



# **Report on Audited Financial Statements**

## *City of Walled Lake, Michigan*

For the Fiscal Year ended June 30, 2018





## **CITY OF WALLED LAKE**

### **CITY COUNCIL**

Linda S. Ackley - Mayor, MPA  
John Owsinek - Mayor Pro Tem  
Casey Ambrose - Council Member  
Gabriel Costanzo - Council Member  
Tamra Loch - Council Member  
Bennett Lublin - Council Member, CPA  
Robert Robertson - Council Member

### **CITY OFFICIALS**

L. Dennis Whitt, City Manager, MBA, MPA, MSM, MALS  
Chelsea Pesta, Assistant City Manager, MPA, CMC, CMMC  
Sandra Barlass, City Finance Director  
Paul Shakinis, Chief of Police, MPA, MS  
James Coomer, Jr., Fire Chief  
Jennifer Stuart, City Clerk, CMC, CMMC  
Miranda Gross, Deputy City Clerk

### **LEGAL COUNSEL**

Vahan C. Vanerian, Esq.  
Secret, Wardle, Lynch, Hampton, Truex & Morley

### **CITY AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 5, 2018

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Walled Lake's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walled Lake, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 - 13 and 54 - 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walled Lake, Michigan's, basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**



**Management Discussion and Analysis**  
**June 30, 2018**

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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, 2018 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 \$5,668,933. This is a \$1,881,081 decrease over last year's net position of \$7,550,014. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital equipment by restoring and rehabilitating 1275 E. West Maple's contamination site, adding new sidewalks, relocating and rehabilitating the portable restrooms at Mercer Beach Park, continuing the rehabilitation and replacement of the aged public safety campus and public works vehicles this fiscal year. The Downtown Development Authority continues to shift their focus to capital improvements and has contributed to these citywide projects.

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

**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
<b>Assets</b>								
Current and other assets	\$ 2,732,210	\$ 3,854,146	\$ 1,081,033	\$ 1,145,307	\$ 3,813,243	\$ 4,999,453	\$ 1,883,457	\$ 1,591,295
Capital assets	11,563,961	11,258,371	3,706,307	3,997,299	15,270,268	15,255,670	759,913	839,694
<b>Total assets</b>	<b>14,296,171</b>	<b>15,112,517</b>	<b>4,787,340</b>	<b>5,142,606</b>	<b>19,083,511</b>	<b>20,255,123</b>	<b>2,643,370</b>	<b>2,430,989</b>
<b>Deferred outflow of resources</b>								
Pension	471,620	851,528			471,620	851,528		
<b>Liabilities</b>								
Other liabilities	576,041	419,708	494,197	619,490	1,070,238	1,039,198	19,589	37,127
Long-term liabilities	12,815,960	12,517,439			12,815,960	12,517,439		
<b>Total liabilities</b>	<b>13,392,001</b>	<b>12,937,147</b>	<b>494,197</b>	<b>619,490</b>	<b>13,886,198</b>	<b>13,556,637</b>	<b>19,589</b>	<b>37,127</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	10,618,961	10,133,371	3,706,307	3,997,299	14,325,268	14,130,670	759,913	839,694
Restricted	739,220	523,613			739,220	523,613	1,852,994	1,543,643
Unrestricted	(9,982,391)	(7,630,086)	586,836	525,817	(9,395,555)	(7,104,269)	10,874	10,525
<b>Total net position</b>	<b>\$ 1,375,790</b>	<b>\$ 3,026,898</b>	<b>\$ 4,293,143</b>	<b>\$ 4,523,116</b>	<b>\$ 5,668,933</b>	<b>\$ 7,550,014</b>	<b>\$ 2,623,781</b>	<b>\$ 2,393,862</b>

### 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>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Revenues:</b>								
Program revenues								
Charges for services	\$ 1,021,154	\$ 941,374	\$ 3,003,461	\$ 3,075,785	\$ 4,024,615	\$ 4,017,159	\$ 22,325	\$ 22,596
Operating grants and contributions	27,939	42,251	57,407	73,400	85,346	115,651	6,386	8,058
General revenues								
State revenue sources	1,294,055	1,121,503			1,294,055	1,121,503	22,378	25,332
Property taxes	3,224,871	3,229,239			3,224,871	3,229,239	1,000,420	993,336
Interest	12,593	8,743	2,119	1,013	14,712	9,756	1,389	2
Other	342,688	369,203	725	5,408	343,413	374,611	5,133	118
<b>Total revenues</b>	<u>5,923,300</u>	<u>5,712,313</u>	<u>3,063,712</u>	<u>3,155,606</u>	<u>8,987,012</u>	<u>8,867,919</u>	<u>1,058,031</u>	<u>1,049,442</u>
<b>Program Expenses</b>								
General government	1,838,478	1,657,233			1,838,478	1,657,233		
Public safety	4,341,310	3,419,629			4,341,310	3,419,629		
Transportation	174,122	170,557			174,122	170,557		
Public works/roads	1,134,050	821,059			1,134,050	821,059		
Recreation	142,265	98,105			142,265	98,105		
Interest on long-term debt	40,070	45,760			40,070	45,760		
Refuse/utility systems			3,206,466	3,462,235	3,206,466	3,462,235		
Library/community development							828,112	809,514
<b>Total expenses</b>	<u>7,670,295</u>	<u>6,212,343</u>	<u>3,206,466</u>	<u>3,462,235</u>	<u>10,876,761</u>	<u>9,674,578</u>	<u>828,112</u>	<u>809,514</u>
<b>Excess before transfers</b>	(1,746,995)	(500,030)	(142,754)	(306,629)	(1,889,749)	(806,659)	229,919	239,928
<b>Transfers</b>	95,887	(3,554)	(87,219)	(86,446)	8,668	(90,000)		
<b>Changes in net position</b>	(1,651,108)	(503,584)	(229,973)	(393,075)	(1,881,081)	(896,659)	229,919	239,928
<b>Beginning net position</b>	<u>3,026,898</u>	<u>3,530,482</u>	<u>4,523,116</u>	<u>4,916,191</u>	<u>7,550,014</u>	<u>8,446,673</u>	<u>2,393,862</u>	<u>2,153,934</u>
<b>Ending net position</b>	<u>\$ 1,375,790</u>	<u>\$ 3,026,898</u>	<u>\$ 4,293,143</u>	<u>\$ 4,523,116</u>	<u>\$ 5,668,933</u>	<u>\$ 7,550,014</u>	<u>\$ 2,623,781</u>	<u>\$ 2,393,862</u>

### **Financial Analysis of the City's Funds**

The City has contained the legacy debt for retirement benefits to those benefits offered before 2010. All current employee benefits are paid in full as incurred and no additional debt is being added. Fiscal year 2018 closed with 21 years remaining to pay off the \$10.5 million-dollar net pension liability. \$1.1 million dollars or 17% of General Fund expenditures was for pension payments.

The Retiree Health Care Trust was closed due to insolvency and the General Fund will continue to pay retiree health care benefits when approved by the Council.

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

### **General Fund Budgetary Highlights**

The General Fund adopted its budget prior to the fiscal year in accordance with Public Act 493 of 2000 and actual expenditures were less than authorized appropriations by almost one million dollars due to delayed capital expenditures and unfilled positions.

### **Capital Asset and Debt Administration**

The governmental funds acquired \$767,795 of new capital assets during the year, including three tabulators, which were donated with an estimated value of \$5,000 each. Most of the acquisitions were related to public safety needs, vehicles, sidewalks, etc.

Debt service payments of \$221,650 for two outstanding bond issues included principal reduction of \$180,000 and interest payments of \$41,650. 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**

Nine (9) years ago the newly elected City Council majority arrested the forward momentum of a \$18 million-dollar mega municipal complex plan that had been put in place in favor of restoring and rehabilitating the existing structures.

