
Report on Audited Financial Statements

For Fiscal Year ended June 30, 2020



***City of Walled Lake,
Michigan***



CITY OF WALLED LAKE

CITY COUNCIL

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

CITY OFFICIALS

L. Dennis Whitt, City Manager, MBA, MPA, MSM, MALS
Hana Jaquays, Confidential Assistant, BS
Chelsea Pesta, Assistant City Manager, MPA, CMC, MiPMC II
Sandra Barlass, City Finance Director, MPA, MiCPT
Paul Shakinas, Chief of Police, MPA, MS
James Coomer, Jr., Fire Chief, BS
Jennifer Stuart, City Clerk, MPA, CMC, MiPMC II
Miranda Gross, Deputy City Clerk, MiPMC

LEGAL COUNSEL

Vahan C. Vanerian, Esq.

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 9, 2020

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, 2020, 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, 2020, 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 7 - 11 and 52 - 58 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, 2020

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, 2020 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 \$5,237,698. This is a \$497,831 decrease over last year's net position of \$5,735,529. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital equipment. This past fiscal year the City completed a watermain replacement project in the Tri-A Subdivision, purchased an asphalt hot box piece of equipment for patching city roads, video equipment for police vehicles, a verity scanner for elections, made improvements to Riley Park by paving the parking lot, and painted the historical Foster Farm House, as well as began the planning and preparations for the public safety property to serve as a public safety memorial and trailhead to the Walled Lake trail.

The administration has applied for and was awarded an Oakland County Federal Aid Grant of over \$1 million dollars for the rehabilitation of Decker Road. The project is currently scheduled to begin in Fiscal Year 2022. The City was again awarded a Local Road Improvement Program Grant for Fiscal Year 2020 in the amount of \$13,138. These funds were used for repairs to catch basins and a culvert in local neighborhoods.

The Downtown Development Authority (DDA) continues to focus on capital improvements. Engineering plans have been submitted for improving the downtown stormwater and water run-off erosion issues. The DDA has been awarded two grants to financially support the infrastructure replacement, as well as beautification in the downtown areas. One is from the Southeast Michigan Council of Governments (SEMCOG) for \$127,000, and another from the Michigan DNR Land and Conservation Water Fund Grant for \$63,700. The project should begin in calendar year 2021.

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

Summary of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Assets								
Current and other assets	\$ 2,716,226	\$ 3,051,142	\$ 219,458	\$ 503,723	\$ 2,935,684	\$ 3,554,865	\$ 2,487,548	\$ 2,204,820
Capital assets	11,489,274	11,775,926	4,063,785	3,613,949	15,553,059	15,389,875	793,320	728,693
Total assets	<u>14,205,500</u>	<u>14,827,068</u>	<u>4,283,243</u>	<u>4,117,672</u>	<u>18,488,743</u>	<u>18,944,740</u>	<u>3,280,868</u>	<u>2,933,513</u>
Deferred outflow of resources								
Pension investment activities	823,428	791,901			823,428	791,901		
Liabilities								
Other liabilities	98,859	581,420	474,376	374,328	573,235	955,748	17,249	35,689
Long-term liabilities	13,501,238	13,045,364			13,501,238	13,045,364		
Total liabilities	<u>13,600,097</u>	<u>13,626,784</u>	<u>474,376</u>	<u>374,328</u>	<u>14,074,473</u>	<u>14,001,112</u>	<u>17,249</u>	<u>35,689</u>
Net position								
Invested in capital assets, net of related debt	10,894,274	11,005,926	4,063,785	3,613,949	14,958,059	14,619,875	793,320	728,693
Restricted	1,259,818	1,106,852			1,259,818	1,106,852	2,453,787	2,159,577
Unrestricted	(10,725,261)	(10,120,593)	(254,918)	129,395	(10,980,179)	(9,991,198)	16,512	9,554
Total net position	<u>\$ 1,428,831</u>	<u>\$ 1,992,185</u>	<u>\$ 3,808,867</u>	<u>\$ 3,743,344</u>	<u>\$ 5,237,698</u>	<u>\$ 5,735,529</u>	<u>\$ 3,263,619</u>	<u>\$ 2,897,824</u>

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>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Revenues								
Program revenues								
Charges for services	\$ 804,623	\$ 1,173,148	\$ 768,074	\$ 2,390,198	\$ 1,572,697	\$ 3,563,346	\$ 20,925	\$ 21,206
Operating grants and contributions	41,923	41,678	109,299	23,500	151,222	65,178	6,289	7,003
General revenues								
State revenue sources	1,341,233	1,384,308			1,341,233	1,384,308	40,582	25,107
Property taxes	3,540,919	3,375,502			3,540,919	3,375,502	1,104,517	1,015,987
Interest	15,876	15,482	2,361	3,701	18,237	19,183	7,538	3,955
Other	336,353	355,775		715	336,353	356,490	12,113	4,610
Total revenues	<u>6,080,927</u>	<u>6,345,893</u>	<u>879,734</u>	<u>2,418,114</u>	<u>6,960,661</u>	<u>8,764,007</u>	<u>1,191,964</u>	<u>1,077,868</u>
Program Expenses								
General government	1,727,587	1,413,857			1,727,587	1,413,857		
Public safety	3,885,867	3,192,384			3,885,867	3,192,384		
Public works/roads	896,755	939,821			896,755	939,821		
Transportation	26,339	81,759			26,339	81,759		
Recreation	155,562	147,828			155,562	147,828		
Interest on long-term debt	28,504	34,292			28,504	34,292		
Refuse/utility systems			737,878	2,887,470	737,878	2,887,470		
Library/community development							826,169	803,825
Total expenses	<u>6,720,614</u>	<u>5,809,941</u>	<u>737,878</u>	<u>2,887,470</u>	<u>7,458,492</u>	<u>8,697,411</u>	<u>826,169</u>	<u>803,825</u>
Excess before transfers	(639,687)	535,952	141,856	(469,356)	(497,831)	66,596	365,795	274,043
Transfers, net	<u>76,333</u>	<u>80,443</u>	<u>(76,333)</u>	<u>(80,443)</u>				
Changes in net position	(563,354)	616,395	65,523	(549,799)	(497,831)	66,596	365,795	274,043
Beginning net position	<u>1,992,185</u>	<u>1,375,790</u>	<u>3,743,344</u>	<u>4,293,143</u>	<u>5,735,529</u>	<u>5,668,933</u>	<u>2,897,824</u>	<u>2,623,781</u>
Ending net position	<u>\$ 1,428,831</u>	<u>\$ 1,992,185</u>	<u>\$ 3,808,867</u>	<u>\$ 3,743,344</u>	<u>\$ 5,237,698</u>	<u>\$ 5,735,529</u>	<u>\$ 3,263,619</u>	<u>\$ 2,897,824</u>

Financial Analysis of the City's Funds

The City has contained the legacy debt for retirement benefits to those benefits offered before 2010. All current employee benefits are paid in full as incurred and no additional debt is being added. During fiscal year 2020, both the police & command and the fire divisions have been closed and any new hires will be placed in a division with a lower multiplier, yielding a reduction in liabilities. The fiscal year closed with 19 years remaining to pay off the \$11.4 million-dollar net pension liability. \$785,000 (or 15% of General Fund expenditures) was for pension payments.

