



REPORT ON AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**City of Walled Lake,
Michigan**



CITY OF WALLED LAKE

CITY COUNCIL

Linda S. Ackley, Mayor, MPA
Casey Ambrose, Mayor Pro Tem
Mindy Fernandes, Council Member
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
Chelsea Pesta, Assistant City Manager/Finance Director, MPA, CMC, MiPMC II
Hana Jaquays, Confidential Assistant, MPA
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, BBA, MiPMC

LEGAL COUNSEL

Vahan C. Vanerian, Esq.

CITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 7, 2021

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, 2021, 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, 2021, 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 54 - 60 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, 2021

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, 2021 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 \$8,221,502. This is a \$2,983,804 increase (a combination of changes in net position of \$737,273 and a prior period adjustment of \$2,246,531) over last year's net position of \$5,237,698. The City continues its tight fiscal policies of limited staffing and its focus on infrastructure and capital equipment. Council advanced several major capital improvement projects to fiscal year end 2021, including the parking lot at 1275 E. West Maple and purchase of a Fire Engine for \$565,000. The Fire Engine purchase saved the taxpayers approximately \$100,000 because the City had the cash available to purchase another city's cancelled order. Funds were also spent on other road projects and police and DPW vehicles.

In the prior year, the administration applied for and was awarded an Oakland County Federal Aid Grant of over \$1 million for the rehabilitation of Decker Road. The project is currently scheduled to begin in Fiscal Year 2022.

The Downtown Development Authority (DDA) continues to focus on capital improvements. Engineering plans have been finalized for the downtown stormwater and water run-off erosion issues and the project is out for bid.

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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Assets								
Current and other assets	\$ 3,316,303	\$ 2,716,226	\$ 2,927,065	\$ 219,458	\$ 6,243,368	\$ 2,935,684	\$ 2,833,610	\$ 2,487,548
Capital assets	11,839,774	11,489,274	3,745,740	4,063,785	15,585,514	15,553,059	1,930,911	793,320
Total assets	<u>15,156,077</u>	<u>14,205,500</u>	<u>6,672,805</u>	<u>4,283,243</u>	<u>21,828,882</u>	<u>18,488,743</u>	<u>4,764,521</u>	<u>3,280,868</u>
Deferred outflow of resources								
Pension activities	571,048	823,428			571,048	823,428		
Liabilities								
Other liabilities	401,101	98,859	398,498	474,376	799,599	573,235	1,142,952	17,249
Long-term liabilities	12,970,829	13,501,238			12,970,829	13,501,238		
Total liabilities	<u>13,371,930</u>	<u>13,600,097</u>	<u>398,498</u>	<u>474,376</u>	<u>13,770,428</u>	<u>14,074,473</u>	<u>1,142,952</u>	<u>17,249</u>
Deferred inflow of resources								
Pension activities	408,000				408,000			
Net position								
Invested in capital assets, net of related debt	11,444,774	10,894,274	3,745,740	4,063,785	15,190,514	14,958,059	1,930,911	793,320
Restricted	1,263,757	1,259,818			1,263,757	1,259,818	1,676,645	2,453,787
Unrestricted	(10,761,336)	(10,725,261)	2,528,567	(254,918)	(8,232,769)	(10,980,179)	14,013	16,512
Total net position	<u>\$ 1,947,195</u>	<u>\$ 1,428,831</u>	<u>\$ 6,274,307</u>	<u>\$ 3,808,867</u>	<u>\$ 8,221,502</u>	<u>\$ 5,237,698</u>	<u>\$ 3,621,569</u>	<u>\$ 3,263,619</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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Revenues								
Program revenues								
Charges for services	\$ 875,146	\$ 804,623	\$ 3,154,006	\$ 768,074	\$ 4,029,152	\$ 1,572,697	\$ 16,531	\$ 20,925
Operating grants and contributions	268,618	41,923	564,646	109,299	833,264	151,222	43,247	6,289
General revenues								
State revenue sources	1,496,438	1,341,233			1,496,438	1,341,233	25,832	40,582
Property taxes	3,724,555	3,540,919			3,724,555	3,540,919	1,152,843	1,104,517
Interest	713	15,876	7,138	2,361	7,851	18,237	2	7,538
Other	355,454	336,353	5,881		361,335	336,353		12,113
Total revenues	<u>6,720,924</u>	<u>6,080,927</u>	<u>3,731,671</u>	<u>879,734</u>	<u>10,452,595</u>	<u>6,960,661</u>	<u>1,238,455</u>	<u>1,191,964</u>
Program Expenses								
General government	1,530,530	1,727,587			1,530,530	1,727,587		
Public safety	3,778,631	3,885,867			3,778,631	3,885,867		
Public works/roads	811,028	896,755			811,028	896,755		
Transportation	17,147	26,339			17,147	26,339		
Recreation	120,835	155,562			120,835	155,562		
Interest on long-term debt	23,578	28,504			23,578	28,504		
Refuse/utility systems			3,433,573	737,878	3,433,573	737,878		
Library/community development							880,505	826,169
Total expenses	<u>6,281,749</u>	<u>6,720,614</u>	<u>3,433,573</u>	<u>737,878</u>	<u>9,715,322</u>	<u>7,458,492</u>	<u>880,505</u>	<u>826,169</u>
Excess before transfers	439,175	(639,687)	298,098	141,856	737,273	(497,831)	357,950	365,795
Transfers, net	<u>79,189</u>	<u>76,333</u>	<u>(79,189)</u>	<u>(76,333)</u>				
Changes in net position	518,364	(563,354)	218,909	65,523	737,273	(497,831)	357,950	365,795
Beginning net position	1,428,831	1,992,185	3,808,867	3,743,344	5,237,698	5,735,529	3,263,619	2,897,824
Prior period adjustment			2,246,531		2,246,531			
Ending net position	<u>\$ 1,947,195</u>	<u>\$ 1,428,831</u>	<u>\$ 6,274,307</u>	<u>\$ 3,808,867</u>	<u>\$ 8,221,502</u>	<u>\$ 5,237,698</u>	<u>\$ 3,621,569</u>	<u>\$ 3,263,619</u>

Financial Analysis of the City's Funds

The City has contained the legacy debt for retirement benefits to those benefits offered before 2010. All current employee benefits are paid in full as incurred and no additional debt is being added. During the prior fiscal year, both the police & command and the fire divisions were closed. All new hires are now placed in a division with a lower multiplier, yielding a reduction in liabilities. The fiscal year closed with 18 years remaining to pay off the \$11.4 million net pension liability. \$836,500 (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. The City's water loss is now a respectable 14%.

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 spent \$1,869,156 on capital assets during the year. Most of the acquisitions were related to roads, sidewalks, equipment, etc.

Debt service payments of \$224,232 for two outstanding bond issues included principal reduction of \$200,000 and interest payments of \$24,232. 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 2019, voters re-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.

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.

The City will receive \$746,705 in American Rescue Plan Act funds and is exploring the best use of those funds.

