



CITY OF WALKER, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF WALKER

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INDEPENDENT AUDITORS' REPORT

November 18, 2021

Honorable Mayor and Members of the City Commission
City of Walker, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walker, Michigan, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walker, 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 on pages 3 through 9 and the information on pages 45 through 50 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's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the City of Walker, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Walker, Michigan's internal control over financial reporting and compliance.

Uredexeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Walker

June 30, 2021

Management's Discussion and Analysis

As management of the City of Walker, we offer readers of the City of Walker's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

This annual report includes a series of financial statements. The statement of net position and the statement of activities provide information about the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing our residents with services during the current year, and whether the taxpayers have funded the full cost of providing those services. Governmental activities include the governmental and internal service funds.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing detailed information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Financial Highlights

- The General Fund of the City is funded by three main sources of revenues; Income Tax, State Revenue Sharing, and Property Tax. These three sources account for 86.2% of the non-Federal funded portion of the total General Fund Revenues in the current fiscal year with Income Tax equaling 66.8%, State Revenue Sharing equaling 11.8% and Property Tax equaling 7.6%. The effects of the COVID-19 pandemic on the City's Income Tax revenues are expected to impact this revenue source during the 2021/2022 fiscal year and beyond.
- The General Fund of the City received approximately \$985,700 from the Federal Government as part of the CARES (Coronavirus Aid, Relief, and Economic Security) Act of 2020 in response to the COVID-19 pandemic. These monies were used to offset costs for front line public safety employees and for the purchase of necessary personal protective equipment (PPE).
- The City's General Fund expenditures increased by 1.3% from the prior year. This increase was the result of various items including staffing adjustments, various city-wide technology improvements, the purchase of body cameras for the Walker Police Department, increased inspection fees due to increased construction activities throughout the City, transfers to other City funds to help offset the effects of COVID-19, and budgeted repairs and improvements to City owned buildings and property.
- General Fund revenues exceeded expenditures by \$2,651,402 in the current fiscal year.
- The General Fund's unassigned fund balance as of June 30, 2021 equals \$8,095,984, which represents 43.1% of the actual total General Fund expenditures and transfers for the current fiscal year. The City's General Fund Balance Policy requires a minimum unassigned fund balance of 15%.
- Development and construction activities remain very strong in the City.
- Roads continue to be a priority for the City of Walker. In the current fiscal year:
 - The City received approximately \$3.09 million from the State of Michigan Transportation Fund (or "Act 51"), which is funded by State gasoline taxes and vehicle registration fees.
 - The City spent approximately \$789,500 on repaving projects for multiple major and local roads throughout the City.
 - The City spent approximately \$3.325 million on significant road projects including the construction of the final connecting piece of Northridge Drive NW, the widening of Kinney Avenue south of Three Mile Road, the resurfacing of Sunset Hills Avenue, and design work for improvements at the intersection of Fruit Ridge Avenue and Northridge Drive.
- The City continues to closely monitor its debt and long-term liability obligations:
 - Walker's General Fund, Major Street Fund, and Local Street Fund are all bond debt free.
 - Walker's Downtown Development Authority (DDA) will pay off its last bond in May 2023.

- Walker entered into an Installment Purchase Agreement (IPA) with a local bank in March 2020 to purchase a new aerial platform fire truck which replaced an existing truck that had been in service for 30 years. The IPA will be paid in full in September 2022.
- The City once again contributed more than the actuarial required contribution to the Defined Benefit Pension Plan (DB). The additional contribution equaled \$150,000.
- The City has established multiple set-aside or sinking accounts designed to assist with the future purchase of equipment, large repair expenses, or long-term debt items.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Walker's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Walker that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The City has no business-type activities.

The government-wide financial statements include the City of Walker (the *primary government*) as well as the legally separate Downtown Development Authority and Brownfield Redevelopment Authority component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Walker, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, and Improvement Revolving funds, each of which is considered a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds, a type of proprietary fund, are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for its vehicles and related equipment. Because these services benefit the City's governmental activities, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in 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*. This consists of this management discussion and analysis, major fund budgetary schedules and benefit plan schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Walker, assets exceeded liabilities by \$82,020,242 at the close of the most recent fiscal year. A summary of net position is as follows:

Summary of Net Position		
	Governmental Activities	
	2021	2020
Current and other assets	\$17,895,879	\$18,929,607
Capital assets	80,592,646	80,975,306
Total assets	98,488,525	99,904,913
Deferred outflows of resources	2,014,756	2,614,389
Long-term liabilities outstanding	12,574,479	15,670,204
Other liabilities	2,911,740	6,654,695
Total liabilities	15,486,219	22,324,899
Deferred inflows of resources	2,996,820	1,735,371
Net position		
Invested in capital assets, net		
of related debt	79,459,889	79,492,319
Restricted	2,532,663	3,410,031
Unrestricted (deficit)	27,690	(4,443,318)
Total net position	\$82,020,242	\$78,459,032

The City's unrestricted net position in governmental activities is in a deficit position as a result of recognizing the net pension and net other post-employment benefits liabilities.