In prior years, with immense water loss rates rising as high as 23%, the City determined a greater field experience and knowledge was needed to operate and maintain the water system. In January 2019, the City entered into an agreement with Oakland County Water Resources Commission (WRC). With this agreement comes greater field proficiency and skill that will service Walled Lake's water customers more effectively. In the nine months following this implementation, the City's water loss decreased from 23.2% to 8.1%.

The City will continue to follow the Council's approved 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, all aimed to better monitor and adjust rates on an annual basis to ensure revenues are adequately covering expenditures.

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 a reasonable amount.

Capital Asset and Debt Administration

The governmental funds acquired \$225,680 of new capital assets during the year. Most of the acquisitions were related to roads, sidewalks, equipment, etc.

Debt service payments of \$205,327 for two outstanding bond issues included principal reduction of \$175,000 and interest payments of \$30,327. 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

A decade ago, the newly elected City Council majority arrested the forward momentum of an \$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 fiscal year 2019, the public safety millage contributed toward the replacement of a fire utility rescue vehicle, police vehicles, and to some rehabilitation activities on the Public Safety complex. In August 2019, the public voted to renew the public safety millage for another five years.

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.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The City is still assessing the impacts of the pandemic but does not believe there will be far-reaching economic repercussions.

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, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 2,262,758	\$ 1,560	\$ 2,264,318	\$ 2,455,441
Receivables				
Taxes	34,316		34,316	16,512
Other governments	214,967		214,967	
Accounts	61,768	190,902	252,670	15,595
Inventory	31,259		31,259	
Prepaid expenses	111,158	26,996	138,154	
Capital assets, not being depreciated				
Non-depreciated	1,755,172		1,755,172	88,917
Depreciated, net	9,734,102	4,063,785	13,797,887	704,403
Total assets	14,205,500	4,283,243	18,488,743	3,280,868
DEFERRED OUTFLOWS OF RESOURCES				
Pension investment activities	823,428		823,428	
LIABILITIES				
Accounts payable	143,363	43,376	186,739	12,019
Accrued wages	104,064		104,064	5,230
Accrued interest payable	6,763		6,763	
Performance deposits	11,050		11,050	
Intergovernmental	(431,000)	431,000		
Non-current liabilities				
Due within one year:				
Compensated absences	64,619		64,619	
Current portion of long-term debt	200,000		200,000	
Due in more than one year:				
Compensated absences	7,981		7,981	
Long-term debt	395,000		395,000	
Net pension liability	11,422,019		11,422,019	
Other post-employment benefit liability	1,676,238		1,676,238	
Total liabilities	13,600,097	474,376	14,074,473	17,249
NET POSITION				
Invested in capital assets, net				
of related debt	10,894,274	4,063,785	14,958,059	793,320
Restricted	1,259,818		1,259,818	2,453,787
Unrestricted	(10,725,261)	(254,918)	(10,980,179)	16,512
Total net position	\$ 1,428,831	\$ 3,808,867	\$ 5,237,698	\$ 3,263,619

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, 2020

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
GOVERNMENTAL ACTIVITIES							
General government	\$ (1,727,587)	\$ 715,369	\$ 29,061	\$ (983,157)	\$	\$ (983,157)	\$
Public safety	(3,885,867)	66,776	10,983	(3,808,108)		(3,808,108)	
Public works/roads	(896,755)			(896,755)		(896,755)	
Transportation	(26,339)	22,478		(3,861)		(3,861)	
Recreation	(155,562)		1,879	(153,683)		(153,683)	
Interest and fees on long-term debt	(28,504)			(28,504)		(28,504)	
Total governmental activities	(6,720,614)	804,623	41,923	(5,874,068)		(5,874,068)	
BUSINESS-TYPE ACTIVITIES							
Refuse	(330,425)	329,750			(675)	(675)	
Water/sewer system	(407,453)	438,324	109,299		140,170	140,170	
Total business-type activities	(737,878)	768,074	109,299		139,495	139,495	
Total primary government	\$ (7,458,492)	\$ 1,572,697	\$ 151,222	(5,874,068)	139,495	(5,734,573)	
COMPONENT UNITS							
Downtown Development Authority	\$ (482,615)	\$	\$				(482,615)
Walled Lake City Library	(343,554)	20,925	6,289				(316,340)
Total component units	\$ (826,169)	\$ 20,925	\$ 6,289				(798,955)
General revenues							
Property taxes				3,540,919		3,540,919	1,104,517
State revenues sources				1,341,233		1,341,233	40,582
Interest income				15,876	2,361	18,237	7,538
Franchise fees				168,307		168,307	
Rental income - cell tower				44,627		44,627	
Other income				94,480		94,480	14,367
Gain (loss) on sale of assets				28,939		28,939	(2,254)
Total general revenues				5,234,381	2,361	5,236,742	1,164,750
Change before transfers				(639,687)	141,856	(497,831)	365,795
Other financing sources							
Transfers in				76,333		76,333	
Transfers (out)					(76,333)	(76,333)	
Total transfers				76,333	(76,333)		
Changes in net position				(563,354)	65,523	(497,831)	365,795
Net position, July 1, 2019				1,992,185	3,743,344	5,735,529	2,897,824
Net position, June 30, 2020				\$ 1,428,831	\$ 3,808,867	\$ 5,237,698	\$ 3,263,619

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, 2020**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS				
Cash, cash equivalents, and investments	\$ 1,067,887	\$ 547,318	\$ 647,553	\$ 2,262,758
Receivables				
Taxes	34,316			34,316
Other governments	128,949	62,352	23,666	214,967
Accounts	55,945		5,264	61,209
Due from other funds	431,559			431,559
Inventory			31,259	31,259
Prepaid expenditures	<u>111,158</u>			<u>111,158</u>
Total assets	<u>\$ 1,829,814</u>	<u>\$ 609,670</u>	<u>\$ 707,742</u>	<u>\$ 3,147,226</u>
LIABILITIES				
Accounts payable	\$ 117,028	\$ 10,892	\$ 15,443	\$ 143,363
Accrued payroll	104,064			104,064
Compensated absences	7,981			7,981
Performance deposits	<u>11,050</u>			<u>11,050</u>
Total liabilities	<u>240,123</u>	<u>10,892</u>	<u>15,443</u>	<u>266,458</u>
DEFERRED INFLOW OF RESOURCES				
Unearned revenue	<u>34,316</u>			<u>34,316</u>
FUND BALANCE				
Nonspendable: Prepaid Items	111,158			111,158
Inventory			31,259	31,259
Restricted: Road Improvements		598,778	193,177	791,955
Transportation			179,940	179,940
Federal drug forfeiture			279,425	279,425
State drug forfeiture			8,498	8,498
Unassigned	<u>1,444,217</u>			<u>1,444,217</u>
Total fund balances	<u>1,555,375</u>	<u>598,778</u>	<u>692,299</u>	<u>2,846,452</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,829,814</u>	<u>\$ 609,670</u>	<u>\$ 707,742</u>	<u>\$ 3,147,226</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, 2020**

