$249,034 on capital assets during the year. Most of the acquisitions were related to roads, sidewalks, equipment, etc, including a 2022 Durango for \$38,600, another 2022 Durango for \$47,066 and a fingerprint scanner for \$13,999.

Debt service payments of \$110,250 for two outstanding bond issues included principal reduction of \$100,000 and interest payments of \$10,250. 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 2024 there will be 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, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 4,628,736	\$ 2,603,376	\$ 7,232,112	\$ 2,090,780
Receivables				
Taxes	38,827		38,827	9,973
Other governments	269,209	145,544	414,753	15,331
Accounts	42,063	1,290,290	1,332,353	25,388
Lease receivable	1,114,077		1,114,077	
Inventory	31,317		31,317	
Prepaid expenses	187,570	80,767	268,337	6,439
Capital assets, not being depreciated				
Non-depreciated	1,572,172		1,572,172	
Depreciated, net	10,562,265	3,180,736	13,743,001	3,868,986
Total assets	18,446,236	7,300,713	25,746,949	6,016,897
DEFERRED OUTFLOWS OF RESOURCES				
Pension activities	1,040,472		1,040,472	
LIABILITIES				
Accounts payable	88,126	115,284	203,410	1,917
Accrued wages	112,512		112,512	7,105
Accrued interest payable	1,250		1,250	
Performance deposits	11,050		11,050	
Intergovernmental	(25,827)	25,827		
Unearned revenue	492,107		492,107	
Non-current liabilities				
Due within one year:				
Compensated absences	59,060		59,060	794
Current portion of long-term debt	100,000		100,000	
Due in more than one year:				
Compensated absences	156,715		156,715	
Net pension liability	11,889,957		11,889,957	
Other post-employment benefit liability	1,394,607		1,394,607	
Total liabilities	14,279,557	141,111	14,420,668	9,816
DEFERRED INFLOWS OF RESOURCES				
Lease activities	1,082,829		1,082,829	
NET POSITION				
Invested in capital assets, net of related debt	12,034,437	3,180,736	15,215,173	3,868,986
Restricted	1,353,465		1,353,465	2,128,121
Unrestricted	(9,263,580)	3,978,866	(5,284,714)	9,974
Total net position	\$ 4,124,322	\$ 7,159,602	\$ 11,283,924	\$ 6,007,081

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES							
General government	\$ (1,024,212)	\$ 1,082,635	\$ 221,950	\$ 280,373	\$	\$ 280,373	\$
Public safety	(3,800,579)	21,748	26,280	(3,752,551)		(3,752,551)	
Public works/roads	(1,925,001)			(1,925,001)		(1,925,001)	
Transportation	(23,149)	23,861		712		712	
Recreation	(132,024)		7,017	(125,007)		(125,007)	
Interest and fees on long-term debt	(9,000)			(9,000)		(9,000)	
Total governmental activities	<u>(6,913,965)</u>	<u>1,128,244</u>	<u>255,247</u>	<u>(5,530,474)</u>		<u>(5,530,474)</u>	
BUSINESS-TYPE ACTIVITIES							
Refuse	(362,033)	377,052			15,019	15,019	
Water/sewer system	(3,433,839)	2,972,176	29,046		(432,617)	(432,617)	
Total business-type activities	<u>(3,795,872)</u>	<u>3,349,228</u>	<u>29,046</u>		<u>(417,598)</u>	<u>(417,598)</u>	
Total primary government	<u>\$ (10,709,837)</u>	<u>\$ 4,477,472</u>	<u>\$ 284,293</u>	<u>(5,530,474)</u>	<u>(417,598)</u>	<u>(5,948,072)</u>	
COMPONENT UNITS							
Downtown Development Authority	\$ (564,531)	\$	\$ 15,672				(548,859)
Walled Lake City Library	(364,477)	13,253	10,233				(340,991)
Total component units	<u>\$ (929,008)</u>	<u>\$ 13,253</u>	<u>\$ 25,905</u>				<u>(889,850)</u>
General revenues							
Property taxes				4,255,797		4,255,797	1,303,294
State revenues sources				1,687,620		1,687,620	7,915
Interest income				48,714	5,178	53,892	1
Franchise fees				156,512		156,512	
Rental income - cell tower				45,912		45,912	
Other income				53,724	416	54,140	4,158
Gain (loss) on sale of assets				43,530		43,530	
Total general revenues				<u>6,291,809</u>	<u>5,594</u>	<u>6,297,403</u>	<u>1,315,368</u>
Change before transfers				<u>761,335</u>	<u>(412,004)</u>	<u>349,331</u>	<u>425,518</u>
Other financing sources							
Transfers in				110,250		110,250	
Transfers (out)				(110,250)		(110,250)	
Total transfers							
Changes in net position				<u>761,335</u>	<u>(412,004)</u>	<u>349,331</u>	<u>425,518</u>
Net position, July 1, 2022				<u>3,362,987</u>	<u>7,571,606</u>	<u>10,934,593</u>	<u>5,581,563</u>
Net position, June 30, 2023				<u>\$ 4,124,322</u>	<u>\$ 7,159,602</u>	<u>\$ 11,283,924</u>	<u>\$ 6,007,081</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, 2023**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS					
Cash, cash equivalents, and investments	\$ 2,870,512	\$ 603,275	\$ 497,275	\$ 657,674	\$ 4,628,736
Receivables					
Taxes	38,827				38,827
Other governments	139,613	94,029		35,567	269,209
Lease receivable	1,114,077				1,114,077
Accounts	38,933				38,933
Due from other funds	58,020				58,020
Inventory				31,317	31,317
Prepaid expenditures	168,641			18,929	187,570
	<u>168,641</u>	<u> </u>	<u> </u>	<u>18,929</u>	<u>187,570</u>
Total assets	<u>\$ 4,428,623</u>	<u>\$ 697,304</u>	<u>\$ 497,275</u>	<u>\$ 743,487</u>	<u>\$ 6,366,689</u>
LIABILITIES					
Accounts payable	\$ 48,601	\$ 1,744	\$	\$ 12,393	\$ 62,738
Accrued payroll	107,344		5,168		112,512
Compensated absences	59,060				59,060
Unearned revenue			492,107		492,107
Performance deposits	11,050				11,050
Due to other funds	31,508			22,943	54,451
	<u>31,508</u>	<u> </u>	<u> </u>	<u>22,943</u>	<u>54,451</u>
Total liabilities	<u>257,563</u>	<u>1,744</u>	<u>497,275</u>	<u>35,336</u>	<u>791,918</u>
DEFERRED INFLOW OF RESOURCES					
Deferred Inflows - lease activities	1,082,829				1,082,829
Deferred Inflows - property tax	38,827				38,827
	<u>1,082,829</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,121,656</u>
Total deferred inflows	<u>1,121,656</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,121,656</u>
FUND BALANCE					
Nonspendable: Prepaid Items	168,641			18,929	187,570
Inventory				31,317	31,317
Restricted: Road Improvements		695,560		527,799	1,223,359
Transportation				128,933	128,933
Drug forfeiture				1,173	1,173
Unassigned	2,880,763				2,880,763
	<u>2,880,763</u>	<u> </u>	<u> </u>	<u> </u>	<u>2,880,763</u>
Total fund balances	<u>3,049,404</u>	<u>695,560</u>	<u> </u>	<u>708,151</u>	<u>4,453,115</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 4,428,623</u>	<u>\$ 697,304</u>	<u>\$ 497,275</u>	<u>\$ 743,487</u>	<u>\$ 6,366,689</u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023**