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, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 2,804,485	\$ 1,377,799	\$ 4,182,284	\$ 2,803,338
Receivables				
Taxes	36,313		36,313	14,013
Other governments	255,967	191,884	447,851	15,419
Accounts	56,744	1,330,009	1,386,753	840
Inventory	41,020		41,020	
Prepaid expenses	121,774	27,373	149,147	
Capital assets, not being depreciated				
Non-depreciated	1,782,663		1,782,663	1,226,616
Depreciated, net	10,057,111	3,745,740	13,802,851	704,295
Total assets	15,156,077	6,672,805	21,828,882	4,764,521
DEFERRED OUTFLOWS OF RESOURCES				
Pension activities	571,048		571,048	
LIABILITIES				
Accounts payable	113,176	363,498	476,674	1,136,329
Accrued wages	82,218		82,218	5,188
Accrued interest payable	5,859		5,859	
Performance deposits	11,050		11,050	
Intergovernmental	(35,000)	35,000		
Non-current liabilities				
Due within one year:				
Compensated absences	28,798		28,798	1,435
Current portion of long-term debt	195,000		195,000	
Due in more than one year:				
Compensated absences	59,849		59,849	
Long-term debt	200,000		200,000	
Net pension liability	11,116,428		11,116,428	
Other post-employment benefit liability	1,594,552		1,594,552	
Total liabilities	13,371,930	398,498	13,770,428	1,142,952
DEFERRED INFLOWS OF RESOURCES				
Pension activities	408,000		408,000	
NET POSITION				
Invested in capital assets, net of related debt	11,444,774	3,745,740	15,190,514	1,930,911
Restricted	1,263,757		1,263,757	1,676,645
Unrestricted	(10,761,336)	2,528,567	(8,232,769)	14,013
Total net position	\$ 1,947,195	\$ 6,274,307	\$ 8,221,502	\$ 3,621,569

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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES							
General government	\$ (1,530,530)	\$ 812,780	\$ 251,406	\$ (466,344)	\$	\$ (466,344)	\$
Public safety	(3,778,631)	38,505	13,060	(3,727,066)		(3,727,066)	
Public works/roads	(811,028)			(811,028)		(811,028)	
Transportation	(17,147)	23,861		6,714		6,714	
Recreation	(120,835)		4,152	(116,683)		(116,683)	
Interest and fees on long-term debt	(23,578)			(23,578)		(23,578)	
Total governmental activities	<u>(6,281,749)</u>	<u>875,146</u>	<u>268,618</u>	<u>(5,137,985)</u>		<u>(5,137,985)</u>	
BUSINESS-TYPE ACTIVITIES							
Refuse	(344,089)	331,282			(12,807)	(12,807)	
Water/sewer system	(3,089,484)	2,822,724	564,646		297,886	297,886	
Total business-type activities	<u>(3,433,573)</u>	<u>3,154,006</u>	<u>564,646</u>		<u>285,079</u>	<u>285,079</u>	
Total primary government	<u>\$ (9,715,322)</u>	<u>\$ 4,029,152</u>	<u>\$ 833,264</u>	<u>(5,137,985)</u>	<u>285,079</u>	<u>(4,852,906)</u>	
COMPONENT UNITS							
Downtown Development Authority	\$ (559,990)	\$	\$				(559,990)
Walled Lake City Library	(320,515)	16,531	43,247				(260,737)
Total component units	<u>\$ (880,505)</u>	<u>\$ 16,531</u>	<u>\$ 43,247</u>				<u>(820,727)</u>
General revenues							
Property taxes				3,724,555		3,724,555	1,152,843
State revenues sources				1,496,438		1,496,438	25,832
Interest income				713	7,138	7,851	2
Franchise fees				207,154		207,154	
Rental income - cell tower				45,469		45,469	
Other income				94,063	5,881	99,944	
Gain (loss) on sale of assets				8,768		8,768	
Total general revenues				<u>5,577,160</u>	<u>13,019</u>	<u>5,590,179</u>	<u>1,178,677</u>
Change before transfers				<u>439,175</u>	<u>298,098</u>	<u>737,273</u>	<u>357,950</u>
Other financing sources							
Transfers in				79,189		79,189	
Transfers (out)					(79,189)	(79,189)	
Total transfers				<u>79,189</u>	<u>(79,189)</u>		
Changes in net position				<u>518,364</u>	<u>218,909</u>	<u>737,273</u>	<u>357,950</u>
Net position, July 1, 2020				<u>1,428,831</u>	<u>3,808,867</u>	<u>5,237,698</u>	<u>3,263,619</u>
Prior period adjustment					<u>2,246,531</u>	<u>2,246,531</u>	
Net position, June 30, 2021				<u>\$ 1,947,195</u>	<u>\$ 6,274,307</u>	<u>\$ 8,221,502</u>	<u>\$ 3,621,569</u>

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

FUND FINANCIAL STATEMENTS

CITY OF WALLED LAKE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS				
Cash, cash equivalents, and investments	\$ 1,587,717	\$ 660,935	\$ 555,833	\$ 2,804,485
Receivables				
Taxes	36,313			36,313
Other governments	144,943	80,479	30,545	255,967
Accounts	44,253		11,932	56,185
Due from other funds	85,559			85,559
Inventory			41,020	41,020
Prepaid expenditures	121,774			121,774
Total assets	<u>\$ 2,020,559</u>	<u>\$ 741,414</u>	<u>\$ 639,330</u>	<u>\$ 3,401,303</u>
LIABILITIES				
Accounts payable	\$ 86,369	\$ 5,149	\$ 20,818	\$ 112,336
Accrued payroll	82,218			82,218
Compensated absences	28,798			28,798
Performance deposits	11,050			11,050
Due to other funds	840		50,000	50,840
Total liabilities	<u>209,275</u>	<u>5,149</u>	<u>70,818</u>	<u>285,242</u>
DEFERRED INFLOW OF RESOURCES				
Unearned revenue	29,123			29,123
FUND BALANCE				
Nonspendable: Prepaid Items	121,774			121,774
Inventory			41,020	41,020
Restricted: Road Improvements		736,265	285,892	1,022,157
Transportation			186,654	186,654
Federal drug forfeiture			46,448	46,448
State drug forfeiture			8,498	8,498
Unassigned	1,660,387			1,660,387
Total fund balances	<u>1,782,161</u>	<u>736,265</u>	<u>568,512</u>	<u>3,086,938</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 2,020,559</u>	<u>\$ 741,414</u>	<u>\$ 639,330</u>	<u>\$ 3,401,303</u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Total fund balance per balance sheet		\$ 3,086,938
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Non-depreciated assets	\$ 1,782,663	
Depreciable assets, net of depreciation	<u>10,057,111</u>	
Capital assets net of depreciation		11,839,774
Pension related activities are not a consumption of current resources and therefore are reported as deferred outflow (inflow) of resources in the Statement of Net Position		
Investments in excess of projection returns	(190,537)	
Differences in actuarial assumptions to actual	153,070	
Differences in actuarial experience to actual	(217,463)	
Contributions subsequent to measurement date	<u>417,978</u>	
Total		163,048
Pension liabilities, net of pension plan fiduciary net position, are not due and payable in the current period and are not reported in the fund financial statements		
Net pension liability		(11,116,428)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Long-term bonds and installment notes	(395,000)	
Compensated absences	(59,849)	
Other post-employment benefits	<u>(1,594,552)</u>	
Total		(2,049,401)
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities		
		29,123
Accrued interest is not due and payable in the current period and is not reported in the funds		
		<u>(5,859)</u>
Net position of governmental activities		<u><u>\$ 1,947,195</u></u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO STATEMENT OF NET POSITION
OF COMPONENT UNITS - DDA AND LIBRARY
JUNE 30, 2021**