In 2014 voters approved a Public Safety millage to provide funds for capital improvements and operations related to public safety. This millage has immensely contributed to necessary infrastructure and capital improvements, which has allowed the rejection of any debt related financing options.

In 2017 public safety millage was used to replace the old ambulance, several police vehicles, the end-of-life server, and contribute to some significant rehabilitation activities on the Public Safety/City Hall complex.

The taxable value of the City's residential and commercial properties is expected to increase at a higher than inflation rate due to sales including some new construction.

### **Contacting the City's Financial Management**

This report is designed to provide a general overview of the City's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Department of Finance & Budget, City of Walled Lake at 1499 E. West Maple Rd, Walled Lake, MI 48390.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF WALLED LAKE**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 2,167,762	\$ 465,277	\$ 2,633,039	\$ 1,854,525
Receivables				
Taxes	34,430		34,430	10,874
Other governments	119,613		119,613	
Accounts	277,994	611,066	889,060	18,058
Inventory	24,474	4,690	29,164	
Prepaid expenses	107,937		107,937	
Capital assets, not being depreciated				
Non-depreciated	1,620,445		1,620,445	
Depreciated, net	9,943,516	3,706,307	13,649,823	759,913
<b>Total assets</b>	<b>14,296,171</b>	<b>4,787,340</b>	<b>19,083,511</b>	<b>2,643,370</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension investment activities	471,620		471,620	
<b>LIABILITIES</b>				
Accounts payable	185,892	494,197	680,089	15,817
Accrued wages	159,599		159,599	3,772
Accrued interest payable	10,391		10,391	
Performance deposits	30,050		30,050	
Net pension liability	10,143,767		10,143,767	
Non-current liabilities				
Due within one year:				
Compensated absences	10,109		10,109	
Current portion of long-term debt	180,000		180,000	
Due in more than one year:				
Compensated absences	187,839		187,839	
Long-term debt	765,000		765,000	
Other non-current liability - other post-employment benefit liability	1,719,354		1,719,354	
<b>Total liabilities</b>	<b>13,392,001</b>	<b>494,197</b>	<b>13,886,198</b>	<b>19,589</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	10,618,961	3,706,307	14,325,268	759,913
Restricted	739,220		739,220	1,852,994
Unrestricted	(9,982,391)	586,836	(9,395,555)	10,874
<b>Total net position</b>	<b>\$ 1,375,790</b>	<b>\$ 4,293,143</b>	<b>\$ 5,668,933</b>	<b>\$ 2,623,781</b>

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, 2018**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenue and Changes in Net Position</b>			<b>Component Units</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ (1,838,478)	\$ 725,667	\$ 8,088	\$ (1,104,723)	\$	\$ (1,104,723)	\$
Public safety	(4,341,310)	73,904	12,676	(4,254,730)		(4,254,730)	
Transportation	(174,122)	221,583		47,461		47,461	
Public works/roads	(1,134,050)			(1,134,050)		(1,134,050)	
Recreation	(142,265)		7,175	(135,090)		(135,090)	
Interest on long-term debt	(40,070)			(40,070)		(40,070)	
<b>Total governmental activities</b>	<u>(7,670,295)</u>	<u>1,021,154</u>	<u>27,939</u>	<u>(6,621,202)</u>		<u>(6,621,202)</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>							
Refuse	(317,877)	334,333			16,456	16,456	
Water capital		144,718	15,435		160,153	160,153	
Water/sewer system	(2,888,589)	2,524,410	41,972		(322,207)	(322,207)	
<b>Total business-type activities</b>	<u>(3,206,466)</u>	<u>3,003,461</u>	<u>57,407</u>		<u>(145,598)</u>	<u>(145,598)</u>	
<b>Total primary government</b>	<u>\$ (10,876,761)</u>	<u>\$ 4,024,615</u>	<u>\$ 85,346</u>	<u>(6,621,202)</u>	<u>(145,598)</u>	<u>(6,766,800)</u>	
<b>COMPONENT UNITS</b>							
Downtown Development Authority	\$ (463,474)	\$	\$				(463,474)
Walled Lake City Library	(364,638)	22,325	6,386				(335,927)
<b>Total component units</b>	<u>\$ (828,112)</u>	<u>\$ 22,325</u>	<u>\$ 6,386</u>				<u>(799,401)</u>
<b>General revenues</b>							
Property taxes				3,224,871		3,224,871	1,000,420
State revenues sources				1,294,055		1,294,055	22,378
Interest income				12,593	2,119	14,712	1,389
Franchise fees				181,071		181,071	
Rental income - cell tower				42,501		42,501	
Other income				82,938	725	83,663	5,133
Gain (loss) on sale of assets				36,178		36,178	
<b>Total general revenues</b>				<u>4,874,207</u>	<u>2,844</u>	<u>4,877,051</u>	<u>1,029,320</u>
<b>Change before transfers</b>				<u>(1,746,995)</u>	<u>(142,754)</u>	<u>(1,889,749)</u>	<u>229,919</u>
<b>Other financing sources</b>							
Transfers in				97,087	1,200	98,287	
Transfers (out)				(1,200)	(88,419)	(89,619)	
<b>Total transfers</b>				<u>95,887</u>	<u>(87,219)</u>	<u>8,668</u>	
<b>Changes in net position</b>				<u>(1,651,108)</u>	<u>(229,973)</u>	<u>(1,881,081)</u>	<u>229,919</u>
<b>Net position, July 1, 2017</b>				<u>3,026,898</u>	<u>4,523,116</u>	<u>7,550,014</u>	<u>2,393,862</u>
<b>Net position, June 30, 2018</b>				<u>\$ 1,375,790</u>	<u>\$ 4,293,143</u>	<u>\$ 5,668,933</u>	<u>\$ 2,623,781</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, 2018**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 1,640,567	\$ 348,032	\$ 179,163	\$ 2,167,762
Receivables				
Taxes	34,430			34,430
Other governments	119,613			119,613
Accounts	53,300	68,580	155,555	277,435
Due from other funds	559			559
Inventory			24,474	24,474
Prepaid expenditures	107,937			107,937
	<u>107,937</u>	<u>        </u>	<u>        </u>	<u>107,937</u>
<b>Total assets</b>	<u>\$ 1,956,406</u>	<u>\$ 416,612</u>	<u>\$ 359,192</u>	<u>\$ 2,732,210</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 174,719	\$ 9,344	\$ 1,829	\$ 185,892
Accrued payroll	158,662		937	159,599
Compensated absences	10,109			10,109
Performance deposits	30,050			30,050
	<u>30,050</u>	<u>        </u>	<u>        </u>	<u>30,050</u>
<b>Total liabilities</b>	<u>373,540</u>	<u>9,344</u>	<u>2,766</u>	<u>385,650</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unearned revenue	24,690			24,690
	<u>24,690</u>	<u>        </u>	<u>        </u>	<u>24,690</u>
<b>Total liabilities and deferred inflow of resources</b>	<u>398,230</u>	<u>9,344</u>	<u>2,766</u>	<u>410,340</u>
<b>FUND BALANCE</b>				
Nonspendable: Prepaid Items	107,937			107,937
Inventory			24,474	24,474
Restricted: Road Improvements		407,268	58,329	465,597
Transportation			209,050	209,050
Federal drug forfeiture			62,730	62,730
State drug forfeiture			1,843	1,843
Unassigned	1,450,239			1,450,239
	<u>1,450,239</u>	<u>        </u>	<u>        </u>	<u>1,450,239</u>
<b>Total fund balances</b>	<u>1,558,176</u>	<u>407,268</u>	<u>356,426</u>	<u>2,321,870</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 1,956,406</u>	<u>\$ 416,612</u>	<u>\$ 359,192</u>	<u>\$ 2,732,210</u>