Total fund balance per balance sheet		\$ 4,453,115
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>10,562,265</u>	
Capital assets net of depreciation		12,134,437
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	535,981	
Differences in actuarial experience to actual	215	
Contributions subsequent to measurement date	<u>504,276</u>	
Total		1,040,472
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		(11,889,957)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Long-term bonds and installment notes	(100,000)	
Compensated absences	(156,715)	
Other post-employment benefits	<u>(1,394,607)</u>	
Total		(1,651,322)
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		
		38,827
Accrued interest is not due and payable in the current period and is not reported in the funds		
		<u>(1,250)</u>
Net position of governmental activities		<u><u>\$ 4,124,322</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, 2023**

DDA	
Fund balance per balance sheet for DDA component unit	\$ 1,737,203
Amounts reported in the DDA component unit Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Depreciable assets, net of depreciation	3,679,536
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>6,549</u>
Net position of DDA component unit	<u><u>\$ 5,423,288</u></u>

LIBRARY	
Fund balance per balance sheet for Library component unit	\$ 390,918
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	189,450
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	<u>3,425</u>
Net position of Library component unit	<u><u>\$ 583,793</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, 2023**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
REVENUES					
Taxes	\$ 4,244,221	\$	\$	\$	\$ 4,244,221
State sources - general government	882,500				882,500
State sources - roads		554,258		250,862	805,120
Grant income	26,975		158,587	62,668	248,230
Licenses and permits	212,012				212,012
Recreation and culture	7,017				7,017
Building and zoning permits	129,731				129,731
Charges for services - interfund	799,766				799,766
Charges for services	121,155			344	121,499
Fines and forfeitures	21,748				21,748
Interest	48,301			413	48,714
Other proceeds	99,636				99,636
Total revenues	<u>6,593,062</u>	<u>554,258</u>	<u>158,587</u>	<u>314,287</u>	<u>7,620,194</u>
EXPENDITURES					
Current:					
General government	686,448		158,587		845,035
Public safety	3,465,906			60,944	3,526,850
Public works	1,237,351	174,877		136,486	1,548,714
Transportation services				23,149	23,149
Recreation and culture	117,845				117,845
Debt service:					
Principal				100,000	100,000
Interest/fees				10,250	10,250
Capital outlay:					
Public safety	84,571			99,665	184,236
Public works		19,148		45,650	64,798
Total expenditures	<u>5,592,121</u>	<u>194,025</u>	<u>158,587</u>	<u>476,144</u>	<u>6,420,877</u>
Excess of revenues over (under) expenditures	<u>1,000,941</u>	<u>360,233</u>		<u>(161,857)</u>	<u>1,199,317</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	25,830			17,700	43,530
Transfers in				380,250	380,250
Transfers (out)		(270,000)		(110,250)	(380,250)
Total other financing sources (uses)	<u>25,830</u>	<u>(270,000)</u>		<u>287,700</u>	<u>43,530</u>
Net changes in fund balances	1,026,771	90,233		125,843	1,242,847
FUND BALANCE, JULY 1, 2022	<u>2,022,633</u>	<u>605,327</u>		<u>582,308</u>	<u>3,210,268</u>
FUND BALANCE, JUNE 30, 2023	<u>\$ 3,049,404</u>	<u>\$ 695,560</u>	<u>\$</u>	<u>\$ 708,151</u>	<u>\$ 4,453,115</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, 2023**