Total fund balance per balance sheet		\$ 2,846,452
<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	\$ 1,755,172	
Depreciable assets, net of depreciation	<u>9,734,102</u>	
Capital assets net of depreciation		11,489,274
<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>		
Investments in excess of projection returns	20,747	
Differences in actuarial assumptions to actual	307,604	
Differences in actuarial experience to actual	102,403	
Contributions subsequent to measurement date	<u>392,674</u>	
Total		823,428
<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		(11,422,019)
<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	(595,000)	
Compensated absences	(64,619)	
Other post-employment benefits	<u>(1,676,238)</u>	
Total		(2,335,857)
<p>Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities</p>		
		34,316
<p>Accrued interest is not due and payable in the current period and is not reported in the funds</p>		
		<u>(6,763)</u>
Net position of governmental activities		<u><u>\$ 1,428,831</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, 2020**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
REVENUES				
Taxes	\$ 3,540,865	\$	\$	\$ 3,540,865
State sources - general government	689,984			689,984
State sources - roads		446,751	204,498	651,249
Grant income	40,044			40,044
Licenses and permits	194,092			194,092
Recreation and culture	1,879			1,879
Building and zoning permits	100,584			100,584
Charges for services - interfund	511,301			511,301
Charges for services	77,699		22,478	100,177
Fines and forfeitures	24,997		41,779	66,776
Interest	11,883	1,814	2,179	15,876
Other	135,150		3,957	139,107
Total revenues	<u>5,328,478</u>	<u>448,565</u>	<u>274,891</u>	<u>6,051,934</u>
EXPENDITURES				
Current:				
General government	1,546,632			1,546,632
Public safety	3,178,156		78,029	3,256,185
Public works	226,684	169,305	120,382	516,371
Transportation services			26,339	26,339
Recreation and culture	153,266			153,266
Debt service:				
Principal			175,000	175,000
Interest/fees			30,327	30,327
Capital outlay:				
General government	14,989			14,989
Public safety			29,781	29,781
Public works	85,792	25,000	59,993	170,785
Recreation and culture	10,125			10,125
Total expenditures	<u>5,215,644</u>	<u>194,305</u>	<u>519,851</u>	<u>5,929,800</u>
Excess of revenues over (under) expenditures	<u>112,834</u>	<u>254,260</u>	<u>(244,960)</u>	<u>122,134</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	14,500		14,439	28,939
Transfers in	5,044		305,327	310,371
Transfers (out)	(35,113)	(100,000)	(98,925)	(234,038)
Total other financing sources (uses)	<u>(15,569)</u>	<u>(100,000)</u>	<u>220,841</u>	<u>105,272</u>
Net changes in fund balances	97,265	154,260	(24,119)	227,406
FUND BALANCE, JULY 1, 2019	<u>1,458,110</u>	<u>444,518</u>	<u>716,418</u>	<u>2,619,046</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ 1,555,375</u>	<u>\$ 598,778</u>	<u>\$ 692,299</u>	<u>\$ 2,846,452</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, 2020**

Net change in fund balances - governmental funds	\$	227,406
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	\$	225,680
Depreciation expense		<u>(512,332)</u>
Total		(286,652)
Some pension contributions in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds		
Change in deferred outflows of resources		(732,877)
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		175,000
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		(26,923)
Compensated absences for the employees is recorded on the Statement of Net Position		
		78,815
Change in accrued interest payable for the year		
		1,823
Revenue received but not earned is recorded as revenue on the Statement of Activities		
		<u>54</u>
Change in net position of governmental activities	\$	<u>(563,354)</u>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2020

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 1,496	\$ 64	\$ 1,560
Accounts receivable	108,551	82,351	190,902
Prepaid expenses		26,996	26,996
Noncurrent assets:			
Utility system, net	4,063,785		4,063,785
Total assets	\$ 4,173,832	\$ 109,411	\$ 4,283,243
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 43,376	\$	\$ 43,376
Due to other funds	431,000		431,000
Total liabilities	474,376		474,376
NET POSITION			
Invested in capital assets, net of related debt	4,063,785		4,063,785
Unrestricted	(364,329)	109,411	(254,918)
Total net position	3,699,456	109,411	3,808,867
Total liabilities and net position	\$ 4,173,832	\$ 109,411	\$ 4,283,243

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, 2020

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
OPERATING REVENUES			
User charges	\$ 438,324	\$ 329,750	\$ 768,074
OPERATING EXPENSES			
Refuse		330,425	330,425
Sewer and water	97,113		97,113
Depreciation	310,340		310,340
Total operating expenses	<u>407,453</u>	<u>330,425</u>	<u>737,878</u>
Operating income (loss)	<u>30,871</u>	<u>(675)</u>	<u>30,196</u>
NON-OPERATING REVENUES (EXPENSE)			
Interest income - operating	<u>2,293</u>	<u>68</u>	<u>2,361</u>
Excess of revenues over (under) expenses	<u>33,164</u>	<u>(607)</u>	<u>32,557</u>
CAPITAL CONTRIBUTIONS			
Tap in fees	<u>109,299</u>		<u>109,299</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(71,289)</u>	<u>(5,044)</u>	<u>(76,333)</u>
Changes in net position	71,174	(5,651)	65,523
NET POSITION, JULY 1, 2019	<u>3,628,282</u>	<u>115,062</u>	<u>3,743,344</u>
NET POSITION, JUNE 30, 2020	<u>\$ 3,699,456</u>	<u>\$ 109,411</u>	<u>\$ 3,808,867</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, 2020**

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from customers	\$ 387,806	\$ 316,477	\$ 704,283
Cash payments to suppliers	(428,065)	(357,421)	(785,486)
Net cash from (used in) operating activities	(40,259)	(40,944)	(81,203)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	109,299		109,299
Acquisition of assets	(760,176)		(760,176)
Short term notes received from other funds	431,000		431,000
Transfers (out)	(71,289)	(5,044)	(76,333)
Net cash (used in) capital and related financing activities	(291,166)	(5,044)	(296,210)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	2,293	68	2,361
Net increase (decrease) in cash and cash equivalents	(329,132)	(45,920)	(375,052)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD			
	330,628	45,984	376,612
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD			
	\$ 1,496	\$ 64	\$ 1,560
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 30,871	\$ (675)	\$ 30,196
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	310,340		310,340
Change in assets and liabilities:			
(Increase) decrease in receivables, net	(50,518)	(13,273)	(63,791)
(Increase) decrease in prepaid		(26,996)	(26,996)
Increase (decrease) in accounts and other payables	(330,952)		(330,952)
Net cash from operating activities	\$ (40,259)	\$ (40,944)	\$ (81,203)

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, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 378,739
Accounts receivable	<u>5,325</u>
Total assets	<u><u>\$ 384,064</u></u>
LIABILITIES	
Accrued expenses	\$ 383,505
Due to other funds	<u>559</u>
Total liabilities	<u><u>\$ 384,064</u></u>