DDA	
Fund balance per balance sheet for DDA component unit	\$ 1,372,557
Amounts reported in the DDA component unit Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Non-depreciated assets	\$ 1,226,616
Depreciable assets, net of depreciation	542,886
Capital assets net of depreciation	1,769,502
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	
	11,481
Net position of DDA component unit	\$ 3,153,540
LIBRARY	
Fund balance per balance sheet for Library component unit	\$ 304,088
Amounts reported in the Library component unit Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Depreciable assets, net of depreciation	161,409
Revenues receivable that were not collected within 60 days of year-end are realized in the Statement of Activities.	
	2,532
Net position of Library component unit	\$ 468,029

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, 2021**

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
REVENUES				
Taxes	\$ 3,729,748	\$	\$	\$ 3,729,748
State sources - general government	778,915			778,915
State sources - roads		491,504	226,019	717,523
Grant income	264,466			264,466
Licenses and permits	207,154			207,154
Recreation and culture	4,152			4,152
Building and zoning permits	218,855			218,855
Charges for services - interfund	514,993			514,993
Charges for services	78,932		23,861	102,793
Fines and forfeitures	23,068		15,437	38,505
Interest	683		30	713
Other	129,932		9,600	139,532
Total revenues	<u>5,950,898</u>	<u>491,504</u>	<u>274,947</u>	<u>6,717,349</u>
EXPENDITURES				
Current:				
General government	1,442,780			1,442,780
Public safety	3,324,554		92,862	3,417,416
Public works	209,450	140,264	128,251	477,965
Transportation services			17,147	17,147
Recreation and culture	117,921			117,921
Debt service:				
Principal			200,000	200,000
Interest/fees			24,482	24,482
Capital outlay:				
Public safety	565,000		183,486	748,486
Public works	39,239	13,753	75,167	128,159
Total expenditures	<u>5,698,944</u>	<u>154,017</u>	<u>721,395</u>	<u>6,574,356</u>
Excess of revenues over (under) expenditures	<u>251,954</u>	<u>337,487</u>	<u>(446,448)</u>	<u>142,993</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets			18,304	18,304
Transfers in	9,618		424,482	434,100
Transfers (out)	(34,786)	(200,000)	(120,125)	(354,911)
Total other financing sources (uses)	<u>(25,168)</u>	<u>(200,000)</u>	<u>322,661</u>	<u>97,493</u>
Net changes in fund balances	226,786	137,487	(123,787)	240,486
FUND BALANCE, JULY 1, 2020	<u>1,555,375</u>	<u>598,778</u>	<u>692,299</u>	<u>2,846,452</u>
FUND BALANCE, JUNE 30, 2021	<u>\$ 1,782,161</u>	<u>\$ 736,265</u>	<u>\$ 568,512</u>	<u>\$ 3,086,938</u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances - governmental funds		\$ 240,486
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	\$ 876,645	
Depreciation expense	(516,609)	
Proceeds from sale of assets	(18,304)	
Gain/(loss) on sale of assets	<u>8,768</u>	
Total		350,500
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		(354,789)
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		200,000
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		81,686
Compensated absences for the employees is recorded on the Statement of Net Position		
		4,770
Change in accrued interest payable for the year		
		904
Revenue received but not earned is recorded as revenue on the Statement of Activities.		
		<u>(5,193)</u>
Change in net position of governmental activities		<u><u>\$ 518,364</u></u>

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

CITY OF WALLED LAKE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
OF COMPONENT UNITS - DDA AND LIBRARY
FOR THE YEAR ENDED JUNE 30, 2021**

DDA	
Net change in fund balances - DDA component unit	\$ (835,275)
<p>Amounts reported for DDA component unit activities in the Statement of Activities are different because:</p> <p>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:</p>	
Capital outlay	\$ 1,176,939
Depreciation expense	<u>(48,922)</u>
Total	1,128,017
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>(2,047)</u>
Change in net position of DDA component unit	<u>\$ 290,695</u>
LIBRARY	
Net change in fund balances - governmental funds	\$ 58,133
<p>Amounts reported for Library component unit activities in the Statement of Activities are different because:</p> <p>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:</p>	
Capital outlay	\$ 39,648
Depreciation expense	<u>(30,074)</u>
Total	9,574
Revenue received but not earned is recorded as revenue on the Statement of Activities.	<u>(452)</u>
Change in net position of Library component unit	<u>\$ 67,255</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, 2021

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 370,848	\$ 11,835	\$ 382,683
Accounts receivable - other governments	108,632	83,252	191,884
Accounts receivable - other	1,330,009		1,330,009
Prepaid expenses		27,373	27,373
Restricted assets:			
Cash, cash equivalents, and investments	995,116		995,116
Noncurrent assets:			
Utility system, net	3,745,740		3,745,740
Total assets	\$ 6,550,345	\$ 122,460	\$ 6,672,805
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 363,024	\$ 474	\$ 363,498
Due to other funds		35,000	35,000
Total liabilities	363,024	35,474	398,498
NET POSITION			
Invested in capital assets, net of related debt	3,745,740		3,745,740
Unrestricted	2,441,581	86,986	2,528,567
Total net position	6,187,321	86,986	6,274,307
Total liabilities and net position	\$ 6,550,345	\$ 122,460	\$ 6,672,805

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, 2021

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
OPERATING REVENUES			
User charges	\$ 2,822,724	\$ 331,282	\$ 3,154,006
OPERATING EXPENSES			
Refuse		344,089	344,089
Sewer and water	2,771,439		2,771,439
Depreciation	318,045		318,045
Total operating expenses	<u>3,089,484</u>	<u>344,089</u>	<u>3,433,573</u>
Operating (loss)	<u>(266,760)</u>	<u>(12,807)</u>	<u>(279,567)</u>
NON-OPERATING REVENUES			
Interest income - operating	7,138		7,138
Other income	5,881		5,881
Non-operating revenues	<u>13,019</u>		<u>13,019</u>
Excess of revenues over (under) expenses	<u>(253,741)</u>	<u>(12,807)</u>	<u>(266,548)</u>
CAPITAL CONTRIBUTIONS			
Tap in fees	564,646		564,646
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(69,571)	(9,618)	(79,189)
Changes in net position	241,334	(22,425)	218,909
NET POSITION, JULY 1, 2020	3,699,456	109,411	3,808,867
PRIOR PERIOD ADJUSTMENT	<u>2,246,531</u>		<u>2,246,531</u>
NET POSITION, JUNE 30, 2021	<u>\$ 6,187,321</u>	<u>\$ 86,986</u>	<u>\$ 6,274,307</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, 2021