Net change in fund balances - governmental funds	\$ 1,242,847
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	\$ 249,034
Depreciation expense	(591,286)
Proceeds from sale of assets	(43,530)
Gain on sale of assets	<u>43,530</u>
Total	(342,252)
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	(93,468)
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	(103,342)
Compensated absences for the employees is recorded on the Statement of Net Position	
	(55,276)
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>11,576</u>
Change in net position of governmental activities	<u><u>\$ 761,335</u></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, 2023**

DDA	
Net change in fund balances - DDA component unit	\$ 388,140
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	\$ 76,037
Depreciation expense	<u>(102,091)</u>
Total	(26,054)
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>(633)</u>
Change in net position of DDA component unit	<u><u>\$ 361,453</u></u>

LIBRARY	
Net change in fund balances - governmental funds	\$ 43,860
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	\$ 51,455
Depreciation expense	<u>(32,306)</u>
Total	19,149
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>1,056</u>
Change in net position of Library component unit	<u><u>\$ 64,065</u></u>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2023

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 1,335,592	\$	\$ 1,335,592
Accounts receivable - other governments	51,281	94,263	145,544
Accounts receivable - other	1,290,290		1,290,290
Due from other funds	6,120		6,120
Prepaid expenses	51,900	28,867	80,767
Restricted assets:			
Cash, cash equivalents, and investments	1,267,784		1,267,784
Noncurrent assets:			
Utility system, net	3,180,736		3,180,736
Total assets	\$ 7,183,703	\$ 123,130	\$ 7,306,833
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 105,402	\$ 9,882	\$ 115,284
Due to other funds		31,947	31,947
Total liabilities	105,402	41,829	147,231
NET POSITION			
Invested in capital assets, net of related debt	3,180,736		3,180,736
Unrestricted	3,897,565	81,301	3,978,866
Total net position	7,078,301	81,301	7,159,602
Total liabilities and net position	\$ 7,183,703	\$ 123,130	\$ 7,306,833

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, 2023**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
OPERATING REVENUES			
User charges	\$ 2,972,176	377,052	\$ 3,349,228
OPERATING EXPENSES			
Refuse		362,033	362,033
Sewer and water	3,168,526		3,168,526
Depreciation	265,313		265,313
	Total operating expenses	362,033	3,795,872
	Operating (loss)	15,019	(446,644)
NON-OPERATING REVENUES			
Interest income - operating	5,178		5,178
Other income	416		416
	Non-operating revenues		5,594
	Excess of revenues over (under) expenses	15,019	(441,050)
CAPITAL CONTRIBUTIONS			
Tap in fees	29,046		29,046
	Changes in net position	15,019	(412,004)
NET POSITION, JULY 1, 2022	7,505,324	66,282	7,571,606
NET POSITION, JUNE 30, 2023	\$ 7,078,301	\$ 81,301	\$ 7,159,602

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, 2023**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from customers	\$ 3,400,373	\$ 366,709	\$ 3,767,082
Cash payments to suppliers	(3,509,516)	(366,709)	(3,876,225)
Net cash from (used in) operating activities	(109,143)		(109,143)
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	29,046		29,046
Other income	416		416
Net cash from (used in) capital and related financing activities	29,462		29,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	5,178		5,178
Net increase in cash and cash equivalents	(74,503)		(74,503)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD	2,677,879		2,677,879
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD	\$ 2,603,376	\$	\$ 2,603,376
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (461,663)	\$ 15,019	\$ (446,644)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	265,313		265,313
Change in assets and liabilities:			
(Increase) decrease in receivables, net	428,197	(10,343)	417,854
(Increase) decrease in prepaid	(51,900)	(946)	(52,846)
Increase (decrease) in accounts and other payables	(290,214)	(3,730)	(293,944)
Increase (decrease) in due to other funds	1,124		1,124
Net cash from (used in) operating activities	\$ (109,143)	\$	\$ (109,143)

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, 2023

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 331,001
LIABILITIES	
Accrued expenses	\$ 328,461
Due to other funds	<u>2,540</u>
Total liabilities	<u>\$ 331,001</u>

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

CITY OF WALLED LAKE

BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2023

	Downtown Development Authority	Library	Total
ASSETS			
Cash and investments	\$ 1,710,599	\$ 380,181	\$ 2,090,780
Receivables:			
Taxes	6,548	3,425	9,973
Other governments	1,901	13,430	15,331
Prepays		6,439	6,439
Due from other funds	25,388		25,388
	<u>25,388</u>	<u>6,439</u>	<u>31,827</u>
Total assets	<u>\$ 1,744,436</u>	<u>\$ 403,475</u>	<u>\$ 2,147,911</u>
LIABILITIES			
Accounts payable	\$ 684	\$ 1,233	\$ 1,917
Accrued payroll		7,105	7,105
Due to other funds		590	590
Compensated absences		204	204
	<u>684</u>	<u>9,132</u>	<u>9,816</u>
Total liabilities	<u>684</u>	<u>9,132</u>	<u>9,816</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	6,549	3,425	9,974
	<u>6,549</u>	<u>3,425</u>	<u>9,974</u>
Total liabilities and deferred inflow of resources	<u>6,549</u>	<u>3,425</u>	<u>9,974</u>
FUND BALANCE			
Restricted - Library		390,918	390,918
Restricted - DDA	1,737,203		1,737,203
	<u>1,737,203</u>	<u>390,918</u>	<u>2,128,121</u>
Total fund balances	<u>1,737,203</u>	<u>390,918</u>	<u>2,128,121</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,744,436</u>	<u>\$ 403,475</u>	<u>\$ 2,147,911</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, 2023