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

CITY OF WALLED LAKE

BALANCE SHEET
 COMPONENT UNITS
 JUNE 30, 2020

	<u>Downtown Development Authority</u>	<u>Library</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 2,212,907	\$ 242,534	\$ 2,455,441
Receivables:			
Taxes	13,528	2,984	16,512
Other governments	151	15,444	15,595
Total assets	<u>\$ 2,226,586</u>	<u>\$ 260,962</u>	<u>\$ 2,487,548</u>
LIABILITIES			
Accounts payable	\$ 5,226	\$ 6,793	\$ 12,019
Accrued wages		5,230	5,230
Total liabilities	<u>5,226</u>	<u>12,023</u>	<u>17,249</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	13,528	2,984	16,512
Total liabilities and deferred inflow of resources	<u>18,754</u>	<u>15,007</u>	<u>33,761</u>
FUND BALANCE			
Restricted - Library		245,955	245,955
Restricted - DDA	2,207,832		2,207,832
Total fund balances	<u>2,207,832</u>	<u>245,955</u>	<u>2,453,787</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 2,226,586</u>	<u>\$ 260,962</u>	<u>\$ 2,487,548</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, 2020

	Downtown Development Authority	Library	Total
REVENUES			
Taxes	\$ 748,606	\$ 348,953	\$ 1,097,559
Grants		2,483	2,483
Local community stabilization	30,451	4,528	34,979
State aids		5,603	5,603
Donations		3,806	3,806
Charges for services		12,054	12,054
Fines and forfeitures		8,871	8,871
Interest	6,644	894	7,538
Other	14,367		14,367
	<u>800,068</u>	<u>387,192</u>	<u>1,187,260</u>
Total revenues			
	800,068	387,192	1,187,260
EXPENDITURES			
Current:			
Downtown development	434,531		434,531
Library		311,934	311,934
Capital outlay:			
Downtown development	109,658		109,658
Library		36,927	36,927
	<u>544,189</u>	<u>348,861</u>	<u>893,050</u>
Total expenditures			
	544,189	348,861	893,050
Net changes in fund balances	255,879	38,331	294,210
FUND BALANCE, JULY 1, 2019	<u>1,951,953</u>	<u>207,624</u>	<u>2,159,577</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ 2,207,832</u>	<u>\$ 245,955</u>	<u>\$ 2,453,787</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, 2020**

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, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City reports the following two major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fiduciary funds:

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 2019 levy was assessed at an adjusted taxable value of \$180,882,140 for the City and \$209,718,190 for the Library. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. A portion of the City's millage is captured by the Downtown Development Authority.

The City levies the following millage:

General City operations	14.8464
Public Safety	3.6759
Library - component unit	<u>1.6583</u>
	<u><u>20.1806</u></u>

E. CAPITAL ASSETS

Under GASB Standards, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental fund financial statements.

Capital assets are defined by the City of Walled Lake Capital Asset policy as assets with an initial, individual cost of more than \$5,000 to \$25,000, depending on the asset type, and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Buildings, utility systems, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between activities (example - general government to recreation) are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. EQUITY

Governmental fund equity is classified as fund balance. Fund balance is further classified:

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

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

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

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

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

Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

I. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in, and first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Investments are stated at market value.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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

For the year ended June 30, 2020, the City records deferred outflows 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, 2019.

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

Deferred outflows (inflows) of resources as of June 30, 2020 are as follows:

Deferred Outflows (Inflows) of Resources

Differences in experience	\$ 102,403
Differences in actuarial assumptions	307,604
Differences in investment expectations versus actual	20,747
Contributions made subsequent to pension liability measurement date	<u>392,674</u>
Total	<u>\$ 823,428</u>

L. DEFINED PENSION BENEFIT PLAN

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

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

GASB 75, relating to the employer reporting of postemployment benefits, was made effective for fiscal years beginning after June 15, 2017.

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, 2020**

NOTE 3 - INTERFUND BALANCES/TRANSFERS

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

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Water Operating Fund	General Fund	\$ 278,000
Water Capital Fund	General Fund	153,000
Current Tax Fund	General Fund	<u>559</u>
		<u><u>\$ 431,559</u></u>

The following transfers were made during the year:

<u>Transfer in to</u>	<u>Transfer out from</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Refuse Fund	\$ 5,044	Reimburse administrative fees
Debt Service Fund	General Fund	35,113	Building Authority bonds
Debt Service Fund	Local Streets Fund	98,925	Building Authority bonds
Debt Service Fund	Water and Sewer Fund	71,289	Building Authority bonds
Local Streets Fund	Major Road Fund	<u>100,000</u>	Fund local roads
		<u><u>\$ 310,371</u></u>	

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com and is available to the public.

Benefits Provided

<u>Division</u>	<u>Status</u>	<u>Benefit Multiplier</u>	<u>FAC</u>	<u>Vesting Period</u>	<u>Retirement Age</u>	<u>Early Retirement</u>
01 - Public Works	Open	Bridged 2.25% to 1.70% no maximum	5 years	10 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 20 years
02 - FT Police & Command	Closed	Bridged 2.50% to 1.90% 80% maximum	3 years	10 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years
05 - Fire	Closed	Bridged 2.50% to 1.70% no maximum	3 years	10 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years
10 - Clerical	Open	Bridged 2.25% to 1.70% no maximum	5 years	6 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years
11 - Admin Unit	Closed	2.50% 80% maximum	3 years	6 years	Age 60	<u>Reduced:</u> Age 55 with 15 years <u>Unreduced:</u> Age 50 with 25 years
12 - FT Admin after 7/1/2013	Open	1.50% no maximum	3 years	3 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years
21 - Fire & Police after 6/30/2016	Open	1.50% no maximum	3 years	10 years	Age 60	<u>Reduced:</u> Age 50 with 25 years Age 55 with 15 years <u>Unreduced:</u> Age 55 with 25 years

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

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Division	Inactive employees or beneficiaries current receiving benefits	Inactive employees entitled to, but not yet receiving benefits	Active Employees
01 - Public Works	4	1	3
02 - FT Police & Command	17	4	4
05 - Fire		1	2
10 - Clerical	4	2	
11 - Administrative Unit (closed)	9	5	4
12 - FT Administrative after 7/1/2013		2	5
21 - Fire & Police after 6/30/2016			4
Total	34	15	22

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarially determined phased-in contribution rates for the year ended June 30, 2020 were:

Division	Employer Contribution Rate	Employee Contribution Rate
01 - Public Works	20.60%	5.00%
02 - FT Police & Command	\$30,913 / month	8.00%
05 - Fire	\$1,007 / month	5.00%
10 - Clerical	10.62%	5.00%
11 - Administrative Unit (closed)	\$28,966 / month	5.25%
12 - FT Administrative after 7/1/2013	6.23%	3.00%
21 - Fire & Police after 6/30/2016	2.21%	5.00%

Total employer contributions for the year ended June 30, 2020 were \$733,780.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2019, 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, 2020**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary increases: 3.00%

Investment rate of return: 7.35%, net of investment expense, including inflation (this is a reduction of 0.4% from the prior year)

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

Mortality rates were updated for the December 31, 2019 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>Target Allocation Gross Rate of Return</u>	=	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	x	7.75%	=	4.65%
Global Fixed Income	20.00%	x	3.75%	=	0.75%
Private Investments	20.00%	x	9.75%	=	1.95%
					<u>7.35%</u>

The sum of the target allocations is 7.35%, which matches the assumed rate of return used in the actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability is 7.60% throughout the 2019 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, 2020