	Water and Sewer Fund	Nonmajor Fund Refuse	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from customers	\$ 1,492,634	\$ 330,381	\$ 1,823,015
Cash payments to suppliers	(2,882,791)	(308,992)	(3,191,783)
Net cash from (used in) operating activities	<u>(1,390,157)</u>	<u>21,389</u>	<u>(1,368,768)</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Prior period adjustment for contributed infrastructure	2,246,531		2,246,531
Connection fees	564,646		564,646
Transfers (out)	(69,571)	(9,618)	(79,189)
Other income	5,881		5,881
Net cash from (used in) capital and related financing activities	<u>2,747,487</u>	<u>(9,618)</u>	<u>2,737,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash	7,138		7,138
Net increase in cash and cash equivalents	1,364,468	11,771	1,376,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL PERIOD	<u>1,496</u>	<u>64</u>	<u>1,560</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL PERIOD	<u>\$ 1,365,964</u>	<u>\$ 11,835</u>	<u>\$ 1,377,799</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (266,760)	\$ (12,807)	\$ (279,567)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Depreciation	318,045		318,045
Change in assets and liabilities:			
(Increase) decrease in receivables, net	(1,330,090)	(901)	(1,330,991)
(Increase) decrease in prepaid		(377)	(377)
Increase (decrease) in accounts and other payables	319,648	474	320,122
Increase (decrease) in due to other funds	(431,000)	35,000	(396,000)
Net cash from (used in) operating activities	<u>\$ (1,390,157)</u>	<u>\$ 21,389</u>	<u>\$ (1,368,768)</u>

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

CITY OF WALLED LAKE

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 478,076
Accounts receivable	<u>7,385</u>
Total assets	<u><u>\$ 485,461</u></u>
LIABILITIES	
Accrued expenses	\$ 484,902
Due to other funds	<u>559</u>
Total liabilities	<u><u>\$ 485,461</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, 2021

	Downtown Development Authority	Library	Total
ASSETS			
Cash and investments	\$ 2,502,729	\$ 300,609	\$ 2,803,338
Receivables:			
Taxes	11,481	2,532	14,013
Other governments		15,419	15,419
Due from other funds		840	840
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,514,210</u></u>	<u><u>\$ 319,400</u></u>	<u><u>\$ 2,833,610</u></u>
LIABILITIES			
Accounts payable	\$ 1,130,172	\$ 6,157	\$ 1,136,329
Accrued payroll		5,188	5,188
Compensated absences		1,435	1,435
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,130,172</u>	<u>12,780</u>	<u>1,142,952</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	11,481	2,532	14,013
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflow of resources	<u>1,141,653</u>	<u>15,312</u>	<u>1,156,965</u>
FUND BALANCE			
Restricted - Library		304,088	304,088
Restricted - DDA	1,372,557		1,372,557
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,372,557</u>	<u>304,088</u>	<u>1,676,645</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 2,514,210</u></u>	<u><u>\$ 319,400</u></u>	<u><u>\$ 2,833,610</u></u>

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

CITY OF WALLED LAKE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2021

	Downtown Development Authority	Library	Total
REVENUES			
Taxes	\$ 796,856	\$ 358,486	\$ 1,155,342
Local community stabilization	16,801	2,961	19,762
State aids		6,070	6,070
Grants	38,000	2,427	40,427
Charges for services - other		4,173	4,173
Fines and forfeitures		12,358	12,358
Interest		2	2
Donations	1,075	1,745	2,820
Total revenues	<u>852,732</u>	<u>388,222</u>	<u>1,240,954</u>
EXPENDITURES			
Current:			
Downtown development	511,068		511,068
Library		290,441	290,441
Capital outlay:			
Downtown development	1,176,939		1,176,939
Library		39,648	39,648
Total expenditures	<u>1,688,007</u>	<u>330,089</u>	<u>2,018,096</u>
Net changes in fund balances	(835,275)	58,133	(777,142)
FUND BALANCE, JULY 1, 2020	<u>2,207,832</u>	<u>245,955</u>	<u>2,453,787</u>
FUND BALANCE, JUNE 30, 2021	<u>\$ 1,372,557</u>	<u>\$ 304,088</u>	<u>\$ 1,676,645</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, 2021**

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, 2021**

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, 2021**

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 2020 levy was assessed at an adjusted taxable value of \$189,833,258 for the City and \$220,989,270 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	14.5093
Public Safety	3.8603
Library - component unit	<u>1.6206</u>
	<u>19.9902</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, 2021

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, 2021

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, 2021, the City records deferred outflows of resources relating to pension changes in actuarial assumptions. In addition, the City records deferred outflows of resources for pension contributions made subsequent to Net Pension Liability measurement date of December 31, 2020.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as revenue until that time. The City records deferred inflows of resources relating to pension changes in experience and differences from expected investment returns compared to actual.

Deferred outflows (inflows) of resources as of June 30, 2021 are as follows:

<u>Deferred Outflows (Inflows) of Resources</u>	
Differences in experience	\$ (217,463)
Differences in actuarial assumptions	153,070
Differences in investment expectations versus actual	(190,537)
Contributions made subsequent to pension liability measurement date	<u>417,978</u>
Total	<u><u>\$ 163,048</u></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, 2021

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, 2021.

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, 2021**

NOTE 3 - INTERFUND BALANCES/TRANSFERS

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

Due from Fund	Due to Fund	Amount
Federal Forfeiture Fund	General Fund	\$ 50,000
Refuse Fund	General Fund	35,000
General Fund	Library Fund	840
Current Tax Fund	General Fund	559
		\$ 86,399

The following transfers were made during the year:

Transfer in to	Transfer out from	Amounts	Purpose
General Fund	Refuse Fund	\$ 9,618	Reimburse administrative fees
Debt Service Fund	General Fund	34,786	Building Authority bonds
Debt Service Fund	Local Streets Fund	120,125	Building Authority bonds
Debt Service Fund	Water and Sewer Fund	69,571	Building Authority bonds
Local Streets Fund	Major Road Fund	200,000	Fund local roads
		\$ 434,100	

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2020 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	4
02 - FT Police & Command	17	5	3
05 - Fire		1	2
10 - Clerical	4	2	
11 - Administrative Unit (closed)	9	5	1
12 - FT Administrative after 7/1/2013	1	2	6
13 - Administrative with bridged multiple			3
21 - Fire & Police after 6/30/2016			4
Total	35	16	23

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, 2021 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, 2021 were \$813,810.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2020, 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, 2021**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions

The total pension liability as of the December 31, 2020 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, 2020 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 2020 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, 2021

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 12/31/2019	\$ 16,582,562	\$ 5,160,543	\$ 11,422,019
Changes for the year			
Service cost	150,609		150,609
Interest on total pension liability	1,229,678		1,229,678
Changes in benefits			
Difference between expected and actual experience	(434,926)		(434,926)
Changes in assumptions	306,141		306,141
Employer contributions		813,810	(813,810)
Employee contributions		92,920	(92,920)
Net investment income		660,698	(660,698)
Benefit payments, including employee refunds	(955,802)	(955,802)	
Administrative expense		(10,336)	10,336
Other changes	(1)		(1)
Net changes	<u>295,699</u>	<u>601,290</u>	<u>(305,591)</u>
Balances as of 12/31/2020	<u>\$ 16,878,261</u>	<u>\$ 5,761,833</u>	<u>\$ 11,116,428</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 12/31/2020	\$ 11,116,428	\$ 11,116,428	\$ 11,116,428
Change in Net Pension Liability (NPL) from change in discount rate	1,981,440		(1,649,868)
Calculated NPL	<u>\$ 13,097,868</u>	<u>\$ 11,116,428</u>	<u>\$ 9,466,560</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, 2021

NOTE 4 - DEFINED BENEFIT PENSION PLAN - continued

Pension Expense and Deferred Outflow of Resources Related to Pension

For the year ended June 30, 2021, the City recognized pension expense of \$1,193,903 in the government-wide statements. Deferred outflow of resources related to pensions are from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Total
Differences in experience	\$	\$ (217,463)	\$ (217,463)
Differences in actuarial assumptions	153,070		153,070
(Excess) Deficit of investment returns		(190,537)	(190,537)
Total to be amortized as pension expense	153,070	(408,000)	(254,930)
Contributions subsequent to the measurement date	417,978		417,978
Total	\$ 571,048	\$ (408,000)	\$ 163,048

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, 2021.

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

Year Ended	Expense
2022	\$ (98,640)
2023	6,504
2024	(108,645)
2025	(54,149)
Total	\$ (254,930)

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2021**

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, 2021 consisted of the following:

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

Funding Policy

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

Measurement of Net OPEB Liability

The net OPEB Liability has been measured as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
	\$	\$	\$
Balance at June 30, 2020	1,676,238		1,676,238
Changes during the year			
Service cost			
Interest	43,543		43,543
Change in experience	(84,020)		(84,020)
Change in actuarial assumptions	37,359		37,359
Change in plan benefits			
Contributions to OPEB trust			
Contributions/benefit paid from general operating funds		78,568	(78,568)
Net investment income			
Benefit payments, including refunds of employee contributions	(78,568)	(78,568)	
Administrative expenses			
Other changes			
Total Changes	(81,686)		(81,686)
Balance at June 30, 2021	1,594,552		1,594,552

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 1,782,135	\$ 1,594,552	\$ 1,437,371
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,782,135</u>	<u>\$ 1,594,552</u>	<u>\$ 1,437,371</u>
Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,550,815	\$ 1,594,552	\$ 1,630,871
Plan Fiduciary Net Position			
Net OPEB Liability	<u>\$ 1,550,815</u>	<u>\$ 1,594,552</u>	<u>\$ 1,630,871</u>

OPEB Expense

Components of the City's OPEB Expense under GASB 75 for the fiscal year ended June 30, 2021 are as follows:

	Fiscal Year Ending June 30, 2021
Service cost	\$
Interest on total OPEB liability	43,543
Experience (gains)/losses	(84,020)
Changes of assumptions	37,359
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>\$ (3,118)</u>

Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the deferred inflows and outflows of resources were zero.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2020 to June 30, 2021 equaled \$39,123.

NOTE 7 - CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2021 was as follows:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Balance 6/30/2021</u>
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,572,172	\$	\$	\$	\$ 1,572,172
Construction in progress	183,000	53,991		(26,500)	210,491
Subtotal	<u>1,755,172</u>	<u>53,991</u>		<u>(26,500)</u>	<u>1,782,663</u>
Capital assets being depreciated:					
Roads and sidewalks	13,174,788	74,168		26,500	13,275,456
Building and improvements	1,428,799				1,428,799
Vehicles, furniture and equipment	3,259,877	748,486	(207,726)		3,800,637
Subtotal	<u>17,863,464</u>	<u>822,654</u>	<u>(207,726)</u>	<u>26,500</u>	<u>18,504,892</u>
Less accumulated depreciation for:					
Roads and sidewalks	(5,120,291)	(288,648)			(5,408,939)
Building and improvements	(579,117)	(26,260)			(605,377)
Vehicles, furniture and equipment	(2,429,954)	(201,701)	198,190		(2,433,465)
Less accumulated depreciation	<u>(8,129,362)</u>	<u>(516,609)</u>	<u>198,190</u>		<u>(8,447,781)</u>
Net capital assets being depreciated	<u>9,734,102</u>	<u>306,045</u>	<u>(9,536)</u>	<u>26,500</u>	<u>10,057,111</u>
Net capital assets	<u>\$ 11,489,274</u>	<u>\$ 360,036</u>	<u>\$ (9,536)</u>	<u>\$</u>	<u>11,839,774</u>
Related long-term debt outstanding at June 30, 2021					<u>(395,000)</u>
Governmental capital assets, net of related long-term debt					<u>\$ 11,444,774</u>

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7 - CAPITAL ASSETS - continued

Depreciation expense is allocated to the following activities:

General government	\$	41,093
Public safety		134,503
Public works		338,099
Recreation and culture		<u>2,914</u>
	\$	<u>516,609</u>

Capital asset activity in the business-type activities for the year ended June 30, 2021 was as follows:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
Business-type activities:				
Capital assets being depreciated:				
Water systems	\$ 3,686,766	\$	\$	\$ 3,686,766
Sewer systems	<u>12,425,302</u>			<u>12,425,302</u>
Total capital assets being depreciated	<u>16,112,068</u>			<u>16,112,068</u>
Less accumulated depreciation for:				
Water systems	(2,451,501)	(80,317)		(2,531,818)
Sewer systems	<u>(9,596,782)</u>	<u>(237,728)</u>		<u>(9,834,510)</u>
Total accumulated depreciation	<u>(12,048,283)</u>	<u>(318,045)</u>		<u>(12,366,328)</u>
Net capital assets being depreciated	<u>4,063,785</u>	<u>(318,045)</u>		<u>3,745,740</u>
Business-type capital assets, net	<u>\$ 4,063,785</u>	<u>\$ (318,045)</u>	<u>\$</u>	<u>\$ 3,745,740</u>

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

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7 - CAPITAL ASSETS - continued

Capital asset activity in the component units for the year ended June 30, 2021 was as follows:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
Component unit activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 88,917	\$ 1,137,699	\$	\$ 1,226,616
Capital assets being depreciated:				
Street lighting and road improvements	886,362	39,240		925,602
Furniture and equipment	372,592			372,592
Books, periodicals and materials	222,471	39,648		262,119
Subtotal	<u>1,481,425</u>	<u>78,888</u>		<u>1,560,313</u>
Less accumulated depreciation	<u>(777,022)</u>	<u>(78,996)</u>		<u>(856,018)</u>
Net capital assets being depreciated	<u>704,403</u>	<u>(108)</u>		<u>704,295</u>
Net capital assets	<u>\$ 793,320</u>	<u>\$ 1,137,591</u>	<u>\$</u>	<u>\$ 1,930,911</u>

No debt is associated with the component unit assets.