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

**CITY OF WALLED LAKE**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION  
JUNE 30, 2018**

<b>Total fund balance per balance sheet</b>		\$ 2,321,870
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Non-depreciated assets	\$ 1,620,445	
Depreciable assets, net of depreciation	<u>9,943,516</u>	
<b>Capital assets net of depreciation</b>		11,563,961
<p>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</p>		
Differences in actuarial experience to actual	272,638	
Investments in excess (deficient) of projection returns	(57,137)	
Contributions subsequent to measurement date	<u>256,119</u>	
<b>Total</b>		471,620
<p>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</p>		
Net pension liability		(10,143,767)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:</p>		
Long-term bonds and installment notes	(945,000)	
Compensated absences	(187,839)	
Other post-employment benefits	<u>(1,719,354)</u>	
<b>Total</b>		(2,852,193)
<p>Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities</p>		
		24,690
<p>Accrued interest is not due and payable in the current period and is not reported in the funds</p>		
		<u>(10,391)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 1,375,790</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, 2018**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 3,264,249	\$	\$	\$ 3,264,249
State sources - general government	680,246			680,246
State sources - roads		400,934	212,875	613,809
Grant income	20,764			20,764
Licenses and permits	6,811			6,811
Recreation and culture	7,175			7,175
Building and zoning permits	128,838			128,838
Charges for services - interfund	501,947			501,947
Charges for services	60,039		221,583	281,622
Fines and forfeitures	28,802		73,904	102,706
Interest	12,082	220	291	12,593
Other	299,416		7,094	306,510
<b>Total revenues</b>	<u>5,010,369</u>	<u>401,154</u>	<u>515,747</u>	<u>5,927,270</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,554,860			1,554,860
Public safety	3,537,917		24,563	3,562,480
Public works	381,047	146,443	167,569	695,059
Transportation			174,122	174,122
Recreation and culture	141,273			141,273
Debt service:				
Principal			180,000	180,000
Interest/fees			41,900	41,900
Capital outlay:				
General government	176,750			176,750
Public safety	87,913		32,403	120,316
Public works	397,019		58,710	455,729
<b>Total expenditures</b>	<u>6,276,779</u>	<u>146,443</u>	<u>679,267</u>	<u>7,102,489</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,266,410)</u>	<u>254,711</u>	<u>(163,520)</u>	<u>(1,175,219)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	27,724			27,724
Transfers in	19,468		321,900	341,368
Transfers (out)	(39,431)	(100,000)	(106,050)	(245,481)
<b>Total other financing sources (uses)</b>	<u>7,761</u>	<u>(100,000)</u>	<u>215,850</u>	<u>123,611</u>
<b>Net changes in fund balances</b>	<u>(1,258,649)</u>	<u>154,711</u>	<u>52,330</u>	<u>(1,051,608)</u>
<b>FUND BALANCE, JULY 1, 2017</b>	<u>2,816,825</u>	<u>252,557</u>	<u>304,096</u>	<u>3,373,478</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 1,558,176</u>	<u>\$ 407,268</u>	<u>\$ 356,426</u>	<u>\$ 2,321,870</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  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Net change in fund balances - governmental funds</b>	<b>\$ (1,051,608)</b>
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	\$ 752,795
Donated assets	15,000
Depreciation expense	(455,659)
Loss on sale of assets	<u>(6,546)</u>
<b>Total</b>	<b>305,590</b>
Some pension contributions in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds	
Change in deferred outflow of resources	(519,970)
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	180,000
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	(516,567)
Accrued absences for PTO for the employees is recorded on the Statement of Net Position	
Statement of Net Position	(10,235)
Change in accrued interest payable for the year	
Statement of Net Position	1,830
Revenue received but not earned is recorded as revenue on the Statement of Activities	
Statement of Activities	<u>(40,148)</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ (1,651,108)</u></u></b>

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, 2018

	Water and Sewer Fund	Nonmajor Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 327,433	\$ 137,844	\$ 465,277
Accounts receivable	480,464	130,602	611,066
Inventory	4,690		4,690
Noncurrent assets:			
Utility system, net	3,706,307		3,706,307
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>\$ 4,518,894</u>	<u>\$ 268,446</u>	<u>\$ 4,787,340</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 494,197	\$	\$ 494,197
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,706,307		3,706,307
Unrestricted	318,390	268,446	586,836
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total net position</b>	<u>4,024,697</u>	<u>268,446</u>	<u>4,293,143</u>
<b>Total liabilities and net position</b>	<u>\$ 4,518,894</u>	<u>\$ 268,446</u>	<u>\$ 4,787,340</u>

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

CITY OF WALLED LAKE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Water and Sewer Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
User charges	\$ 2,524,410	\$ 479,051	\$ 3,003,461
<b>OPERATING EXPENSES</b>			
Refuse		317,877	317,877
Sewer and water	2,579,875		2,579,875
Depreciation	308,714		308,714
<b>Total operating expenses</b>	<u>2,888,589</u>	<u>317,877</u>	<u>3,206,466</u>
<b>Operating income (loss)</b>	<u>(364,179)</u>	<u>161,174</u>	<u>(203,005)</u>
<b>NON-OPERATING REVENUES (EXPENSE)</b>			
Interest income - operating	2,092	27	2,119
Other income (expense)	725		725
<b>Total non-operating revenues (expenses)</b>	<u>2,817</u>	<u>27</u>	<u>2,844</u>
<b>Excess of revenues over (under) expenses</b>	<u>(361,362)</u>	<u>161,201</u>	<u>(200,161)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Tap in fees	41,972	15,435	57,407
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		1,200	1,200
Transfers (out)	(77,619)	(10,800)	(88,419)
<b>Total other financing sources (uses)</b>	<u>(77,619)</u>	<u>(9,600)</u>	<u>(87,219)</u>
<b>Changes in net position</b>	(397,009)	167,036	(229,973)
<b>NET POSITION, JULY 1, 2017</b>	<u>4,421,706</u>	<u>101,410</u>	<u>4,523,116</u>
<b>NET POSITION, JUNE 30, 2018</b>	<u>\$ 4,024,697</u>	<u>\$ 268,446</u>	<u>\$ 4,293,143</u>

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



**CITY OF WALLED LAKE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water and Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,567,925	\$ 401,789	\$ 2,969,714
Cash payments to suppliers	<u>2,706,168</u>	<u>317,877</u>	<u>3,024,045</u>
<b>Net cash from operating activities</b>	<u>(138,243)</u>	<u>83,912</u>	<u>(54,331)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Connection fees	41,972	15,435	57,407
Acquisition of assets	(17,722)		(17,722)
Transfers (out)	(77,619)	(10,800)	(88,419)
Transfers in		1,200	1,200
Other income (expense)	<u>725</u>		<u>725</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(52,644)</u>	<u>5,835</u>	<u>(46,809)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash	<u>2,092</u>	<u>27</u>	<u>2,119</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(188,795)	89,774	(99,021)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD</b>	<u>516,228</u>	<u>48,070</u>	<u>564,298</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD</b>	<u>\$ 327,433</u>	<u>\$ 137,844</u>	<u>\$ 465,277</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (364,179)	\$ 161,174	\$ (203,005)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	308,714		308,714
Change in assets and liabilities:			
Receivables, net	43,515	(77,262)	(33,747)
Inventory	(1,000)		(1,000)
Accounts and other payables	<u>(125,293)</u>		<u>(125,293)</u>
<b>Net cash from operating activities</b>	<u>\$ (138,243)</u>	<u>\$ 83,912</u>	<u>\$ (54,331)</u>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 654,092
Accounts receivable	<u>6,359</u>
<b>Total assets</b>	<u><u>\$ 660,451</u></u>
<b>LIABILITIES</b>	
Accrued expenses	\$ 659,892
Due to other funds	<u>559</u>
<b>Total liabilities</b>	<u><u>\$ 660,451</u></u>

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

CITY OF WALLED LAKE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
RETIREE HEALTHCARE FUND  
FOR THE YEAR ENDED JUNE 30, 2018