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2018	\$ 15,291,706	\$ 4,634,091	\$ 10,657,615
Changes for the year			
Service cost	176,704		176,704
Interest on total pension liability	1,134,676		1,134,676
Changes in benefits			
Difference between expected and actual experience	204,807		204,807
Changes in assumptions	615,209		615,209
Employer contributions		733,780	(733,780)
Employee contributions		82,543	(82,543)
Net investment income		621,074	(621,074)
Benefit payments, including employee refunds	(900,257)	(900,257)	
Administrative expense		(10,688)	10,688
Other changes	59,717		59,717
Net changes	<u>1,290,856</u>	<u>526,452</u>	<u>764,404</u>
Balances as of 12/31/2019	<u>\$ 16,582,562</u>	<u>\$ 5,160,543</u>	<u>\$ 11,422,019</u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current	1% Increase
	6.60%	Discount Rate 7.60%	8.60%
Net Pension Liability at 12/31/2019	\$ 11,422,019	\$ 11,422,019	\$ 11,422,019
Change in Net Pension Liability (NPL) from change in discount rate	1,917,941		(1,603,080)
Calculated NPL	<u>\$ 13,339,960</u>	<u>\$ 11,422,019</u>	<u>\$ 9,818,939</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, 2020**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Pension Expense and Deferred Outflow of Resources Related to Pension

For the year ended June 30, 2020, the City recognized pension expense of \$1,522,432 in the government-wide statements. Deferred outflow of resources related to pensions are from the following sources:

	Deferred Outflow of Resources
Differences in experience	\$ 102,403
Differences in actuarial assumptions	307,604
(Excess) Deficit of investment returns	20,747
Total to be amortized as pension expense	430,754
Contributions subsequent to the measurement date	392,674
Total	\$ 823,428

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2020.

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

Year Ended	Expense
2021	\$ 404,690
2022	19,904
2023	60,655
2024	(54,495)
Total	\$ 430,754

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Plan Description

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

Eligibility

The defined benefit reimbursement option is closed to current and new employees. Eligible retirees must have a minimum of fifteen years of service, or six years of service if he or she was a member of the clerical unit prior to January 1, 2000. Generally, benefits would not commence until the employee is eligible to receive pension benefits from the City's MERS pension plan.

Assumptions and Methods

The City's liability was measured as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were used in the measurement:

Inflation:	Not applicable
Salary increases:	Not applicable
Investment rate of return:	Not applicable; this plan is not pre-funded
20-year Aa Municipal bond rate:	3.0%
Mortality:	Public Safety – Public Safety 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement. Spouses and General employees – Public General 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", 2019), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 consisted of the following:

Inactive plan members receiving benefits	13
Terminated vested plan participants	<u>2</u>
Total participants	<u><u>15</u></u>

Funding Policy

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

Measurement of Net OPEB Liability

The net OPEB Liability has been measured as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balance at June 30, 2019	\$ 1,649,315	\$	\$ 1,649,315
Changes during the year			
Service cost			
Interest	48,359		48,359
Change in experience	(675)		(675)
Change in actuarial assumptions	53,887		53,887
Change in plan benefits			
Contributions to OPEB trust			
Contributions/benefit paid from general operating funds		74,648	(74,648)
Net investment income			
Benefit payments, including refunds of employee contributions	(74,648)	(74,648)	
Administrative expenses			
Other changes			
Total Changes	<u>26,923</u>		<u>26,923</u>
Balance at June 30, 2020	<u><u>\$ 1,676,238</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,676,238</u></u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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:

Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,626,440	\$ 1,676,238	\$ 1,717,061
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,626,440</u>	<u>\$ 1,676,238</u>	<u>\$ 1,717,061</u>

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,876,303	\$ 1,676,238	\$ 1,509,073
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,876,303</u>	<u>\$ 1,676,238</u>	<u>\$ 1,509,073</u>

OPEB Expense

Components of the City's OPEB Expense under GASB 75 for the fiscal year ended June 30, 2020 are as follows:

	Fiscal Year Ending June 30, 2020
Service cost	\$
Interest on total OPEB liability	48,359
Experience (gains)/losses	(675)
Changes of assumptions	53,887
Change in plan terms	
Employee contributions	
Projected earnings on OPEB plan investments	
Investment earnings (gains)/losses	
Administrative expenses	
Other changes in fiduciary net position	
Total OPEB expense	<u>\$ 101,571</u>

Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the deferred inflows and outflows of resources were zero.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - DEFINED CONTRIBUTION PLAN

All active full-time employees of the City are participants of a defined contribution post-retirement health savings plan. This plan calls for the City to make monthly contributions of \$125 or \$250 per month for administrative staff and \$52 or \$104 for all other employees depending on whether the participant is enrolled in single or family healthcare coverage. All accounts are to be managed by the employee with funds immediately vested and accessible upon termination. The City performed a buy-out of the defined benefit plan into this defined contribution plan over the period the July 1, 2013 to June 30, 2017, which totaled \$354,457. This amount was for services prior to July 1, 2013 by funding prior service with a contribution of \$25 times the number of pay-periods employed since December 23, 1999 plus \$3,000 for each year of employment for the City Manager and Department Head positions and \$500 for each year of employment for all other full-time employees.

The City is currently making monthly payments according to terms and limitations of the Municipal Employees' Retirement System of Michigan (MERS) Healthcare Savings Program. Total payments for July 1, 2019 to June 30, 2020 equaled \$40,196.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2020 was as follows:

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2020</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,572,172	\$	\$	\$ 1,572,172
Construction in progress	103,500	79,500		183,000
Subtotal	<u>1,675,672</u>	<u>79,500</u>		<u>1,755,172</u>
Capital assets being depreciated:				
Roads and sidewalks	13,104,295	70,493		13,174,788
Building and improvements	1,419,400	9,399		1,428,799
Vehicles, furniture and equipment	3,193,589	66,288		3,259,877
Subtotal	<u>17,717,284</u>	<u>146,180</u>		<u>17,863,464</u>
Less accumulated depreciation for:				
Roads and sidewalks	(4,830,516)	(289,775)		(5,120,291)
Building and improvements	(553,067)	(26,050)		(579,117)
Vehicles, furniture and equipment	(2,233,447)	(196,507)		(2,429,954)
Less accumulated depreciation	<u>(7,617,030)</u>	<u>(512,332)</u>		<u>(8,129,362)</u>
Net capital assets being depreciated	<u>10,100,254</u>	<u>(366,152)</u>		<u>9,734,102</u>
Net capital assets	<u>\$ 11,775,926</u>	<u>\$ (286,652)</u>	<u>\$</u>	<u>11,489,274</u>
Related long-term debt outstanding at June 30, 2020				<u>(595,000)</u>
Governmental capital assets, net of related long-term debt				<u>\$ 10,894,274</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$	43,755
Public safety		114,496
Public works		351,785
Recreation and culture		2,296
	\$	512,332

Capital asset activity in the business-type activities for the year ended June 30, 2020 was as follows:

	Balance 7/1/2019	Additions	Deletions	Reclass	Balance 6/30/2020
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 216,356	\$ 760,176	\$	\$ (976,532)	\$
Capital assets being depreciated:					
Water systems	2,710,234			976,532	3,686,766
Sewer systems	12,425,302				12,425,302
Total capital assets being depreciated	15,135,536			976,532	16,112,068
Less accumulated depreciation for:					
Water systems	(2,389,087)	(62,414)			(2,451,501)
Sewer systems	(9,348,856)	(247,926)			(9,596,782)
Total accumulated depreciation	(11,737,943)	(310,340)			(12,048,283)
Net capital assets being depreciated	3,397,593	(310,340)		976,532	4,063,785
Business-type capital assets, net	\$ 3,613,949	\$ 449,836	\$	\$	\$ 4,063,785

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, 2020

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2020 was as follows:

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2020</u>
Component unit activities:				
Capital assets not being depreciated:				
Construction in progress	\$	\$ 88,917	\$	\$ 88,917
Capital assets being depreciated:				
Street lighting and road improvements	865,621	20,741		886,362
Furniture and equipment	372,592			372,592
Books, periodicals and materials	247,469	36,927	(61,925)	222,471
Subtotal	<u>1,485,682</u>	<u>57,668</u>	<u>(61,925)</u>	<u>1,481,425</u>
Less accumulated depreciation	<u>(756,989)</u>	<u>(79,704)</u>	<u>59,671</u>	<u>(777,022)</u>
Net capital assets being depreciated	<u>728,693</u>	<u>(22,036)</u>	<u>(2,254)</u>	<u>704,403</u>
Net capital assets	<u>\$ 728,693</u>	<u>\$ 66,881</u>	<u>\$ (2,254)</u>	<u>\$ 793,320</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 48,084
Library	<u>31,620</u>
	<u>\$ 79,704</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - LONG-TERM DEBT

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

General Obligations

Description	Amount
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	\$ 195,000
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	400,000
Total of general obligations	\$ 595,000

Accrued Compensated Absences

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

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

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020	Due within one year
Governmental Activities					
General obligation bonds	\$ 770,000	\$	\$ 175,000	\$ 595,000	\$ 200,000
Accumulated compensated absences	150,398	7,981	85,779	72,600	64,619
Total general obligations	\$ 920,398	\$ 7,981	\$ 260,779	\$ 667,600	\$ 264,619

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

	Governmental Activities		
	Principal	Interest	Total
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
Total	\$ 595,000	\$ 56,294	\$ 651,294

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The City's deposits are in accordance with statutory authority.

The City investment policy adopted in accordance with Public Act 196 of 1997 has authorization to place funds in all of the investments mentioned in the preceding paragraph.

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>	<u>Percent</u>
Deposits					
Checking accounts	\$ 732,842	\$ 402,732	\$ 2,444,752	\$ 3,580,326	73.2%
Money market and savings accounts	1,035,060		10,689	1,045,749	21.4%
Non-negotiable CD's	265,208			265,208	5.4%
Total deposits	<u>2,033,110</u>	<u>402,732</u>	<u>2,455,441</u>	<u>4,891,283</u>	<u>100.0%</u>
Investments					
Cash balance at brokerage	61			61	0.0%
Money Market Funds	109,512			109,512	45.9%
External investment pool	128,937			128,937	54.0%
Government bonds	188			188	0.1%
Total investments	<u>238,698</u>			<u>238,698</u>	<u>100.0%</u>
Total deposits and investments	<u>\$ 2,271,808</u>	<u>\$ 402,732</u>	<u>\$ 2,455,441</u>	<u>\$ 5,129,981</u>	

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Position				
Cash, cash equivalents, and investments	\$ 2,262,758	\$ 1,560	\$ 2,455,441	\$ 4,719,759
Fiduciary Funds				
Cash	378,739			378,739
Total cash, cash equivalents, and investments	<u>\$ 2,641,497</u>	<u>\$ 1,560</u>	<u>\$ 2,455,441</u>	<u>\$ 5,098,498</u>

The carrying amount of cash and investments reported in the financial statements is \$5,098,498. 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, deposits in transit, and accrued interest.

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, 2020

NOTE 9 - DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risk

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

Deposits

As of June 30, 2020, deposits in banks totaled \$4,891,283, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 991,081
Uninsured and uncollateralized	<u>3,900,202</u>
	<u>\$ 4,891,283</u>

Investments

As of June 30, 2020, investments totaled \$238,698, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 61
Insured by SIPC	<u>109,700</u>
	<u>\$ 109,761</u>

The investments in external investment pools are not issued in securities form and are therefore not subject to custodial credit risk disclosures. The amount invested in an external investment pool is \$128,937.

Credit Risk - Investments

Credit Risk is the possibility that institution(s) in which an investment is being held could fail. The City's investment policy limits investment to those authorized by Public Act 20 of 1943. Commercial paper must be rated within the two (2) highest classifications established by not less than two (2) standard ratings services. The investments in external investment pools, investments in mutual funds, and investments issued or explicitly guaranteed by the U.S. government are not subject to concentration of credit risk. At year-end the City had no investments that were exposed to credit risk.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 - DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk - Investments

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

The City has \$128,937 in investment pools that meet the definition of a 2a7 - like pool. These investments are not subject to interest rate risk.

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

Investment Type	Total	Investment Maturities (in years)	
		Less than 5	5-10 years
Government Securities	\$ 188	\$	\$ 188
Money Market Fund	109,512	109,512	
Total	\$ 109,700	\$ 109,512	\$ 188

Concentration of Credit Risk

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

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - GASB 77 - TAX ABATEMENTS

The City has a court ordered abatement involving the Walled Lake Villa Mid-Rise Building reducing their tax liability to a 'payment in lieu' of tax amount that is a percentage of collected rents. This judgment lasts until the mortgage held by the State of Michigan Housing Development Authority is paid in full. For the fiscal year ended June 30, 2020, the taxes abated under this program totalled \$21,153.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 9, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) as a global health pandemic and recommended containment and mitigation measures worldwide. The State of Michigan implemented the Stay Home, Stay Safe initiative on March 23, 2020, in which non-essential businesses were ordered to close and residents encouraged to stay home.

The City is assessing the impact of this pandemic and the subsequent containment measures. Management has determined that the City does not have any other material recognizable or non-recognizable events.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 13 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

During May, 2014, the FASB issued "Accounting Standards Update" (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services. During August, 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect reorganized as of the date of initial application. The aforementioned ASU's are codified as "Accounting Standards Codification" (ASC) Topic 606 "Revenue from Contracts with Customers."

Under ASU 2014-09, revenue is recorded when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the City has satisfied the applicable performance obligation(s). The expenses that are directly related to such transactions are recorded as incurred and presented within operating expenses. Revenue associated with the reimbursement of such expenses is recorded when the City is contractually entitled to the reimbursement.

The Governmental Accounting Standards Board (GASB) issued Standard No. 84 "Fiduciary Activities" to establish criteria for identifying fiduciary activities for all state and local governments. Activities meeting the criteria for a fiduciary activity should be presented in a separate statement of fiduciary net position and statement of changes in fiduciary net position. The standard establishes four types of fiduciary funds: pension and other employment benefit trust funds, investment trust funds, private purpose trust funds, and custodial funds.

The City adopted ASU 2014-09 on July 1, 2019. GASB 84 is to be implemented beginning July 1, 2020.