	Downtown Development Authority	Library	Total
REVENUES			
Taxes	\$ 901,418	\$ 401,453	\$ 1,302,871
Local community stabilization	5,369	2,546	7,915
Grants	15,672	7,352	23,024
Charges for services - other		3,528	3,528
Fines and forfeitures		9,725	9,725
Interest		1	1
Other	4,158		4,158
Donations		2,881	2,881
Total revenues	<u>926,617</u>	<u>427,486</u>	<u>1,354,103</u>
EXPENDITURES			
Current:			
Downtown development	462,440		462,440
Library		332,171	332,171
Capital outlay:			
Downtown development	76,037		76,037
Library		51,455	51,455
Total expenditures	<u>538,477</u>	<u>383,626</u>	<u>922,103</u>
Net change in fund balance	388,140	43,860	432,000
FUND BALANCE, JULY 1, 2022	<u>1,349,063</u>	<u>347,058</u>	<u>1,696,121</u>
FUND BALANCE, JUNE 30, 2023	<u>\$ 1,737,203</u>	<u>\$ 390,918</u>	<u>\$ 2,128,121</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023**

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, 2023**

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 2022 levy was assessed at an adjusted taxable value of \$218,480,060 for the City and \$254,746,020 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, 2023

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, 2023

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, 2023, the City records deferred outflows of resources relating to pension changes in actuarial assumptions. In addition, the City records deferred outflows of resources for pension contributions made subsequent to Net Pension Liability measurement date of December 31, 2022.

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 records deferred inflows of resources relating to pension changes in experience and differences from expected investment returns compared to actual. 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, 2023 are as follows:

<u>Deferred Outflows (Inflows) of Resources</u>	
Differences in experience	\$ 215
Differences in investment expectations versus actual	535,981
Contributions made subsequent to pension liability measurement date	504,276
Lease activities	<u>(1,082,829)</u>
Total	<u>\$ (42,357)</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, 2023**

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 significant 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, 2023**

NOTE 2 - DESCRIPTION OF REPORTING ENTITY- continued

Discretely Presented Component Units - The following component units are reported within the component units column in the accompanying financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. Neither component unit publishes a separate financial statement.

- **Downtown Development Authority** - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body, which consists of 11 individuals, is nominated by the mayor and approved by the City Council.
- **Walled Lake City Library** - The Walled Lake City Library is governed by a five-member board appointed by the mayor and approved by the City Council. The Library is funded by two specially voted property tax levies.

NOTE 3 - INTERFUND BALANCES/TRANSFERS

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

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Drug Forfeiture Fund	General Fund	\$ 22,943
General Fund	DDA - Downtown Authority	25,388
Refuse Fund	General Fund	31,947
Library Fund	General Fund	590
General Fund	Water and Sewer Fund	6,120
Current Tax Fund	General Fund	2,540
		<u>\$ 89,528</u>

The following transfers were made during the year:

<u>Transfer in to</u>	<u>Transfer out from</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	Local Streets Fund	\$ 110,250	Building Authority bonds
Local Streets Fund	Major Road Fund	<u>270,000</u>	Fund local roads
		<u>\$ 380,250</u>	

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, 2023

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 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 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, 2023**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

<u>Division</u>	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)	17	5	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	5
13 - Admin. employees with bridged multiplier			3
21 - Fire & Police after 6/30/2016			6
Total	34	15	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, 2023 were:

<u>Division</u>	Employer Contribution Rate	Employee Contribution Rate
01 - Public Works	37.94%	5.00%
02 - FT Police & Command (closed)	\$39,689 / month	8.00%
05 - Fire (closed)	\$2,308 / month	5.00%
10 - Clerical	\$516 / month	5.00%
11 - Administrative Unit (closed)	\$25,170 / month	5.25%
12 - FT Administrative after 7/1/2013	5.83%	3.00%
13 - Admin. employees with bridged multiplier	\$6,794 / month	5.25%
21 - Fire & Police after 6/30/2016	5.32%	5.00%

Total employer contributions for the year ended June 30, 2023 were \$1,024,903.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2022, 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, 2023**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2022 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: 7.00%, net of investment expense, including inflation (this is a reduction of 0.4% 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, 2022 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	4.50%	=	0.90%
Private Investments	20.00%	x	9.50%	=	1.90%
					<u>7.00%</u>

The sum of the target allocations is 7.00%, 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 7.25% throughout the 2022 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, 2023**