A portion of the City's net position reflects an unrestricted deficit which is not available for future operations; a significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the City, which consists only of governmental activities, increased by \$3,534,878, primarily due to state and federal contributed capital for street reconstruction projects. A summary of the changes in net position is as follows:

Summary of Activities		
	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenue		
Program revenue		
Charges for services	\$ 2,905,335	\$ 3,104,106
Operating grants and contributions	4,680,638	3,405,086
Capital grants and contributions	980,839	2,526,974
General revenue		
Property taxes	1,676,914	1,602,884
Income taxes	13,566,604	12,309,696
Other governmental sources	2,386,914	2,101,020
Unrestricted investment earnings	14,864	83,136
Other	52,444	80,780
Total revenue	26,264,552	25,213,682
Expenses		
General government	6,033,757	5,382,434
Judicial	919,211	922,303
Public safety	7,693,106	8,190,715
Public works	5,972,557	6,330,699
Culture and recreation	2,091,493	1,969,635
Interest	19,550	25,578
Total expenses	22,729,674	22,821,364
Increase (decrease) in net position	3,534,878	2,392,318
Net position - beginning of year	78,485,364	76,066,714
Net position - end of year	\$82,020,242	\$78,459,032

Governmental Activities. During the year, the City invested \$5,972,557 or 26.8% of governmental activities expenses in public works. Public safety expenses amounted to \$7,693,106 or 34.7% of governmental activities while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 38.5% of governmental activities expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,661,310, an increase of \$1,744,915 from the prior year. Of the \$14,661,310, \$11,310,673 is reported in the General fund and \$2,246,708 is reported in the Major Streets fund. The remaining amount of fund balance is reported in various funds as nonspendable, assigned, committed, or restricted for certain uses such as street construction and maintenance, ice and fitness program, and debt service.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the General fund totaled \$11,310,673. Of that amount, \$31,587 was restricted for cemetery operations, \$7,291 was restricted for public safety, \$3,924 was restricted for employee funded causes, \$98,021 was nonspendable, \$790,007 was committed for various purposes by the City Commission, \$2,283,859 is assigned to meet fiscal year 2022 expenditures, and the remaining \$8,095,984 is unassigned and available for future use. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 43.1% of total general fund expenditures and transfers. The fund balance of the City's General fund increased by \$2,651,402 during the current fiscal year primarily due to higher than anticipated income tax revenues.

The Major Streets fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951, as amended. The fund balance at the end of the year amounted to \$2,246,708, a decrease of \$888,758 from the previous year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$80,592,646 (net of accumulated depreciation).

The City's Capital Assets (net of depreciation) are summarized as follows:

Capital Assets	
	Governmental Activities
Land	\$ 2,763,859
Construction in progress	267,825
Buildings, Equipment and Infrastructure (net)	<u>77,560,962</u>
Total	<u>\$80,592,646</u>

Additional information on the City of Walker capital assets can be found in the footnotes to the financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,132,757 summarized as follows:

Debt	
	Governmental Activities
Contractual agreement	\$ 249,757
Installment purchase agreement	793,000
Bonds payable	90,000
Total	<u>\$1,132,757</u>

The City did issue new debt in the current fiscal year for police equipment and made debt payments totaling \$488,087. Additional information on the City's long-term debt can be found in the footnotes to these financial statements.

Budgetary Highlights

- The City's practice is to budget conservatively and to amend the budget throughout the fiscal year as needed.
- In general, the City's actual expenditures for fiscal year 2020-2021 are lower than budgeted amounts due to the City's decision to delay projects or significant purchases until after the economic effects of the COVID-19 pandemic were determined.
- The City continued its investment in road improvement projects.
- The City was able to make additional contributions towards reducing long-term liabilities.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2021-22 fiscal year:

- The Walker City Commission approved the fiscal year 2021-2022 budget in June 2021. This budget was developed using estimates by City staff concerning the financial impact of the COVID-19 pandemic as understood at that time. The financial impact of the pandemic continues to be fluid in nature. Therefore, the Walker City Commission and Walker staff continue to closely monitor revenues and expenditures for fiscal year 2021-2022. Budget amendments will be recommended and acted upon as needed throughout the fiscal year.
- The City of Walker recognizes that the financial impact of the COVID-19 pandemic may extend beyond the 2021-2022 fiscal year. Walker will develop future budgets accordingly.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Walker, 4243 Remembrance Rd. NW, Walker, MI, 49534.