Depreciation expense is allocated to the following activities:

Downtown development	\$ 30,074
Library	<u>48,922</u>
	<u>\$ 78,996</u>

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 - GASB 77 - TAX ABATEMENTS

The City has a court ordered abatement involving the Walled Lake Villa Mid-Rise Building reducing their tax liability to a 'payment in lieu' of tax amount that is a percentage of collected rents. This judgment lasts until the mortgage held by the State of Michigan Housing Development Authority is paid in full. For the fiscal year ended June 30, 2021, the taxes abated under this program totalled \$21,334.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 10 - LONG-TERM DEBT

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

General Obligations

Description	Amount
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	\$ 95,000
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	300,000
Total of general obligations	\$ 395,000

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 7/1/2020	Additions	Deletions	Balance 6/30/2021	Due within one year
Governmental Activities					
General obligation bonds	\$ 595,000	\$	\$ 200,000	\$ 395,000	\$ 195,000
Accumulated compensated absences	72,600	28,798	12,751	88,647	28,798
Total general obligations	\$ 667,600	\$ 28,798	\$ 212,751	\$ 483,647	\$ 223,798

The Library had compensated absences of \$1,435, all of which were due within 60 days.

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

	Governmental Activities		
	Principal	Interest	Total
2022	\$ 195,000	\$ 17,062	\$ 212,062
2023	100,000	10,000	110,000
2024	100,000	5,000	105,000
Total	\$ 395,000	\$ 32,062	\$ 427,062

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 11 - DEPOSITS AND INVESTMENTS

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

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

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>	<u>Percent</u>
Deposits					
Checking accounts	\$ 1,830,124	\$ 478,743	\$ 2,792,647	\$ 5,101,514	81.8%
Money market and saving accounts	855,745		10,691	866,436	13.9%
Non-negotiable CD's	265,693			265,693	4.3%
Total deposits	<u>2,951,562</u>	<u>478,743</u>	<u>2,803,338</u>	<u>6,233,643</u>	<u>100.0%</u>
Investments					
Investment pool at county	995,116			995,116	80.7%
Money market funds	109,522			109,522	8.9%
External investment pool	129,066			129,066	10.5%
Total investments	<u>1,233,704</u>			<u>1,233,704</u>	<u>100.0%</u>
Total deposits and investments	<u>\$ 4,185,266</u>	<u>\$ 478,743</u>	<u>\$ 2,803,338</u>	<u>\$ 7,467,347</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	\$ 2,804,485	\$ 382,683	\$ 2,803,338	\$ 5,990,506
Cash, cash equivalents, and investments - restricted		995,116		995,116
Fiduciary Funds				
Cash	478,076			478,076
Total cash, cash equivalents, and investments	<u>\$ 3,282,561</u>	<u>\$ 1,377,799</u>	<u>\$ 2,803,338</u>	<u>\$ 7,463,698</u>

The carrying amount of cash and investments reported in the financial statements is \$7,463,698. The difference between the carrying amounts in the financial statements and the bank balances in the above schedule arise from cash on hand, outstanding checks, 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, 2021**

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risk

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

Deposits

As of June 30, 2021, deposits in banks totaled \$6,233,643, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 991,132
Uninsured and uncollateralized	<u>5,242,511</u>
	<u><u>\$ 6,233,643</u></u>

Investments

As of June 30, 2021, investments totaled \$1,233,704, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 995,116
Insured by SIPC	109,523
Uninsured and uncollateralized	<u>129,065</u>
	<u><u>\$ 1,233,704</u></u>

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.

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 \$129,066 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
Investment pool at county	\$ 995,116	\$	\$ 995,116
Money market funds	109,522	109,522	
External investment pool	<u>129,066</u>		<u>129,066</u>
Total	<u><u>\$ 1,233,704</u></u>	<u><u>\$ 109,522</u></u>	<u><u>\$ 1,124,182</u></u>

CITY OF WALLED LAKE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEPOSITS AND INVESTMENTS - continued

Concentration of Credit Risk

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

NOTE 12 - COVID-19

In March of 2020, the governor of Michigan took measures to contain the spread of the COVID-19 virus, including travel bans, quarantines, social distancing, and closures of non-essential services. This has triggered significant disruptions to the economy. The City has taken steps to reduce the negative effect on its financial position by taking cost reduction measures and applying for various grants. The City continues to carefully monitor the situation.

NOTE 13 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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. GASB 84 is to be implemented beginning July 1, 2021.

NOTE 14 - ASSETS HELD IN TRUST AT OAKLAND COUNTY

The City has contracted with Oakland County to perform all retail operations for the local water and sewer system. As such, there are assets held in trust at Oakland County. These assets are legally restricted for the payment of debt and additional capital projects.

At June 30, 2021, the following amounts held at Oakland County were included in the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position:

<u>Description</u>	<u>Amount</u>
Cash, cash equivalents, and investments	\$ 995,116.00
Accounts receivable - other	\$ 1,330,009.00
Accounts payable	\$ 361,397.00
Net assets	\$ 3,030,054.00
User charges	\$ 2,453,055.00
Operating expenses - sewer and water	\$ 2,724,680.00

NOTE 15 - PRIOR PERIOD ADJUSTMENT

As described in Note 14, the City has assets held in trust at Oakland County. The City did not record the related activity in prior years' financial statements. Accordingly, a prior period adjustment of \$2,246,531 has been recorded to record the beginning net assets of the assets held in trust at Oakland County.

CITY OF WALLED LAKE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2021, the date the financial statements were available to be issued.

The City is assessing the impact of the pandemic (mentioned in Note 12) and the subsequent containment measures. Management has determined that the City does not have any other material recognizable or non-recognizable events.

NOTE 17 - 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 City is currently assessing the impact that this Standard will have on the City's financial statements. 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.

GASB 89 - ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD

GASB issued GASB Standard No. 89 to establish accounting requirements for interest costs that are incurred before the end of a construction period. This statement will require interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As such, the interest will no longer be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Standard should be applied prospectively.

The City is currently assessing the impact that this Standard will have on the City's financial statements. The Standard was originally required to be implemented for the statements for the year ended June 30, 2021. The Governmental Accounting Standards Board released GASB Standard No. 95 extending the implementation date of this Standard by 12 months, requiring the Standard to be implemented for the City's statements for the year ended June 30, 2022.