NOTE 14 - UPCOMING GASB PRONOUNCEMENTS

GASB 87 - LEASES

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases to improve the accounting and financial reporting of leases by governments. This standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. This standard will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources. The standard was originally required to be implemented for the statements for the year ended June 30, 2021. However, the Governmental Accounting Standards Board released GASB Standard No. 95, extending the implementation date of this standard by 18 months, requiring the standard to be implemented for the City's statements for the year ended June 30, 2023. The City is currently assessing the impact that this Standard will have on its financial statements.

OTHER GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Standard No. 88 Certain Disclosures Related to Debt, No. 89 Accounting for Interest Costs Incurred Before the End of a Construction Period, No. 90 Majority Equity Interests and No. 91 Conduit Debt Obligations with implementation dates beginning with fiscal years ending June 30, 2021 and thereafter. The City has considered these standards and does not believe they will have any impact on its financial statements.

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, 2020**

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
REVENUES				
Property taxes	\$ 3,511,800	\$ 3,511,800	\$ 3,540,865	\$ 29,065
Fines and forfeitures	25,500	25,500	24,997	(503)
State sources	692,500	692,500	689,984	(2,516)
Licenses and permits	10,300	10,300	25,785	15,485
Other proceeds	265,260	265,260	298,710	33,450
Building and zoning permits	133,000	133,000	100,584	(32,416)
Recreation and culture	2,000	2,000	1,879	(121)
Grant income	34,700	34,700	40,044	5,344
Charges for services	46,750	46,750	77,699	30,949
Other local government	11,900	11,900	4,747	(7,153)
Interest	9,500	9,500	11,883	2,383
Interfund charge for service	518,611	518,611	511,301	(7,310)
Total revenues	<u>5,261,821</u>	<u>5,261,821</u>	<u>5,328,478</u>	<u>66,657</u>
EXPENDITURES				
Legislative	6,675	6,675	2,915	3,760
City administration	438,255	614,265	581,887	32,378
Public services	1,646,811	1,405,741	1,354,855	50,886
Public safety	3,044,247	3,195,317	3,178,156	17,161
Capital outlay	100,000	101,440	97,831	3,609
Total expenditures	<u>5,235,988</u>	<u>5,323,438</u>	<u>5,215,644</u>	<u>107,794</u>
Excess of revenue over (under) expenditures	<u>25,833</u>	<u>(61,617)</u>	<u>112,834</u>	<u>174,451</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	5,000	5,000	14,500	9,500
Transfer in	9,449	9,449	5,044	(4,405)
Transfer (out)	(36,313)	(36,313)	(35,113)	1,200
Total other financing sources (uses)	<u>(21,864)</u>	<u>(21,864)</u>	<u>(15,569)</u>	<u>6,295</u>
Net change in fund balance	3,969	(83,481)	97,265	180,746
FUND BALANCE, JULY 1, 2019	<u>1,458,110</u>	<u>1,458,110</u>	<u>1,458,110</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 1,462,079</u>	<u>\$ 1,374,629</u>	<u>\$ 1,555,375</u>	<u>\$ 180,746</u>

CITY OF WALLED LAKE

MAJOR ROAD FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
State sources - roads	\$ 400,000	\$ 400,000	\$ 446,751	\$ 46,751
Interest			1,814	1,814
Total revenues	400,000	400,000	448,565	48,565
EXPENDITURES				
Public works	322,223	322,223	194,305	127,918
Total expenditures	322,223	322,223	194,305	127,918
Excess of revenue over (under) expenditures	77,777	77,777	254,260	176,483
OTHER FINANCING SOURCES (USES)				
Transfer (out)	(100,000)	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	
Net change in fund balance	(22,223)	(22,223)	154,260	176,483
FUND BALANCE, JULY 1, 2019	444,518	444,518	444,518	
FUND BALANCE, JUNE 30, 2020	\$ 422,295	\$ 422,295	\$ 598,778	\$ 176,483

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions

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

	For the Plan Year Ended December 31,				
	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 733,780	\$ 883,776	\$ 839,587	\$ 512,898	\$ 385,001
Contributions in relation to the actuarial determined contribution	<u>733,780</u>	<u>883,776</u>	<u>859,587</u>	<u>512,898</u>	<u>385,001</u>
Contribution (deficiency) excess	<u>\$</u>	<u>\$</u>	<u>\$ 20,000</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	<u>\$ 1,579,697</u>	<u>\$ 1,408,639</u>	<u>\$ 1,577,339</u>	<u>\$ 1,420,690</u>	<u>\$ 1,336,356</u>
Contributions as a percentage of covered payroll	<u>46.45%</u>	<u>62.74%</u>	<u>54.50%</u>	<u>36.10%</u>	<u>28.81%</u>

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	Unfunded accrued liability - 23 years
	Gain/(loss) on investments - 22 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Normal - Age 60
	Early - Varies by division. See Note 4 in Notes To Financial Statements

Previous Actuarial Methods and Assumptions

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

A 8.00% assumed investment rate of return, 3.50% rate of inflation, 4.50% assumed salary increases, and 7.75% investment rate of return were used through 2014.

CITY OF WALLED LAKE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	For the Plan Year Ended December 31,				
	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	\$ 176,704	\$ 160,746	\$ 183,020	\$ 152,357	\$ 132,765
Interest	1,134,676	1,163,046	1,105,519	1,063,470	994,968
Changes in benefit terms					
Differences between expected and actual experience	204,807	(47,194)	323,729	170,459	289,393
Changes of assumptions	615,209				680,796
Benefit payments, including refunds of employee contributions	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)
Other	59,717	1			
Net change in total pension liability	1,290,856	391,431	733,358	513,158	1,221,926
TOTAL PENSION LIABILITY - BEGINNING	15,291,706	14,900,275	14,166,917	13,653,759	12,431,833
TOTAL PENSION LIABILITY - ENDING	\$ 16,582,562	\$ 15,291,706	\$ 14,900,275	\$ 14,166,917	\$ 13,653,759
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 733,780	\$ 883,776	\$ 859,587	\$ 512,898	\$ 456,209
Contributions - employee	82,543	80,988	82,905	71,494	72,984
Net investment income	621,074	(192,425)	538,984	436,176	(62,071)
Benefit payments, including refunds of employee contributions	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)
Administrative expenses	(10,688)	(9,338)	(9,270)	(8,887)	(9,370)
Other		(250)			
Net change in plan fiduciary net position	526,452	(122,417)	593,296	138,553	(418,244)
PLAN FIDUCIARY NET POSITION - BEGINNING	4,634,091	4,756,508	4,163,212	4,024,659	4,442,903
PLAN FIDUCIARY NET POSITION - ENDING	\$ 5,160,543	\$ 4,634,091	\$ 4,756,508	\$ 4,163,212	\$ 4,024,659
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 11,422,019	\$ 10,657,615	\$ 10,143,767	\$ 10,003,705	\$ 9,629,100
Plan fiduciary net position as a percentage of the total pension liability	31.12%	30.30%	31.92%	29.39%	29.48%
Covered employee payroll	\$ 1,579,697	\$ 1,577,339	\$ 1,420,690	\$ 1,336,356	\$ 1,197,308
Net pension liability as a percentage of covered employee payroll	723.05%	675.67%	714.00%	748.58%	804.23%