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 12/31/2021	\$ 17,426,851	\$ 6,530,621	\$ 10,896,230
Changes for the year			
Service cost	177,518		177,518
Interest on total pension liability	1,233,772		1,233,772
Changes in benefits			
Difference between expected and actual experience	323		323
Changes in assumptions			
Employer contributions		1,024,903	(1,024,903)
Employee contributions		80,758	(80,758)
Net investment income		(675,313)	675,313
Benefit payments, including employee refunds	(996,147)	(996,147)	
Administrative expense		(12,195)	12,195
Other changes	(2)	(269)	267
Net changes	415,464	(578,263)	993,727
Balances as of 12/31/2022	<u>\$ 17,842,315</u>	<u>\$ 5,952,358</u>	<u>\$ 11,889,957</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/2022	\$ 11,889,957	\$ 11,889,957	\$ 11,889,957
Change in Net Pension Liability (NPL) from change in discount rate	2,078,567		(1,742,848)
Calculated NPL	<u>\$ 13,968,524</u>	<u>\$ 11,889,957</u>	<u>\$ 10,147,109</u>

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Pension Expense and Deferred Outflow of Resources Related to Pension

For the year ended June 30, 2023, the City recognized pension expense of \$155,986 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	\$ 215		\$ 215
Differences in actuarial assumptions			
(Excess) Deficit of investment returns	535,981		535,981
Total to be amortized as pension expense	536,196		536,196
Contributions subsequent to the measurement date	504,276		504,276
Total	\$ 1,040,472	\$	\$ 1,040,472

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, 2023.

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
2024	\$ 47,567
2025	102,060
2026	156,106
2027	230,463
Total	\$ 536,196

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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:	4.13%
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 4.13%. 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, 2023**

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, 2023 consisted of the following:

Inactive plan members receiving benefits	13	
Terminated vested plan participants	2	
Total participants	15	

Funding Policy

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

Measurement of Net OPEB Liability

The net OPEB Liability has been measured as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2022	\$ 1,291,265	\$	\$ 1,291,265
Changes during the year			
Service cost			
Interest	51,109		51,109
Change in experience	132,920		132,920
Change in actuarial assumptions	2,624		2,624
Change in plan benefits			
Contributions to OPEB trust			
Contributions/benefit paid from general operating funds		83,311	(83,311)
Net investment income			
Benefit payments, including refunds of employee contributions	(83,311)	(83,311)	
Administrative expenses			
Other changes			
Net changes	103,342		103,342
Balance at June 30, 2023	\$ 1,394,607	\$	\$ 1,394,607

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 1,361,682	\$ 1,394,607	\$ 1,421,508
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,361,682</u>	<u>\$ 1,394,607</u>	<u>\$ 1,421,508</u>
<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,525,657	\$ 1,394,607	\$ 1,282,056
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,525,657</u>	<u>\$ 1,394,607</u>	<u>\$ 1,282,056</u>

OPEB Expense

Components of the City’s OPEB Expense under GASB 75 for the fiscal year ended June 30, 2023 are as follows:

	<u>Fiscal Year Ending June 30, 2023</u>
Service cost	\$
Interest on total OPEB liability	51,109
Experience (gains)/losses	132,920
Changes of assumptions	2,624
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>\$ 186,653</u>

Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the deferred inflows and outflows of resources were zero.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 the 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, 2022 to June 30, 2023 equaled \$38,876.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2023 was as follows:

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Balance 6/30/2023</u>
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,572,172	\$	\$	\$	\$ 1,572,172
Construction in progress	108,532			(108,532)	
Subtotal	<u>1,680,704</u>			<u>(108,532)</u>	<u>1,572,172</u>
Capital assets being depreciated:					
Roads and sidewalks	13,953,450	64,798		108,532	14,126,780
Building and improvements	1,428,799	84,571			1,513,370
Vehicles, furniture and equipment	4,100,258	99,665	(233,722)		3,966,201
Subtotal	<u>19,482,507</u>	<u>249,034</u>	<u>(233,722)</u>	<u>108,532</u>	<u>19,606,351</u>
Less accumulated depreciation for:					
Roads and sidewalks	(5,709,492)	(305,939)			(6,015,431)
Building and improvements	(631,636)	(31,109)			(662,745)
Vehicles, furniture and equipment	(2,345,394)	(254,238)	233,722		(2,365,910)
Less accumulated depreciation	<u>(8,686,522)</u>	<u>(591,286)</u>	<u>233,722</u>		<u>(9,044,086)</u>
Net capital assets being depreciated	<u>10,795,985</u>	<u>(342,252)</u>		<u>108,532</u>	<u>10,562,265</u>
Net capital assets	<u>\$12,476,689</u>	<u>\$ (342,252)</u>	<u>\$</u>	<u>\$</u>	<u>12,134,437</u>
Related long-term debt outstanding at June 30, 2023					<u>(100,000)</u>
Governmental capital assets, net of related long-term debt					<u><u>\$12,034,437</u></u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$ 34,784
Public safety	191,159
Public works	351,164
Recreation and culture	<u>14,179</u>
	<u>\$ 591,286</u>

Capital asset activity in the business-type activities for the year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
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	(2,560,966)	(27,585)		(2,588,551)
Sewer systems	<u>(10,072,238)</u>	<u>(237,728)</u>		<u>(10,309,966)</u>
Total accumulated depreciation	<u>(12,633,204)</u>	<u>(265,313)</u>		<u>(12,898,517)</u>
Net capital assets being depreciated	<u>3,446,049</u>	<u>(265,313)</u>		<u>3,180,736</u>
Business-type capital assets, net	<u>\$ 3,446,049</u>	<u>\$ (265,313)</u>	<u>\$</u>	<u>\$ 3,180,736</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, 2023**