<b>ADDITIONS</b>	\$
<b>DEDUCTIONS</b>	<hr/>
<b>NET (DECREASE) IN NET POSITION HELD IN TRUST BEFORE TRANSFER IN</b>	
<b>TRANSFER (OUT)</b>	<hr/> <b>(8,668)</b>
<b>NET (DECREASE) IN NET POSITION HELD IN TRUST AFTER TRANSFER IN</b>	<b>(8,668)</b>
<b>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</b>	
Beginning of year	<hr/> <b>8,668</b>
<b>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</b>	
End of year	<hr/> <hr/> <b>\$</b>

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

CITY OF WALLED LAKE

BALANCE SHEET  
COMPONENT UNITS  
JUNE 30, 2018

	<b>Downtown Development Authority</b>	<b>Library</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,666,791	\$ 187,734	\$ 1,854,525
Receivables			
Taxes	7,822	3,052	10,874
Accounts	566	17,492	18,058
	<u>566</u>	<u>17,492</u>	<u>18,058</u>
<b>Total assets</b>	<u>\$ 1,675,179</u>	<u>\$ 208,278</u>	<u>\$ 1,883,457</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,000	\$ 13,817	\$ 15,817
Accrued wages		3,772	3,772
	<u>2,000</u>	<u>17,589</u>	<u>19,589</u>
<b>Total liabilities</b>	<u>2,000</u>	<u>17,589</u>	<u>19,589</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unearned revenue	7,822	3,052	10,874
	<u>7,822</u>	<u>3,052</u>	<u>10,874</u>
<b>Total liabilities and deferred inflow of resources</b>	<u>9,822</u>	<u>20,641</u>	<u>30,463</u>
<b>FUND BALANCE</b>			
Restricted - Library		187,637	187,637
Restricted - DDA	1,665,357		1,665,357
	<u>1,665,357</u>	<u>187,637</u>	<u>1,852,994</u>
<b>Total fund balances</b>	<u>1,665,357</u>	<u>187,637</u>	<u>1,852,994</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 1,675,179</u>	<u>\$ 208,278</u>	<u>\$ 1,883,457</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, 2018

	Downtown Development Authority	Library	Total
<b>REVENUES</b>			
Taxes	\$ 676,753	\$ 323,318	\$ 1,000,071
Grants		2,436	2,436
Local community stabilization	19,635	2,743	22,378
State aids		5,133	5,133
Donations		3,950	3,950
Charges for services		7,689	7,689
Fines and forfeitures		14,636	14,636
Interest	1,191	198	1,389
<b>Total revenues</b>	<u>697,579</u>	<u>360,103</u>	<u>1,057,682</u>
<b>EXPENDITURES</b>			
Current:			
Downtown development	415,505		415,505
Library		332,826	332,826
<b>Total expenditures</b>	<u>415,505</u>	<u>332,826</u>	<u>748,331</u>
<b>Net changes in fund balances</b>	282,074	27,277	309,351
<b>FUND BALANCE, JULY 1, 2017</b>	<u>1,383,283</u>	<u>160,360</u>	<u>1,543,643</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u><u>\$ 1,665,357</u></u>	<u><u>\$ 187,637</u></u>	<u><u>\$ 1,852,994</u></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, 2018**

**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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The City reports the following two major governmental fund:

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

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

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for all the activity associated with the collections of user fees and payments for water and sewage treatment by area utility providers.

Additionally, the City reports the following fiduciary funds:

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

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.



**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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 2017 levy was assessed at an adjusted taxable value of \$162,243,790 for the City and \$188,098,050 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	15.3224
Public Safety	3.7938
Library - component unit	1.7115
	<hr/>
	20.8277
	<hr/>

**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, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Capital assets are depreciated using the straight-line method over the useful life schedule adopted by City Council in 2017:

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, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**J. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

Investments are stated at market value.

**K. DEFERRED OUTFLOW/INFLOW OF RESOURCES**

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

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

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

For the year ended June 30, 2018 the City records deferred outflow of resources relating to pension differences from expected investment returns compared to actual, changes in experience, and changes in actuarial assumptions. In addition, the City records deferred outflows of resources for pension contributions made subsequent to Net Pension Liability measurement date of December 31, 2017.

Deferred outflow of resources as of June 30, 2018 are as follows:

**Deferred Outflow (Inflows) of Resources**

Differences in experience	\$ 272,638
Differences in actuarial assumptions	
Differences in investment expectations versus actual	(57,137)
Contributions made subsequent to pension liability measurement date	<u>256,119</u>
<b>Total</b>	<b><u>\$ 471,620</u></b>

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

**L. DEFINED PENSION BENEFIT PLAN**

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**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 has implemented GASB 75 relating to the retiree health care reimbursement liability for the year ended June 30, 2018.

GASB 75 relating to the employer reporting of postemployment benefits is effective for fiscal years beginning after June 15, 2017 and is required to be implemented by the City for the fiscal year ending June 30, 2018.

**NOTE 2 - DESCRIPTION OF REPORTING ENTITY**

In accordance with Governmental Accounting Standards, all funds, agencies, and activities of City of Walled Lake as the primary government have been included in the financial statements.

**Reporting Entity**

The City is governed by an elected seven (7) member Council consisting of the mayor and six council members. The administrative service is placed under the direction of the City Manager who is selected based on executive and administrative qualifications. Executive authority, other than required by statute and for ceremonial purposes, is exercised by the City Manager as the Chief Administrative Officer.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Walled Lake, Michigan and its component units. The individual component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relations with the City.

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

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

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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:

<b>Due from Fund</b>	<b>Due to Fund</b>	<b>Amount</b>
Current Tax Fund	General Fund	<u><u>\$ 559</u></u>

The following transfers were made during the year:

<b>Transfer in to</b>	<b>Transfer out from</b>	<b>Amounts</b>	<b>Purpose</b>
General Fund	Refuse Fund	\$ 10,800	Reimburse administrative fees
Refuse Fund	General Fund	1,200	Reimburse City yard waste
Debt Service Fund	General Fund	38,231	Building Authority bonds
Debt Service Fund	Local Street Fund	106,050	Building Authority bonds
Debt Service Fund	Water Operating Fund	77,619	Building Authority bonds
General Fund	Retiree Healthcare Fund	8,668	Close out fund
Local Street Fund	Major Road Fund	<u>100,000</u>	Fund local roads
		<u><u>\$ 342,568</u></u>	

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**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](http://www.mersofmich.com) and is available to the public.

**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	<b><u>Reduced:</u></b> Age 50 with 25 years Age 55 with 15 years <b><u>Unreduced:</u></b> Age 55 with 20 years
02 - FT Police & Command	Open	Bridged 2.50% to 1.90% 80% maximum	3 years	10 years	Age 60	<b><u>Reduced:</u></b> Age 50 with 25 years Age 55 with 15 years <b><u>Unreduced:</u></b> Age 55 with 25 years
05 - Fire	Open	Bridged 2.25% to 1.70% no maximum	3 years	10 years	Age 60	<b><u>Reduced:</u></b> Age 50 with 25 years Age 55 with 15 years <b><u>Unreduced:</u></b> Age 55 with 25 years
10 - Clerical	Open	Bridged 2.25% to 1.70% no maximum	5 years	6 years	Age 60	<b><u>Reduced:</u></b> Age 50 with 25 years Age 55 with 15 years <b><u>Unreduced:</u></b> Age 55 with 25 years
11 - Admin Unit	Closed	2.50% 80% maximum	3 years	6 years	Age 60	<b><u>Reduced:</u></b> Age 55 with 15 years <b><u>Unreduced:</u></b> Age 50 with 25 years
12 - FT Admin after 7/1/2013	Open	1.50% no maximum	3 years	3 years	Age 60	<b><u>Reduced:</u></b> Age 50 with 25 years Age 55 with 15 years <b><u>Unreduced:</u></b> 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, 2018**

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued**

***Employees covered by benefit terms***

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

<u>Division</u>	<u>Inactive employees or beneficiaries current receiving benefits</u>	<u>Inactive employees entitled to, but not yet receiving benefits</u>	<u>Active Employees</u>
01 - Public Works	4		4
02 - FT Police & Command	16	4	5
05 - Fire		1	2
10 - Clerical	4	2	1
11 - Administrative Unit (closed)	8	5	4
12 - FT Administrative after 7/1/2013		1	5
<b>Total</b>	<b>32</b>	<b>13</b>	<b>21</b>

***Contributions***

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarially determined contribution rates for the year ended June 30, 2018 were:

<u>Division</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
01 - Public Works	17.11%	5.00%
02 - FT Police & Command	227.01%	8.00%
05 - Fire	9.69%	5.00%
10 - Clerical	9.24%	5.00%
11 - Administrative Unit (closed)	\$20,247/ month	5.25%
12 - FT Administrative after 7/1/2013	6.45%	3.00%

Total employer contributions for the year ended June 30, 2018 were \$880,611.