GASB 96 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the Standards for SBITAs are based on the Standards established in Statement No. 87, Leases, as amended. The City is currently evaluating the impact this Standard will have on the financial statements when adopted during the year ended June 30, 2023.

The City is assessing the impact that these Standards will have on its financial statements. The City has considered the impact of Standards No 88, 90, 91, 92, 93 and 94 (implemented by GASB) and does not expect these Standards to have any impact on the City's 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, 2021

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 3,587,650	\$ 3,587,650	\$ 3,729,748	\$ 142,098
Fines and forfeitures	22,000	22,000	23,068	1,068
State sources	723,700	723,700	778,915	55,215
Licenses and permits	25,300	25,300	36,172	10,872
Other proceeds	276,000	276,000	297,620	21,620
Building and zoning permits	115,000	115,000	218,855	103,855
Recreation and culture	2,000	2,000	4,152	2,152
Grant income	7,000	7,000	264,466	257,466
Charges for services	66,750	66,750	78,932	12,182
Other local government	7,000	7,000	3,294	(3,706)
Interest	13,000	13,000	683	(12,317)
Interfund charge for service	543,349	543,349	514,993	(28,356)
Total revenues	5,388,749	5,388,749	5,950,898	562,149
EXPENDITURES				
Legislative	5,750	5,750	4,906	844
City administration	477,184	474,184	462,386	11,798
Public services	1,644,007	1,529,007	1,302,859	226,148
Public safety	3,199,477	3,317,477	3,324,554	(7,077)
Capital outlay	20,000	1,060,000	604,239	455,761
Total expenditures	5,346,418	6,386,418	5,698,944	687,474
Excess of revenue over (under) expenditures	42,331	(997,669)	251,954	1,249,623
OTHER FINANCING SOURCES (USES)				
Sale of assets	5,000	5,000		(5,000)
Transfer in	9,618	9,618	9,618	
Transfer (out)	(34,897)	(34,897)	(34,786)	111
Total other financing sources (uses)	(20,279)	(20,279)	(25,168)	(4,889)
Net change in fund balance	22,052	(1,017,948)	226,786	1,244,734
FUND BALANCE, JULY 1, 2020	1,555,375	1,555,375	1,555,375	
FUND BALANCE, JUNE 30, 2021	\$ 1,577,427	\$ 537,427	\$ 1,782,161	\$ 1,244,734

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, 2021**

	<u>Budgets</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUES				
State sources - roads	\$ 450,000	\$ 450,000	\$ 491,504	\$ 41,504
EXPENDITURES				
Public works	<u>272,945</u>	<u>722,945</u>	<u>154,017</u>	<u>568,928</u>
Excess of revenue over (under) expenditures	177,055	(272,945)	337,487	610,432
OTHER FINANCING SOURCES (USES)				
Transfer (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(100,000)</u>
Net change in fund balance	77,055	(372,945)	137,487	510,432
FUND BALANCE, JULY 1, 2020	<u>598,778</u>	<u>598,778</u>	<u>598,778</u>	
FUND BALANCE, JUNE 30, 2021	<u><u>\$ 675,833</u></u>	<u><u>\$ 225,833</u></u>	<u><u>\$ 736,265</u></u>	<u><u>\$ 510,432</u></u>

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

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,						
	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$ 813,809	\$ 733,780	\$ 883,776	\$ 839,587	\$ 512,898	\$ 385,001	\$ 352,649
Contributions in relation to the actuarial determined contribution	813,809	733,780	883,776	859,587	512,898	385,001	352,649
Contribution (deficiency) excess	\$	\$	\$	\$ 20,000	\$	\$	\$
Covered employee payroll	\$1,542,928	\$1,579,697	\$1,408,639	\$1,577,339	\$1,420,690	\$1,336,356	\$1,197,308
Contributions as a percentage of covered payroll	52.74%	46.45%	62.74%	54.50%	36.10%	28.81%	29.45%

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	Unfunded accrued liability - 23 years
	Gain/(loss) on investments - 22 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
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, 2021

	For the Plan Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 150,609	\$ 176,704	\$ 160,746	\$ 183,020	\$ 152,357	\$ 132,765	\$ 110,126
Interest	1,229,678	1,134,676	1,163,046	1,105,519	1,063,470	994,968	976,519
Changes in benefit terms							
Differences between expected and actual experience	(434,926)	204,807	(47,194)	323,729	170,459	289,393	
Changes of assumptions	306,141	615,209				680,796	
Benefit payments, including refunds of employee contributions	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Other	(1)	59,717	1				(2)
Net change in total pension liability	295,699	1,290,856	391,431	733,358	513,158	1,221,926	213,959
TOTAL PENSION LIABILITY - BEGINNING	16,582,562	15,291,706	14,900,275	14,166,917	13,653,759	12,431,833	12,217,874
TOTAL PENSION LIABILITY - ENDING	<u>\$ 16,878,261</u>	<u>\$ 16,582,562</u>	<u>\$ 15,291,706</u>	<u>\$ 14,900,275</u>	<u>\$ 14,166,917</u>	<u>\$ 13,653,759</u>	<u>\$ 12,431,833</u>
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 813,810	\$ 733,780	\$ 883,776	\$ 859,587	\$ 512,898	\$ 456,209	\$ 352,648
Contributions - employee	92,920	82,543	80,988	82,905	71,494	72,984	61,855
Net investment income	660,698	621,074	(192,425)	538,984	436,176	(62,071)	282,705
Benefit payments, including refunds of employee contributions	(955,802)	(900,257)	(885,168)	(878,910)	(873,128)	(875,996)	(872,684)
Administrative expenses	(10,336)	(10,688)	(9,338)	(9,270)	(8,887)	(9,370)	(10,270)
Other			(250)				
Net change in plan fiduciary net position	601,290	526,452	(122,417)	593,296	138,553	(418,244)	(185,746)
PLAN FIDUCIARY NET POSITION - BEGINNING	5,160,543	4,634,091	4,756,508	4,163,212	4,024,659	4,442,903	4,628,649
PLAN FIDUCIARY NET POSITION - ENDING	<u>\$ 5,761,833</u>	<u>\$ 5,160,543</u>	<u>\$ 4,634,091</u>	<u>\$ 4,756,508</u>	<u>\$ 4,163,212</u>	<u>\$ 4,024,659</u>	<u>\$ 4,442,903</u>
NET PENSION LIABILITY							
(TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 11,116,428</u>	<u>\$ 11,422,019</u>	<u>\$ 10,657,615</u>	<u>\$ 10,143,767</u>	<u>\$ 10,003,705</u>	<u>\$ 9,629,100</u>	<u>\$ 7,988,930</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>34.14%</u>	<u>31.12%</u>	<u>30.30%</u>	<u>31.92%</u>	<u>29.39%</u>	<u>29.48%</u>	<u>35.74%</u>
Covered employee payroll	<u>\$ 1,542,928</u>	<u>\$ 1,579,697</u>	<u>\$ 1,577,339</u>	<u>\$ 1,420,690</u>	<u>\$ 1,336,356</u>	<u>\$ 1,197,308</u>	<u>\$ 1,197,308</u>
Net pension liability as a percentage of covered employee payroll	<u>720.48%</u>	<u>723.05%</u>	<u>675.67%</u>	<u>714.00%</u>	<u>748.58%</u>	<u>804.23%</u>	<u>667.24%</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.