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2023 was as follows:

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance 6/30/2023</u>
Component unit activities:					
Capital assets being depreciated:					
Street lighting and road improvements	\$ 4,188,699	\$ 76,037	\$	\$	\$ 4,264,736
Furniture and equipment	372,592				372,592
Books, periodicals and materials	303,770	51,455			355,225
Subtotal	<u>4,865,061</u>	<u>127,492</u>			<u>4,992,553</u>
Less accumulated depreciation	<u>(989,170)</u>	<u>(134,397)</u>			<u>(1,123,567)</u>
Net capital assets being depreciated	<u>3,875,891</u>	<u>(6,905)</u>			<u>3,868,986</u>
Net capital assets	<u>\$ 3,875,891</u>	<u>\$ (6,905)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,868,986</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 102,091
Library	<u>32,306</u>
	<u>\$ 134,397</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, 2023, the taxes abated under this program totaled \$20,655.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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.

General Obligations

Description	Amount
2009 Capital Improvement LTGO bonds, issued in the amount of \$995,000, used to fund street improvements. The bonds bear interest from 4.5% to 5.0%, and mature through 2024	\$ 100,000
Total of general obligations	\$ 100,000

Accrued Compensated Absences

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

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

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023	Due within one year
Governmental Activities					
General obligation bonds	\$ 200,000	\$	\$ 100,000	\$ 100,000	\$ 100,000
Accumulated compensated absences	152,706	122,128	59,059	215,775	59,060
Total general obligations	\$ 352,706	\$ 122,128	\$ 159,059	\$ 315,775	\$ 159,060

The Library had compensated absences of \$480, all of which were due within 60 days.

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

	Governmental Activities		
	Principal	Interest	Total
2024	\$ 100,000	\$ 5,000	\$ 105,000

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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.

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	\$ 4,584,833	\$ 331,476	\$ 2,080,087	\$ 6,996,396	85.1%
Money market and saving accounts	944,413		10,693	955,106	11.6%
Non-negotiable CD's	273,316			273,316	3.3%
Total deposits	<u>5,802,562</u>	<u>331,476</u>	<u>2,090,780</u>	<u>8,224,818</u>	<u>100.0%</u>
Investments					
Investment pool at county	1,267,784			1,267,784	83.7%
Money market funds	113,033			113,033	7.5%
External investment pool	134,557			134,557	8.9%
Total investments	<u>1,515,374</u>			<u>1,515,374</u>	<u>100.0%</u>
Total deposits and investments	<u>\$ 7,317,936</u>	<u>\$ 331,476</u>	<u>\$ 2,090,780</u>	<u>\$ 9,740,192</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	\$ 4,628,736	\$ 1,335,592	\$ 2,090,780	\$ 8,055,108
Cash, cash equivalents, and investments - restricted		1,267,784		1,267,784
Fiduciary Funds				
Cash	331,001			331,001
Total cash, cash equivalents, and investments	<u>\$ 4,959,737</u>	<u>\$ 2,603,376</u>	<u>\$ 2,090,780</u>	<u>\$ 9,653,893</u>

The carrying amount of cash and investments reported in the financial statements is \$9,653,893. 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.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a custodian failure the City will not be able to recover its money. State law does not require and the City does not have a deposit policy for custodial credit risk. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits

As of June 30, 2023, deposits in banks totaled \$8,224,818, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 991,180
Uninsured and uncollateralized	<u>7,233,638</u>
	<u><u>\$ 8,224,818</u></u>

Investments

As of June 30, 2023, investments totaled \$1,515,374, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,267,784
Insured by SIPC	<u>113,033</u>
	<u><u>\$ 1,380,817</u></u>

The City's \$134,557 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 \$134,557 in investment pools that meet the definition of a 2a7 - like pool. These investments are not subject to interest rate risk. At year-end, the average maturities of investments subject to interest rate risk are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturities</u>	
		<u>(in years)</u>	
		<u>Less than 5</u>	<u>5-10 years</u>
Investment pool at county	\$ 1,267,784	\$	\$ 1,267,784
Money market funds	<u>113,033</u>	<u>113,033</u>	
Total	<u><u>\$ 1,380,817</u></u>	<u><u>\$ 113,033</u></u>	<u><u>\$ 1,267,784</u></u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Concentration of Credit Risk

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

NOTE 12 - 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, 2023, the following amounts held at Oakland County were included in the Proprietary Funds Statement of Net Position:

Description		Amount
Cash, cash equivalents, and investments	\$	1,267,784
Accounts receivable - other	\$	1,290,290
Accounts payable	\$	105,402
Net assets	\$	2,452,672

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2023, the date the financial statements were available to be issued.

In September 2023, the City was awarded \$4,365,124 in Protecting MI Pension Grant. The Protecting MI Pension Grant Program was created to help Michigan’s underfunded municipal systems.

Management has determined that the City does not have any other material recognizable or non-recognizable events.

NOTE 14 - LEASES

The following table presents the balance of certain information related to the operating leases as of and for the year ended June 30, 2023:

Cash	\$	41,184
Lease receivable		1,114,077
Deferred inflows leases		(1,082,829)
Rental income		(37,664)
Interest income - leases		(18,026)

NOTE 15 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, Subscription Based Information Technology Arrangements (SBITAs), which defines SBITAs and provided accounting and financial reporting for SBITAs by governments. This Statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs.