***Net Pension Liability***

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2018

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued**

***Actuarial assumptions***

The total pension liability as of the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary increases: 3.75%

Investment rate of return: 7.75%, net of investment expense, including inflation (this is a reduction of 0.25% from 2014)

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

Mortality rates were updated for the December 31, 2017 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 2009 to 2013.

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability is 8.00% throughout the 2017 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, 2018

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
<b>Balance at 12/31/2016</b>	\$ 14,166,917	\$ 4,163,212	\$ 10,003,705
<b>Changes for the year</b>			
Service cost	183,020		183,020
Interest on total pension liability	1,105,519		1,105,519
Changes in benefits			
Difference between expected and actual experience	323,729		323,729
Changes in assumptions			
Employer contributions		859,587	(859,587)
Employee contributions		82,905	(82,905)
Net investment income		538,984	(538,984)
Benefit payments, including employee refunds	(878,910)	(878,910)	
Administrative expense		(9,270)	9,270
Other changes			
<b>Net changes</b>	<u>733,358</u>	<u>593,296</u>	<u>140,062</u>
<b>Balances as of 12/31/2017</b>	<u>\$ 14,900,275</u>	<u>\$ 4,756,508</u>	<u>\$ 10,143,767</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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>7.00%</b>	<b>Discount Rate 8.00%</b>	<b>9.00%</b>
Net Pension Liability at 12/31/2017	\$ 10,143,767	\$ 10,143,767	\$ 10,143,767
Change in Net Pension Liability (NPL) from change in discount rate	1,715,583		(1,427,747)
Calculated NPL	<u>\$ 11,859,350</u>	<u>\$ 10,143,767</u>	<u>\$ 8,716,020</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, 2018

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued**

**Pension Expense and Deferred Outflow of Resources Related to Pension**

For the year ended June 30, 2018, the City recognized pension expense of \$1,400,581 in the government-wide statements. Deferred outflow of resources related to pensions are from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>	<b>Total</b>
Differences in experience	\$ 272,638	\$	\$ 272,638
Differences in actuarial assumptions			
(Excess) Deficit of investment returns		(57,137)	(57,137)
<b>Total to be amortized as pension expense</b>	272,638	(57,137)	215,501
Contributions subsequent to the measurement date	256,119		256,119
<b>Totals</b>	<b>\$ 528,757</b>	<b>\$ (57,137)</b>	<b>\$ 471,620</b>

The amounts reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2018.

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

<b><u>Year Ended</u></b>	<b><u>Expense</u></b>
2019	\$ 197,507
2020	124,719
2021	(65,974)
2022	(40,751)
<b>Total</b>	<b>\$ 215,501</b>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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

**Plan Description** - In March 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. As of June 30, 2018 (the last date an alternative measurement was performed) there are sixteen retirees listed as eligible for reimbursement. Of the sixteen retirees only fourteen are currently drawing a benefit. During this fiscal year the number of eligible retirees was reduced by three - a lump sum benefit was paid out to two of the younger retirees and a third retiree passed away.

**Significant Accounting Policies** - Benefits are paid monthly as a reimbursement to eligible retirees as approved annually in the general appropriations act. The liability is recognized based on the eligibility requirements of the now defunct WLRHF.

**Assumptions and Methods**

***Measurement Date***

The City's liability was measured as of June 30, 2018.

***Measurement Method***

The City's liability was measured using the alternative measurement focus as permitted by GASB Statement No. 75 for plans with less than 100 members.

***Discount Rate***

The liability for the currently eligible retirees was discounted by 3.87% which is the 20-year bond buyer index rate on June 28, 2018. A blended discount rate is not applicable to this measurement as the City does not maintain any investments or assets and does not have an established policy to fund an OPEB trust.

***Longevity Table***

The measurement used the 2002 United States Longevity tables for both men and women.

***Investment Rate***

There are no investments or assets dedicated to offset this liability therefore no investment rate is needed.

***Inflation***

The City estimates the Total OPEB Liability using the maximum benefits allowed by the plan of \$800 per month. As such, no inflation estimates are used as the benefits cannot increase over time.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**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, 2018 consisted of the following:

	2017
Inactive plan members receiving benefits	16
Active plan members	
Total participants	16

***Contributions***

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 City does not have a formal policy in place to fund any future trusts relating to this plan.

**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)
<b>Balance at June 30, 2017</b>	\$ 3,051,600	\$ 8,668	\$ 3,042,932
<b>Changes during the year</b>			
Service cost			
Interest	114,193		114,193
Change in experience	(86,017)		(86,017)
Change in actuarial assumptions	(704,797)		(704,797)
Change in plan benefits	(453,886)		(453,886)
Contributions to OPEB trust		193,071	(193,071)
Contributions/benefit paid from general operating funds			
Net investment income			
Benefit payments, including refunds of employee contributions	(201,739)	(201,739)	
Administrative expenses			
Other changes			
<b>Total Changes</b>	(1,332,246)	(8,668)	(1,323,578)
<b>Balance at June 30, 2018</b>	\$ 1,719,354	\$	\$ 1,719,354

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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	\$ 1,719,354	\$ 1,719,354	\$ 1,719,354
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,719,354</u>	<u>\$ 1,719,354</u>	<u>\$ 1,719,354</u>

\*As the plan benefits are capped at a maximum of \$800 per month, the Total OPEB Liability will not be effected by a change in trends

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,857,545	\$ 1,719,354	\$ 1,596,933
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,857,545</u>	<u>\$ 1,719,354</u>	<u>\$ 1,596,933</u>

**OPEB Expense**

Components of the City's OPEB Expense under GASB 75 for the fiscal year ended June 30, 2018 are as follows:

	<u>Fiscal Year Ending June 30, 2018</u>
Service cost	\$
Interest on total OPEB liability	114,193
Experience (gains)/losses	(86,017)
Changes of assumptions	(704,797)
Change in plan terms	(453,886)
Employee contributions	
Projected earnings on OPEB plan investments	
Investment earnings (gains)/losses	
Administrative expenses	
Other changes in fiduciary net position	
<b>Total OPEB expense</b>	<u>\$ (1,130,507)</u>

As the City utilized the alternative measurement method to calculate the Total OPEB Liability, all changes in benefits, assumptions and experience must be amortized during the current measurement period. The City of Walled Lake does not recognize deferred outflows or inflows of resources related to the Total OPEB Liability.