CITY OF WALLED LAKE

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
DEFINED BENEFIT OPEB PLAN
JUNE 30, 2021**

	<u>For the Fiscal Year Ended June 30, 2021</u>	<u>For the Fiscal Year Ended June 30, 2020</u>	<u>For the Fiscal Year Ended June 30, 2019</u>	<u>For the Fiscal Year Ended June 30, 2018</u>
Actuarially determined employer contribution				
Service cost with interest to June 30	\$ 44,588	\$ 49,479	\$ 66,539	\$
Amortization of unfunded liability with interest to June 30	<u>1,676,238</u>	<u>1,649,315</u>	<u>1,719,354</u>	<u>162,988</u>
Actuarially determined employer contribution	1,720,826	1,698,794	1,785,893	162,988
Employer contribution	<u>78,568</u>	<u>74,648</u>	<u>75,715</u>	<u>201,739</u>
Contribution deficiency/(excess)	<u>\$ 1,642,258</u>	<u>\$ 1,624,146</u>	<u>\$ 1,710,178</u>	<u>\$ (38,751)</u>
Covered employee payroll	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Employer contributions as a percentage of covered payroll	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

Notes to the Schedule of Employer Contributions

Valuation Date: June 30, 2021

Measurement Date: June 30, 2021

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, 2021

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, 2021**

	For the Plan Year Ended June 30, 2021	For the Plan Year Ended June 30, 2020	For the Plan Year Ended June 30, 2019	For the Plan Year Ended June 30, 2018
TOTAL OPEB LIABILITY				
Service cost	\$	\$	\$	\$
Interest	43,543	48,359	65,074	114,193
Changes in plan terms				(453,886)
Differences between expected and actual experience	(84,020)	(675)	298,567	(86,017)
Changes of assumptions	37,359	53,887	(357,965)	(704,797)
Benefit payments, including refunds of employee contributions	(78,568)	(74,648)	(75,715)	(201,739)
Net change in total OPEB liability	(81,686)	26,923	(70,039)	(1,332,246)
TOTAL OPEB LIABILITY - BEGINNING	1,676,238	1,649,315	1,719,354	3,051,600
TOTAL OPEB LIABILITY - ENDING	\$ 1,594,552	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
PLAN FIDUCIARY NET POSITION				
Contributions to OPEB trust	\$	\$	\$	\$
Contributions/benefit payments made from general operating funds	78,568	74,648	75,715	193,071
Net investment income				
Benefit payments, including refunds of employee contributions	(78,568)	(74,648)	(75,715)	(201,739)
Administrative expenses				
Other				
Net change in fiduciary net position				(8,668)
PLAN FIDUCIARY NET POSITION, BEGINNING				8,668
PLAN FIDUCIARY NET POSITION, ENDING	\$	\$	\$	\$
NET OPEB LIABILITY (ASSET) (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 1,594,552	\$ 1,676,238	\$ 1,649,315	\$ 1,719,354
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$	\$	\$	\$
Net OPEB liability (asset) as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

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SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF WALLED LAKE

COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
JUNE 30, 2021

	SPECIAL REVENUE FUNDS			Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	
ASSETS				
Cash and investments	\$ 264,478	\$ 116,633	\$ 174,722	\$ 555,833
Accounts receivable :				
Other governments	30,545			30,545
Accounts			11,932	11,932
Inventory	41,020			41,020
Total assets	<u>\$ 336,043</u>	<u>\$ 116,633</u>	<u>\$ 186,654</u>	<u>\$ 639,330</u>
LIABILITIES				
Accounts payable	\$ 9,131	\$ 11,687	\$	\$ 20,818
Due to other funds		50,000		50,000
Total liabilities	<u>9,131</u>	<u>61,687</u>		<u>70,818</u>
FUND BALANCE				
Non-spendable	41,020			41,020
Restricted				
Road improvement	285,892			285,892
Transportation			186,654	186,654
Federal drug forfeiture		46,448		46,448
State drug forfeiture		8,498		8,498
Total fund balance	<u>326,912</u>	<u>54,946</u>	<u>186,654</u>	<u>568,512</u>
Total liabilities and fund balance	<u>\$ 336,043</u>	<u>\$ 116,633</u>	<u>\$ 186,654</u>	<u>\$ 639,330</u>

CITY OF WALLED LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	SPECIAL REVENUE FUNDS				Total
	Local Streets Fund	Drug Forfeiture Fund	Transportation Fund	Debt Service Fund	
REVENUES					
State sources - roads	\$ 226,019	\$	\$	\$	\$ 226,019
Charges for services			23,861		23,861
Fines and forfeits		15,437			15,437
Interest		30			30
Other		9,600			9,600
Total revenues	<u>226,019</u>	<u>25,067</u>	<u>23,861</u>		<u>274,947</u>
EXPENDITURES					
Public safety		92,862			92,862
Public works	128,251				128,251
Transportation services			17,147		17,147
Debt service					
Principal				200,000	200,000
Interest and fees				24,482	24,482
Capital outlay					
Public safety		183,486			183,486
Public works	75,167				75,167
Total expenditures	<u>203,418</u>	<u>276,348</u>	<u>17,147</u>	<u>224,482</u>	<u>721,395</u>
Excess of revenues over (under) expenditures	<u>22,601</u>	<u>(251,281)</u>	<u>6,714</u>	<u>(224,482)</u>	<u>(446,448)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets		18,304			18,304
Transfers in	200,000			224,482	424,482
Transfers (out)	(120,125)				(120,125)
Total other financing sources (uses)	<u>79,875</u>	<u>18,304</u>		<u>224,482</u>	<u>322,661</u>
Net changes in fund balances	102,476	(232,977)	6,714		(123,787)
FUND BALANCE, JULY 1, 2020	<u>224,436</u>	<u>287,923</u>	<u>179,940</u>		<u>692,299</u>
FUND BALANCE, JUNE 30, 2021	<u>\$ 326,912</u>	<u>\$ 54,946</u>	<u>\$ 186,654</u>	<u>\$</u>	<u>\$ 568,512</u>

CITY OF WALLED LAKE
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Total Agency Funds
ASSETS				
Cash and investments	\$ 407,619	\$ 559	\$ 69,898	\$ 478,076
Accounts receivable	7,385			7,385
Total assets	\$ 415,004	\$ 559	\$ 69,898	\$ 485,461
LIABILITIES				
Accounts payable/performance deposits	\$ 415,004	\$	\$ 69,898	\$ 484,902
Due to other funds		559		559
Total liabilities	\$ 415,004	\$ 559	\$ 69,898	\$ 485,461