The City adopted this Statement on July 1, 2022. The adoption did not have a significant impact on the City’s financial statements for the year ended June 30, 2023.

NOTE 16 - UPCOMING GASB PRONOUNCEMENTS

In June 2022, the Governmental Accounting Standards Board 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 is currently evaluating the impact this Statement will have on the financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this Statement are effective for the City’s financial statements for the year ending June 30, 2025.

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, 2023**

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 4,068,600	\$ 4,068,600	\$ 4,244,221	\$ 175,621
Fines and forfeitures	8,000	8,000	21,748	13,748
State sources	779,800	779,800	882,500	102,700
Licenses and permits	222,900	222,900	212,012	(10,888)
Other proceeds	86,000	86,000	99,636	13,636
Building and zoning permits	114,500	114,500	129,731	15,231
Recreation and culture	2,100	2,100	7,017	4,917
Grant income	32,000	32,000	26,975	(5,025)
Charges for services	70,500	70,500	115,661	45,161
Other local government	4,450	4,450	5,494	1,044
Interest	750	750	48,301	47,551
Interfund charge for service	635,183	635,183	799,766	164,583
Total revenues	<u>6,024,783</u>	<u>6,024,783</u>	<u>6,593,062</u>	<u>568,279</u>
EXPENDITURES				
Legislative	5,750	7,315	6,791	524
City administration	578,712	727,429	679,657	47,772
Public services	1,697,163	1,486,663	1,355,196	131,467
Public safety	3,485,549	3,545,767	3,465,906	79,861
Capital outlay	234,000	234,000	84,571	149,429
Total expenditures	<u>6,001,174</u>	<u>6,001,174</u>	<u>5,592,121</u>	<u>409,053</u>
Excess of revenue over (under) expenditures	<u>23,609</u>	<u>23,609</u>	<u>1,000,941</u>	<u>977,332</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets			25,830	25,830
Transfer in	10,183	10,183		(10,183)
Transfer (out)	(30,090)	(30,090)		30,090
Total other financing sources (uses)	<u>(19,907)</u>	<u>(19,907)</u>	<u>25,830</u>	<u>45,737</u>
Net change in fund balance	<u>3,702</u>	<u>3,702</u>	<u>1,026,771</u>	<u>1,023,069</u>
FUND BALANCE, JULY 1, 2022	<u>2,022,633</u>	<u>2,022,633</u>	<u>2,022,633</u>	
FUND BALANCE, JUNE 30, 2023	<u>\$ 2,026,335</u>	<u>\$ 2,026,335</u>	<u>\$ 3,049,404</u>	<u>\$ 1,023,069</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, 2023**

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources - roads	\$ 545,000	\$ 545,000	\$ 554,258	\$ 9,258
EXPENDITURES				
Public works	221,834	221,834	194,025	27,809
Excess of revenue over (under) expenditures	323,166	323,166	360,233	37,067
OTHER FINANCING SOURCES (USES)				
Transfer (out)	(270,000)	(270,000)	(270,000)	
Net change in fund balance	53,166	53,166	90,233	37,067
FUND BALANCE, JULY 1, 2022	605,327	605,327	605,327	
FUND BALANCE, JUNE 30, 2023	<u>\$ 658,493</u>	<u>\$ 658,493</u>	<u>\$ 695,560</u>	<u>\$ 37,067</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, 2023**

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grant income	\$ 373,353	\$ 373,353	\$ 158,587	\$ (214,766)
EXPENDITURES				
General government	<u>373,353</u>	<u>373,353</u>	<u>158,587</u>	<u>214,766</u>
Net change in fund balance				
FUND BALANCE, JULY 1, 2022	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, JUNE 30, 2023	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of Employer Contributions

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.

	For the Plan Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$ 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	1,024,903	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	<u>\$1,683,500</u>	<u>\$1,568,939</u>	<u>\$1,542,928</u>	<u>\$1,579,697</u>	<u>\$1,408,639</u>	<u>\$1,577,339</u>	<u>\$1,420,690</u>	<u>\$1,336,356</u>	<u>\$1,197,308</u>
Contributions as a percentage of covered payroll	<u>60.88%</u>	<u>57.90%</u>	<u>52.74%</u>	<u>46.45%</u>	<u>62.74%</u>	<u>54.50%</u>	<u>36.10%</u>	<u>28.81%</u>	<u>29.45%</u>

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, 2023**

	For the Plan Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	\$ 177,518	\$ 168,939	\$ 150,609	\$ 176,704	\$ 160,746	\$ 183,020	\$ 152,357	\$ 132,765	\$ 110,126
Interest	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	323	(495,485)	(434,926)	204,807	(47,194)	323,729	170,459	289,393	
Changes of assumptions		638,321	306,141	615,209				680,796	
Benefit payments, including refunds of employee contributions	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Other	(2)	(1)	(1)	59,717	1				(2)
Net change in total pension liability	415,464	548,590	295,699	1,290,856	391,431	733,358	513,158	1,221,926	213,959
TOTAL PENSION LIABILITY - BEGINNING	17,426,851	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	\$ 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	\$ 1,024,903	\$ 908,475	\$ 813,810	\$ 733,780	\$ 883,776	\$ 859,587	\$ 512,898	\$ 456,209	\$ 352,648
Contributions - employee	80,758	75,218	92,920	82,543	80,988	82,905	71,494	72,984	61,855
Net investment income	(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	(996,147)	(1,013,827)	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Administrative expenses	(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	(578,263)	768,788	601,290	526,452	(122,417)	593,296	138,553	(418,244)	(185,746)
PLAN FIDUCIARY NET POSITION - BEGINNING	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	\$ 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)	\$ 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	33.36%	37.47%	34.14%	31.12%	30.30%	31.92%	29.39%	29.48%	35.74%
Covered employee payroll	\$ 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	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. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2023**