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**DEFINED CONTRIBUTION PLAN**

All active full-time employees of the City are participants of a defined contribution post-retirement health savings plan. This plan calls for the City to make monthly contributions of \$125 or \$250 per month for 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, 2017 to June 30, 2018 equaled \$35,236.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity in the governmental activities for the year ended June 30, 2018 was as follows:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,572,172	\$	\$	\$ 1,572,172
Construction in progress	<u>1,099,321</u>	<u>296,252</u>	<u>(1,347,300)</u>	<u>48,273</u>
<b>Subtotal</b>	<u>2,671,493</u>	<u>296,252</u>	<u>(1,347,300)</u>	<u>1,620,445</u>
<b>Capital assets being depreciated:</b>				
Roads and sidewalks	11,409,291	1,347,300		12,756,591
Building and improvements	1,253,456	165,944		1,419,400
Vehicles, furniture and equipment	<u>3,059,509</u>	<u>305,599</u>	<u>(313,233)</u>	<u>3,051,875</u>
<b>Subtotal</b>	<u>15,722,256</u>	<u>1,818,843</u>	<u>(313,233)</u>	<u>17,227,866</u>
<b>Less accumulated depreciation for:</b>				
Roads and sidewalks	(4,287,556)	(260,332)		(4,547,888)
Building and improvements	(496,443)	(26,792)		(523,235)
Vehicles, furniture and equipment	<u>(2,351,379)</u>	<u>(168,535)</u>	<u>306,687</u>	<u>(2,213,227)</u>
<b>Less accumulated depreciation</b>	<u>(7,135,378)</u>	<u>(455,659)</u>	<u>306,687</u>	<u>(7,284,350)</u>
<b>Net capital assets being depreciated</b>	<u>8,586,878</u>	<u>1,363,184</u>	<u>(6,546)</u>	<u>9,943,516</u>
<b>Net capital assets</b>	<u>\$ 11,258,371</u>	<u>\$ 1,659,436</u>	<u>\$ (1,353,846)</u>	<u>11,563,961</u>
<b>Related long-term debt outstanding at June 30, 2018</b>				<u>(945,000)</u>
<b>Governmental capital assets, net of related long-term debt</b>				<u>\$ 10,618,961</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS - continued**

Depreciation expense is allocated to the following activities:

General government	\$	39,830
Public safety		99,493
Public works		315,344
Recreation and culture		992
		992
	\$	455,659

Capital asset activity in the business-type activities for the year ended June 30, 2018 was as follows:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<b>Business-type activities:</b>				
<b>Capital assets being depreciated:</b>				
Water systems	\$ 3,324,808	\$ 17,722	\$ (11,000)	\$ 3,331,530
Sewer systems	12,706,918		(8,660)	12,698,258
				12,698,258
<b>Total capital assets at historical cost</b>	<u>16,031,726</u>	<u>17,722</u>	<u>(19,660)</u>	<u>16,029,788</u>
<b>Less accumulated depreciation for:</b>				
Water systems	(2,899,811)	(60,786)	11,000	(2,949,597)
Sewer systems	(9,134,616)	(247,928)	8,660	(9,373,884)
				(9,373,884)
<b>Total accumulated depreciation</b>	<u>(12,034,427)</u>	<u>(308,714)</u>	<u>19,660</u>	<u>(12,323,481)</u>
<b>Business-type capital assets, net</b>	<u>\$ 3,997,299</u>	<u>\$ (290,992)</u>	<u>\$</u>	<u>\$ 3,706,307</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, 2018

**NOTE 6 - CAPITAL ASSETS - continued**

Capital asset activity in the component units for the year ended June 30, 2018 was as follows:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<b>Component unit activities:</b>				
<b>Capital assets being depreciated:</b>				
Street lighting and road improvements	\$ 865,621	\$	\$	\$ 865,621
Furniture and equipment	408,467		(35,875)	372,592
Books, periodicals and materials	467,374		(173,599)	293,775
<b>Subtotal</b>	1,741,462		(209,474)	1,531,988
<b>Less accumulated depreciation</b>	<u>(901,768)</u>	<u>(79,781)</u>	<u>209,474</u>	<u>(772,075)</u>
<b>Net capital assets</b>	<u>\$ 839,694</u>	<u>\$ (79,781)</u>	<u>\$</u>	<u>\$ 759,913</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 47,969
Library	<u>31,812</u>
	<u>\$ 79,781</u>



**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7 - LONG-TERM DEBT**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities</b>	
<b>General obligations:</b>	
2013 Building Authority LTGO refunding bond issued for \$905,000 for DPW building improvement. The bond bears interest of 2.17%, and matures through 2022	\$ 395,000
2009 Capital Improvement LTGO bonds, issued in the amount of \$995,000, used to fund street improvements. The bonds bear interest from 4.5% to 5.0%, and mature through 2024	550,000
<b>Total of general obligations</b>	<b><u><u>\$ 945,000</u></u></b>

**ACCRUED COMPENSATED ABSENCES**

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

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

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$1,125,000	\$	\$ 180,000	\$ 945,000	\$ 175,000
Accumulated compensated absences	185,947	181,316	169,315	197,948	10,109
<b>Total general obligations</b>	<b><u><u>\$1,310,947</u></u></b>	<b><u><u>\$ 181,316</u></u></b>	<b><u><u>\$ 349,315</u></u></b>	<b><u><u>\$1,142,948</u></u></b>	<b><u><u>\$ 185,109</u></u></b>

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 175,000	\$ 35,846	\$ 210,846
2020	175,000	30,076	205,076
2021	200,000	24,232	224,232
2022	195,000	17,062	212,062
2023	100,000	10,000	110,000
2024	100,000	5,000	105,000
<b>Total</b>	<b><u><u>\$ 945,000</u></u></b>	<b><u><u>\$ 122,216</u></u></b>	<b><u><u>\$1,067,216</u></u></b>

**CITY OF WALLED LAKE**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8 - 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>
<b>Deposits</b>					
Huntington	\$1,471,330	\$ 659,519	\$1,844,062	\$3,974,911	84.2%
PNC	506,248			506,248	10.7%
Walled Lake Fed Credit Union	230,276		10,462	240,738	5.1%
<b>Total deposits</b>	<u>2,207,854</u>	<u>659,519</u>	<u>1,854,524</u>	<u>4,721,897</u>	<u>100.0%</u>
<b>Investments</b>					
Non-negotiable certificate of deposit	255,070			255,070	52.5%
Government bonds	319			319	0.1%
2a7 funds	230,694			230,694	47.4%
<b>Total investments</b>	<u>486,083</u>			<u>486,083</u>	<u>100.0%</u>
<b>Total deposits and investments</b>	<u>\$2,693,937</u>	<u>\$ 659,519</u>	<u>\$1,854,524</u>	<u>\$5,207,980</u>	

The carrying amount of cash and investments reported in the financial statements is \$5,141,656. The difference between the carrying amounts in the financial statements and the bank balances in the above schedule arise from cash on hand of \$1,150, outstanding checks, and deposits in transit.

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 8 - DEPOSITS AND INVESTMENTS - continued**

**Custodial Credit Risk**

Custodial Credit Risk is the risk that in the event of a custodian failure the City will not be able to recover its money. State law does not require and the City does not have a deposit policy for custodial credit risk. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year-end the City had an aggregate \$3,981,159 of bank deposits (certificates of deposit, savings, and check accounts) that were uninsured and uncollateralized. Due to operating cash flow requirements it is impractical to insure all deposits.

**Credit Risk**

Credit Risk is the possibility that institution(s) in which an investment is being held could fail. The City's investment policy limits investment to those authorized by Public Act 20 of 1943. Commercial paper must be rated within the two (2) highest classifications established by not less than two (2) standard ratings services. Ratings are not required for U.S. Treasuries and money market accounts. At year-end the City's investments were exposed to credit risk as follows:

<u>Investment Type</u>	<u>Rating by S &amp; P</u>	<u>Amount</u>
Money Market funds	Not rated	\$ 106,846
Government National Mortgage Association	AAA	319
MI CLASS Investment Pool	AAAm	123,848
Non-negotiable Certificates of Deposit	Not rated	255,070
		<u>\$ 486,083</u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 8 - DEPOSITS AND INVESTMENTS - continued**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates during the time an investment has not matured.