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, 2020**

	<u>For the Fiscal Year Ended June 30, 2020</u>	<u>For the Fiscal Year Ended June 30, 2019</u>	<u>For the Fiscal Year Ended June 30, 2018</u>
Actuarially determined employer contribution			
Service cost with interest to June 30	\$ 49,479	\$ 66,539	\$
Amortization of unfunded liability with interest to June 30	1,649,315	1,719,354	162,988
Actuarially determined employer contribution	1,698,794	1,785,893	162,988
Employer contribution	74,648	75,715	201,739
Contribution deficiency/(excess)	<u>\$ 1,624,146</u>	<u>\$ 1,710,178</u>	<u>\$ (38,751)</u>
Covered employee payroll	\$	\$	\$
Employer contributions as a percentage of covered payroll	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

Notes to the Schedule of Employer Contributions

Valuation Date:

June 30, 2020

Measurement Date:

June 30, 2020

Actuarial Methods:

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

Actuarial Assumptions:

Discount rate - 3.0% for June 30, 2020 liability and 2021 contribution

Rationale - Based on 20-year Aa Municipal bond rate

Salary scale - N/A

Rationale - Consistent with Uniform Assumptions under Public Act 202

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

Mortality rates:

Public Safety - Public Safety 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement.

Spouses and General employees - Public General 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement.

Rationale - Most current mortality rates available for municipalities.

Turnover rates - N/A

Rationale - All participants are terminated or retired

Retirement rates - Age 62

Rationale - Consistent with experience

Marital assumption - actual spouse data used

Rationale - Consistent with experience

CITY OF WALLED LAKE

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2020

Notes to the Schedule of Employer Contributions - continued

Coverage election - 80% of terminated vested employees reported
Rationale - Consistent with experience

Per capita claims costs - actual retiree premium amounts, see sample rates below
Rationale - Actual 2020 monthly premiums

Coverage	Single	Dual
Medical, Pre-65	\$748.23	\$1,795.75
Medical, Post-65	495.00	990.00
Dental	35.30	66.55
Vision	7.79	14.79

Trend rates:

Pre-65 medical: 8.5% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%;
Post-65 medical: 7.0% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%;
Dental and vision: 4.0% per annum

Rationale - Based on market expectations for increases in the cost of care and consistent with Uniform Assumptions under Public Act 202

Implicit subsidy - N/A

Rationale - Separate coverage for retired participants

40% excise tax on "high cost" group health coverage - In the aggregate, monthly premiums are not projected to exceed the 2022 thresholds; The thresholds were indexed by CPI plus 1% in 2023 and CPI only beginning in 2024; The CPI is assumed to be 3% in 2023 and following.

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

Assumption changes since prior valuation

This valuation illustrates the effect of two assumption changes from the prior valuation by the prior service provider; the effect of any other assumption changes from that prior report would fall under experience gains/losses: • Discount rate changed from 3.87% to 3.00% • Actual per capita claims costs valued, rather than the maximum stipend.

CITY OF WALLED LAKE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 DEFINED BENEFIT OPEB PLAN
 JUNE 30, 2020

	For the Plan Year Ended June 30, 2020	For the Plan Year Ended June 30, 2019	For the Plan Year Ended June 30, 2018
TOTAL OPEB LIABILITY			
Service cost	\$	\$	\$
Interest	48,359	65,074	114,193
Changes in plan terms			(453,886)
Differences between expected and actual experience	(675)	298,567	(86,017)
Changes of assumptions	53,887	(357,965)	(704,797)
Benefit payments, including refunds of employee contributions	(74,648)	(75,715)	(201,739)
Net change in total OPEB liability	26,923	(70,039)	(1,332,246)
TOTAL OPEB LIABILITY - BEGINNING	1,649,315	1,719,354	3,051,600
TOTAL OPEB LIABILITY - ENDING	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
PLAN FIDUCIARY NET POSITION			
Contributions to OPEB trust	\$	\$	\$
Contributions/benefit payments made from general operating funds	74,648	75,715	193,071
Net investment income			
Benefit payments, including refunds of employee contributions	(74,648)	(75,715)	(201,739)
Administrative expenses			
Other			
Net change in fiduciary net position			(8,668)
PLAN FIDUCIARY NET POSITION, BEGINNING			8,668
PLAN FIDUCIARY NET POSITION, ENDING	\$	\$	\$
NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$	\$	\$
Net OPEB liability (asset) as a percentage of covered employee payroll	0.00%	0.00%	0.00%

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

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2020

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	
ASSETS				
Cash and investments	\$ 169,511	\$ 292,328	\$ 185,714	\$ 647,553
Accounts receivable :				
Other governments	23,666			23,666
Accounts			5,264	5,264
Inventory	31,259			31,259
Total assets	<u>\$ 224,436</u>	<u>\$ 292,328</u>	<u>\$ 190,978</u>	<u>\$ 707,742</u>
LIABILITIES				
Accounts payable	\$	\$ 4,405	\$ 11,038	\$ 15,443
FUND BALANCE				
Non-spendable	31,259			31,259
Restricted				
Road improvement	193,177			193,177
Transportation			179,940	179,940
Federal drug forfeiture		279,425		279,425
State drug forfeiture		8,498		8,498
Total fund balance	<u>224,436</u>	<u>287,923</u>	<u>179,940</u>	<u>692,299</u>
Total liabilities and fund balance	<u>\$ 224,436</u>	<u>\$ 292,328</u>	<u>\$ 190,978</u>	<u>\$ 707,742</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	SPECIAL REVENUE FUNDS				Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	Debt Service Fund	
REVENUES					
State sources - roads	\$ 204,498	\$	\$	\$	\$ 204,498
Charges for services			22,478		22,478
Fines and forfeits		41,779			41,779
Interest	362	1,299	518		2,179
Other		3,957			3,957
Total revenues	204,860	47,035	22,996		274,891
EXPENDITURES					
Public safety		78,029			78,029
Public works	120,382				120,382
Transportation services			26,339		26,339
Debt service					
Principal				175,000	175,000
Interest and fees				30,327	30,327
Capital outlay					
Public safety		29,781			29,781
Public works	59,993				59,993
Total expenditures	180,375	107,810	26,339	205,327	519,851
Excess of revenues over (under) expenditures	24,485	(60,775)	(3,343)	(205,327)	(244,960)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets		14,439			14,439
Transfers in	100,000			205,327	305,327
Transfers (out)	(98,925)				(98,925)
Total other financing sources (uses)	1,075	14,439		205,327	220,841
Net changes in fund balances	25,560	(46,336)	(3,343)		(24,119)
FUND BALANCE, JULY 1, 2019	198,876	334,259	183,283		716,418
FUND BALANCE, JUNE 30, 2020	\$ 224,436	\$ 287,923	\$ 179,940	\$	\$ 692,299

CITY OF WALLED LAKE
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Total Agency Funds
ASSETS				
Cash and investments	\$ 304,887	\$ 559	\$ 73,293	\$ 378,739
Accounts receivable	5,325			5,325
Total assets	\$ 310,212	\$ 559	\$ 73,293	\$ 384,064
LIABILITIES				
Accounts payable/performance deposits	\$ 310,212	\$	\$ 73,293	\$ 383,505
Due to other funds		559		559
Total liabilities	\$ 310,212	\$ 559	\$ 73,293	\$ 384,064