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

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, 2023

Measurement Date: June 30, 2023

Actuarial Methods:

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

Actuarial Assumptions:

Discount rate - 4.09% for 2023 contribution; 4.13% for 2023 liability and 2024 contribution
 Rationale - Based on 20-year Aa Municipal bond rate

Salary scale - N/A

Rationale - Consistent with Uniform Assumptions under Public Act 202

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

Mortality rates:

Public Safety - Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale.

Rationale - Most current mortality rates available for municipalities.

Turnover 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

CITY OF WALLED LAKE

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2023

Notes to the Schedule of Employer Contributions - continued

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: 7.5% graded down 0.25% per year to an ultimate rate of 4.5%;
- Post-65 medical: 5.5% 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, 2023

	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	51,109	33,871	43,543	48,359	65,074	114,193
Changes in plan terms						(453,886)
Differences between expected and actual experience	132,920	5,755	(84,020)	(675)	298,567	(86,017)
Changes of assumptions	2,624	(261,245)	37,359	53,887	(357,965)	(704,797)
Benefit payments, including refunds of employee contributions	(83,311)	(81,668)	(78,568)	(74,648)	(75,715)	(201,739)
Net change in total OPEB liability	103,342	(303,287)	(81,686)	26,923	(70,039)	(1,332,246)
TOTAL OPEB LIABILITY - BEGINNING	1,291,265	1,594,552	1,676,238	1,649,315	1,719,354	3,051,600
TOTAL OPEB LIABILITY - ENDING	<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	83,311	81,668	78,568	74,648	75,715	193,071
Net investment income						
Benefit payments, including refunds of employee contributions	(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>
NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	<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>
Covered employee payroll	<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>

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.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2023

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	
ASSETS				
Cash and investments	\$ 492,232	\$ 34,106	\$ 131,336	\$ 657,674
Accounts receivable :				
Other governments	35,567			35,567
Prepays			18,929	18,929
Inventory	31,317			31,317
Total assets	<u>\$ 559,116</u>	<u>\$ 34,106</u>	<u>\$ 150,265</u>	<u>\$ 743,487</u>
LIABILITIES				
Accounts payable	\$	\$ 9,990	\$ 2,403	\$ 12,393
Due to other funds		22,943		22,943
Total liabilities		<u>32,933</u>	<u>2,403</u>	<u>35,336</u>
FUND BALANCE				
Non-spendable	31,317		18,929	50,246
Restricted				
Road improvement	527,799			527,799
Transportation			128,933	128,933
Drug forfeiture		1,173		1,173
Total fund balance	<u>559,116</u>	<u>1,173</u>	<u>147,862</u>	<u>708,151</u>
Total liabilities and fund balance	<u>\$ 559,116</u>	<u>\$ 34,106</u>	<u>\$ 150,265</u>	<u>\$ 743,487</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	SPECIAL REVENUE FUNDS				Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	Debt Service Fund	
REVENUES					
State sources - roads	\$ 250,862	\$	\$	\$	\$ 250,862
Charges for services	344				344
Grant income		62,668			62,668
Interest		413			413
Total revenues	<u>251,206</u>	<u>63,081</u>			<u>314,287</u>
EXPENDITURES					
Public safety		60,944			60,944
Public works	136,486				136,486
Transportation services			23,149		23,149
Debt service					
Principal				100,000	100,000
Interest and fees				10,250	10,250
Capital outlay					
Public safety		99,665			99,665
Public works	45,650				45,650
Total expenditures	<u>182,136</u>	<u>160,609</u>	<u>23,149</u>	<u>110,250</u>	<u>476,144</u>
Excess of revenues over (under) expenditures	<u>69,070</u>	<u>(97,528)</u>	<u>(23,149)</u>	<u>(110,250)</u>	<u>(161,857)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets		17,700			17,700
Transfers in	270,000			110,250	380,250
Transfers (out)	(110,250)				(110,250)
Total other financing sources (uses)	<u>159,750</u>	<u>17,700</u>		<u>110,250</u>	<u>287,700</u>
Net changes in fund balances	228,820	(79,828)	(23,149)		125,843
FUND BALANCE, JULY 1, 2022	<u>330,296</u>	<u>81,001</u>	<u>171,011</u>		<u>582,308</u>
FUND BALANCE, JUNE 30, 2023	<u>\$ 559,116</u>	<u>\$ 1,173</u>	<u>\$ 147,862</u>	<u>\$</u>	<u>\$ 708,151</u>

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and investments	\$ 237,821	\$ 2,540	\$ 90,640	\$ 331,001
LIABILITIES				
Accounts payable/performance deposits	\$ 237,821	\$	\$ 90,640	\$ 328,461
Due to other funds		2,540		2,540
Total liabilities	<u>\$ 237,821</u>	<u>\$ 2,540</u>	<u>\$ 90,640</u>	<u>\$ 331,001</u>