The City has \$230,694 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 (in years)</u>	
		<u>Less than 5</u>	<u>5-10 years</u>
Government Securities	\$ 319	\$	\$ 319
Non-negotiable Certificate of Deposit	255,070	255,070	
<b>Total</b>	<b>\$ 255,389</b>	<b>\$ 255,070</b>	<b>\$ 319</b>

**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 9 - 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 10 - 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 judgement lasts until the mortgage held by the State of Michigan Housing Development Authority is paid in full. For the fiscal year ended June 30, 2018, the taxes abated under this program totaled \$23,332.

**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, 2018**

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,242,800	\$ 3,242,800	\$ 3,264,249	\$ 21,449
Fines and forfeitures	25,000	25,000	28,802	3,802
State sources	1,233,500	678,750	680,246	1,496
Licenses and permits	10,150	10,150	6,811	(3,339)
Other proceeds	310,500	310,500	291,003	(19,497)
Building and zoning permits	111,350	116,350	128,838	12,488
Recreation and culture	2,000	2,000	7,175	5,175
Federal sources	25,200	25,200	20,764	(4,436)
Charges for services	48,750	48,750	60,039	11,289
Other local government	7,200	7,200	8,413	1,213
Interest	3,000	3,000	12,082	9,082
Interfund charge for service	485,570	480,970	501,947	20,977
<b>Total revenues</b>	<b>5,505,020</b>	<b>4,950,670</b>	<b>5,010,369</b>	<b>59,699</b>
<b>EXPENDITURES</b>				
Legislative	12,075	12,075	6,497	5,578
City administration	467,573	603,173	587,236	15,937
Public services	1,529,086	2,029,786	1,463,350	566,436
Public safety	3,437,220	3,534,634	3,524,973	9,661
Capital outlay	1,229,561	1,025,561	694,723	330,838
<b>Total expenditures</b>	<b>6,675,515</b>	<b>7,205,229</b>	<b>6,276,779</b>	<b>928,450</b>
<b>Excess of revenue (under) over expenditures</b>	<b>(1,170,495)</b>	<b>(2,254,559)</b>	<b>(1,266,410)</b>	<b>988,149</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	5,000	5,000	27,724	22,724
Transfer in	8,500	19,468	19,468	
Transfer (out)	(39,513)	(39,513)	(39,431)	82
<b>Total other financing sources (uses)</b>	<b>(26,013)</b>	<b>(15,045)</b>	<b>7,761</b>	<b>22,806</b>
<b>Net change in fund balance</b>	<b>(1,196,508)</b>	<b>(2,269,604)</b>	<b>(1,258,649)</b>	<b>1,010,955</b>
<b>FUND BALANCE, JULY 1, 2017</b>	<b>2,816,825</b>	<b>2,816,825</b>	<b>2,816,825</b>	
<b>FUND BALANCE, JUNE 30, 2018</b>	<b>\$ 1,620,317</b>	<b>\$ 547,221</b>	<b>\$ 1,558,176</b>	<b>\$ 1,010,955</b>

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, 2018

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 382,000	\$ 382,000	\$ 400,934	\$ 18,934
Interest			220	220
<b>Total revenues</b>	<b>382,000</b>	<b>382,000</b>	<b>401,154</b>	<b>19,154</b>
<b>EXPENDITURES</b>				
Public works	172,795	165,795	146,443	19,352
<b>Total expenditures</b>	<b>172,795</b>	<b>165,795</b>	<b>146,443</b>	<b>19,352</b>
<b>Excess of revenue (under) over expenditures</b>	<b>209,205</b>	<b>216,205</b>	<b>254,711</b>	<b>38,506</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (out)	(100,000)	(100,000)	(100,000)	
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	
<b>Net change in fund balance</b>	<b>109,205</b>	<b>116,205</b>	<b>154,711</b>	<b>38,506</b>
<b>FUND BALANCE, JULY 1, 2017</b>	<b>252,557</b>	<b>252,557</b>	<b>252,557</b>	
<b>FUND BALANCE, JUNE 30, 2018</b>	<b>\$ 361,762</b>	<b>\$ 368,762</b>	<b>\$ 407,268</b>	<b>\$ 38,506</b>

**CITY OF WALLED LAKE**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DEFINED BENEFIT PENSION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018**

**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.

	<b>For the Plan Year Ended December 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarial determined contributions	\$ 839,587	\$ 512,898	\$ 385,001	\$ 352,649
Contributions in relation to the actuarial determined contribution	<u>859,587</u>	<u>512,898</u>	<u>385,001</u>	<u>352,649</u>
Contribution (deficiency) excess	<u>\$ 20,000</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	<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>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	3.75%
Investment rate of return	7.75%
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.

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



CITY OF WALLED LAKE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
DEFINED BENEFIT PENSION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018

	For the Plan Year Ended December 31,			
	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 183,020	\$ 152,357	\$ 132,765	\$ 110,126
Interest	1,105,519	1,063,470	994,968	976,519
Changes in benefit terms				
Differences between expected and actual experience	323,729	170,459	289,393	
Changes of assumptions			680,796	
Benefit payments, including refunds of employee contributions	(878,910)	(873,128)	(875,996)	(872,684)
Other				(2)
<b>Net change in total pension liability</b>	<b>733,358</b>	<b>513,158</b>	<b>1,221,926</b>	<b>213,959</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>14,166,917</b>	<b>13,653,759</b>	<b>12,431,833</b>	<b>12,217,874</b>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 14,900,275</b>	<b>\$ 14,166,917</b>	<b>\$ 13,653,759</b>	<b>\$ 12,431,833</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 859,587	\$ 512,898	\$ 456,209	\$ 352,648
Contributions - employee	82,905	71,494	72,984	61,855
Net investment income	538,984	436,176	(62,071)	282,705
Benefit payments, including refunds of employee contributions	(878,910)	(873,128)	(875,996)	(872,684)
Administrative expenses	(9,270)	(8,887)	(9,370)	(10,270)
<b>Net change in plan fiduciary net position</b>	<b>593,296</b>	<b>138,553</b>	<b>(418,244)</b>	<b>(185,746)</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b>4,163,212</b>	<b>4,024,659</b>	<b>4,442,903</b>	<b>4,628,649</b>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<b>\$ 4,756,508</b>	<b>\$ 4,163,212</b>	<b>\$ 4,024,659</b>	<b>\$ 4,442,903</b>
<b>NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)</b>	<b>\$ 10,143,767</b>	<b>\$ 10,003,705</b>	<b>\$ 9,629,100</b>	<b>\$ 7,988,930</b>
Plan fiduciary net position as a percentage of the total pension liability	31.92%	29.39%	29.48%	35.74%
Covered employee payroll	\$ 1,577,339	\$ 1,420,690	\$ 1,336,356	\$ 1,197,308
Net pension liability as a percentage of covered employee payroll	643.09%	704.14%	720.55%	667.24%

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

**CITY OF WALLED LAKE**

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
DEFINED BENEFIT OPEB PLAN  
JUNE 30, 2018**

	<b>For the Fiscal Year Ended June 30, 2018</b>
<b>Actuarially determined employer contribution</b>	
Service cost with interest to June 30	\$
Amortization of unfunded liability with interest to June 30	162,988
Actuarially determined employer contribution	162,988
Employer contribution	201,739
Contribution deficiency/(excess)	\$ (38,751)
Covered employee payroll	\$
Employer contributions as a percentage of covered payroll	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**

**Significant Assumptions**

- Valuation Date: June 30, 2018
- Actuarial methods: Cost method: Closed.  
Asset valuation method: Equal to market value of assets.
- Actuarial assumptions: Discount rate: 3.87%; rationale: 20-year bond buyer index rate on June 28, 2018.  
Payroll inflation: 0.0%; rationale: Closed plan with no current employees.  
Return on plan assets: 0.0%; rationale: Plan is closed with no assets.  
Mortality rates: 2002 United States Longevity tables for both men and women.

**CITY OF WALLED LAKE**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
DEFINED BENEFIT OPEB PLAN  
JUNE 30, 2018**

	<b>For the Plan Year Ended June 30, 2018</b>
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$
Interest	114,193
Changes in plan terms	(453,886)
Differences between expected and actual experience	(86,017)
Changes of assumptions	(704,797)
Benefit payments, including refunds of employee contributions	(201,739)
<b>Net change in total OPEB liability</b>	<b>(1,332,246)</b>
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<b>3,051,600</b>
<b>TOTAL OPEB LIABILITY - ENDING</b>	<b>\$ 1,719,354</b>
 <b>PLAN FIDUCIARY NET POSITION</b>	
Contributions to OPEB trust	\$
Contributions/benefit payments made from general operating funds	193,071
Net investment income	
Benefit payments, including refunds of employee contributions	(201,739)
Administrative expenses	
Other	
<b>Net change in fiduciary net position</b>	<b>(8,668)</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b>8,668</b>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<b>\$</b>
 <b>NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)</b>	<b>\$ 1,719,354</b>
 Plan fiduciary net position as a percentage of total OPEB liability	<b>0.00%</b>
 Covered employee payroll	<b>\$</b>
 Net OPEB liability (asset) as a percentage of covered employee payroll	<b>0.00%</b>

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, 2018

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Transportation Fund	Drug Forfeiture Fund	
<b>ASSETS</b>				
Cash and investments	\$ 32,288	\$ 82,302	\$ 64,573	\$ 179,163
Accounts receivable	26,041	129,514		155,555
Inventory	24,474			24,474
<b>Total assets</b>	<u>\$ 82,803</u>	<u>\$ 211,816</u>	<u>\$ 64,573</u>	<u>\$ 359,192</u>
<b>LIABILITIES</b>				
Accounts payable	\$	\$ 1,829	\$	\$ 1,829
Accrued compensation		937		937
<b>Total liabilities</b>		<u>2,766</u>		<u>2,766</u>
<b>FUND BALANCE</b>				
Non-spendable	24,474			24,474
Restricted				
Road improvement	58,329			58,329
Transportation		209,050		209,050
Federal drug forfeiture			62,730	62,730
State drug forfeiture			1,843	1,843
<b>Total fund balance</b>	<u>82,803</u>	<u>209,050</u>	<u>64,573</u>	<u>356,426</u>
<b>Total liabilities and fund balance</b>	<u>\$ 82,803</u>	<u>\$ 211,816</u>	<u>\$ 64,573</u>	<u>\$ 359,192</u>

CITY OF WALLED LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				Total
	Local Streets Fund	Transportation Fund	Drug Forfeiture Fund	Debt Service Fund	
<b>REVENUES</b>					
State sources - roads	\$ 212,875	\$	\$	\$	\$ 212,875
Charges for services		221,583			221,583
Fines and forfeits			73,904		73,904
Interest	23	91	177		291
Other			7,094		7,094
<b>Total revenues</b>	<u>212,898</u>	<u>221,674</u>	<u>81,175</u>		<u>515,747</u>
<b>EXPENDITURES</b>					
Public safety			24,563		24,563
Public works	167,569				167,569
Transportation services		174,122			174,122
Debt service					
Principal				180,000	180,000
Interest				41,900	41,900
Capital outlay					
Public safety			32,403		32,403
Public works	58,710				58,710
<b>Total expenditures</b>	<u>226,279</u>	<u>174,122</u>	<u>56,966</u>	<u>221,900</u>	<u>679,267</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(13,381)</u>	<u>47,552</u>	<u>24,209</u>	<u>(221,900)</u>	<u>(163,520)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	100,000			221,900	321,900
Transfers (out)	(106,050)				(106,050)
<b>Total other financing sources (uses)</b>	<u>(6,050)</u>			<u>221,900</u>	<u>215,850</u>
<b>Net changes in fund balances</b>	<u>(19,431)</u>	<u>47,552</u>	<u>24,209</u>		<u>52,330</u>
<b>FUND BALANCE, JULY 1, 2017</b>	<u>102,234</u>	<u>161,498</u>	<u>40,364</u>		<u>304,096</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 82,803</u>	<u>\$ 209,050</u>	<u>\$ 64,573</u>	<u>\$</u>	<u>\$ 356,426</u>

CITY OF WALLED LAKE

COMBINING BALANCE SHEET  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Total Agency Funds
<b>ASSETS</b>				
Cash and investments	\$ 437,267	\$ 559	\$ 216,266	\$ 654,092
Accounts receivable	5,245		1,114	6,359
<b>Total assets</b>	<u>\$ 442,512</u>	<u>\$ 559</u>	<u>\$ 217,380</u>	<u>\$ 660,451</u>
<b>LIABILITIES</b>				
Accounts payable/ performance deposits	\$ 442,512	\$	\$ 217,380	\$ 659,892
Due to other funds		559		559
<b>Total liabilities</b>	<u>\$ 442,512</u>	<u>\$ 559</u>	<u>\$ 217,380</u>	<u>\$ 660,451</u>



**CITY OF WALLED LAKE**  
**COMBINING BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Refuse Fund</b>	<b>Water Capital Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 56,167	\$ 81,677	\$ 137,844
Accounts receivable	52,126	78,476	130,602
<b>Total assets</b>	<b>\$ 108,293</b>	<b>\$ 160,153</b>	<b>\$ 268,446</b>
 <b>NET POSITION</b>			
Unrestricted	\$ 108,293	\$ 160,153	\$ 268,446

CITY OF WALLED LAKE

COMBINING BALANCE SHEET  
ALL NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2018

	Refuse Fund	Water Capital Fund	Total
<b>OPERATING REVENUES</b>			
User charges	\$ 334,333	\$ 144,718	\$ 479,051
<b>OPERATING EXPENSES</b>			
Refuse	317,877		317,877
<b>Operating income (loss)</b>	16,456	144,718	161,174
<b>NON-OPERATING REVENUES (EXPENSE)</b>			
Interest income - operating	27		27
<b>Excess of revenues over (under) expenses</b>	16,483	144,718	161,201
<b>CAPITAL CONTRIBUTIONS</b>			
Tap in fees		15,435	15,435
<b>OTHER FINANCING USES</b>			
Transfers in	1,200		1,200
Transfers (out)	(10,800)		(10,800)
<b>Total other financing uses</b>	(9,600)		(9,600)
<b>Changes in net position</b>	6,883	160,153	167,036
<b>NET POSITION, JULY 1, 2017</b>	101,410		101,410
<b>NET POSITION, JUNE 30, 2018</b>	\$ 108,293	\$ 160,153	\$ 268,446

CITY OF WALLED LAKE

COMBINING STATEMENT OF CASH FLOWS  
ALL NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2018

	Refuse Fund	Water Capital Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 335,547	\$ 66,242	\$ 401,789
Cash payments to suppliers	317,877		317,877
<b>Net cash from operating activities</b>	<u>17,670</u>	<u>66,242</u>	<u>83,912</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Connection fees		15,435	15,435
Transfers in	1,200		1,200
Transfers (out)	(10,800)		(10,800)
<b>Net cash (used in) capital and related financing activities</b>	<u>(9,600)</u>	<u>15,435</u>	<u>5,835</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash	27		27
<b>Net increase (decrease) in cash and cash equivalents</b>	8,097	81,677	89,774
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD</b>	<u>48,070</u>		<u>48,070</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD</b>	<u>\$ 56,167</u>	<u>\$ 81,677</u>	<u>\$ 137,844</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 16,456	\$ 144,718	\$ 161,174
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Change in assets and liabilities:			
Receivables, net	1,214	(78,476)	(77,262)
<b>Net cash from operating activities</b>	<u>\$ 17,670</u>	<u>\$ 66,242</u>	<u>\$ 83,912</u>