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BASIC FINANCIAL STATEMENTS

CITY OF WALKER
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government Governmental Activities	Component Units Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and pooled investments	\$ 13,696,844	\$ 1,228,891	\$ 153,498
Accounts receivable	1,683,750	-	-
Special assessments receivable	1,193,320	5,823	-
Due from other governments	945,140	-	-
Prepaid items	123,977	-	-
Inventory	252,848	-	-
Capital assets			
Land	2,763,859	1,294,978	-
Construction in progress	267,825	-	-
Depreciable capital assets, net	<u>77,560,962</u>	<u>1,665,524</u>	<u>-</u>
Total assets	<u>98,488,525</u>	<u>4,195,216</u>	<u>153,498</u>
Deferred outflows of resources			
Deferred outflows of resources related to pension	1,110,678	-	-
Deferred outflows of resources related to OPEB	<u>904,078</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,014,756</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	538,839	22,430	-
Accrued liabilities	1,203,744	1,245	-
Unearned revenue	1,169,157	-	-
Debt due within one year	494,114	180,000	-
Noncurrent liabilities			
Compensated absences	1,391,813	-	-
Other post-employment benefits net OPEB liability	4,228,932	-	-
Net pension liability	5,820,977	-	-
Debt due in more than one year	<u>638,643</u>	<u>180,000</u>	<u>-</u>
Total liabilities	<u>15,486,219</u>	<u>383,675</u>	<u>-</u>
Deferred inflows of resources			
Deferred inflows of resources related to pensions	753,811	-	-
Deferred inflows of resources related to OPEB	<u>2,243,009</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,996,820</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	79,459,889	2,600,502	-
Restricted for:			
Streets	2,402,008	-	-
Public safety	126,731	-	-
Employee funded causes	3,924	-	-
Unrestricted	<u>27,690</u>	<u>1,211,039</u>	<u>153,498</u>
Total net position	<u>\$ 82,020,242</u>	<u>\$ 3,811,541</u>	<u>\$ 153,498</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 6,033,757	\$ 535,517	\$ 809,802	\$ -	\$ (4,688,438)
Judicial	919,211	443,922	7,279	-	(468,010)
Public safety	7,693,106	54,445	570,844	-	(7,067,817)
Public works	5,972,557	1,051,996	3,292,713	980,839	(647,009)
Culture and recreation	2,091,493	819,455	-	-	(1,272,038)
Interest on long-term debt	19,550	-	-	-	(19,550)
Total governmental activities	<u>22,729,674</u>	<u>2,905,335</u>	<u>4,680,638</u>	<u>980,839</u>	<u>(14,162,862)</u>
Total primary government	<u>\$ 22,729,674</u>	<u>\$ 2,905,335</u>	<u>\$ 4,680,638</u>	<u>\$ 980,839</u>	<u>\$ (14,162,862)</u>
Component units					
Downtown Development Authority	\$ 274,786	\$ 123,524	\$ 975	\$ -	\$ (150,287)
Brownfield Redevelopment Authority	116,680	-	-	-	(116,680)
Total component units	<u>\$ 391,466</u>	<u>\$ 123,524</u>	<u>\$ 975</u>	<u>\$ -</u>	<u>\$ (266,967)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government Governmental Activities	Component Units Downtown Development Authority	Brownfield Redevelopment Authority
Changes in net position			
Net (expense) revenue	\$ (14,162,862)	\$ (150,287)	\$ (116,680)
General revenues			
Income taxes	13,566,604	-	-
Property taxes	1,676,914	488,029	130,686
State shared revenues	2,386,914	-	-
Unrestricted investment earnings	14,864	2,225	117
Other general revenues	52,444	-	-
Total general revenues	17,697,740	490,254	130,803
Change in net position	3,534,878	339,967	14,123
Net position, beginning of year, as restated	78,485,364	3,471,574	139,375
Net position, end of year	\$ 82,020,242	\$ 3,811,541	\$ 153,498

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 10,575,268	\$ 1,911,033	\$ 890,794	\$ 13,377,095
Accounts receivable	1,670,022	-	13,728	1,683,750
Special assessment receivable	-	1,169,157	24,163	1,193,320
Due from other governments	444,847	378,066	122,227	945,140
Prepaid items	98,021	2,891	22,553	123,465
Inventory	-	103,037	119,992	223,029
Total assets	<u>\$ 12,788,158</u>	<u>\$ 3,564,184</u>	<u>\$ 1,193,457</u>	<u>\$ 17,545,799</u>
Liabilities, deferred inflows, and fund balances				
Liabilities				
Accounts payable	\$ 341,491	\$ 128,533	\$ 37,874	\$ 507,898
Accrued liabilities	1,135,994	19,786	27,491	1,183,271
Total liabilities	<u>1,477,485</u>	<u>148,319</u>	<u>65,365</u>	<u>1,691,169</u>
Deferred inflows				
Unavailable revenue	-	1,169,157	24,163	1,193,320
Fund balances				
Nonspendable				
Prepaid items	98,021	2,891	22,553	123,465
Inventory	-	103,037	119,992	223,029
Restricted				
Cemetery	31,587	-	-	31,587
Streets	-	2,140,780	261,228	2,402,008
Public safety	7,291	-	119,440	126,731
Employee funded causes	3,924	-	-	3,924
Committed				
Building sinking fund	408,715	-	-	408,715
Long-term liabilities	381,292	-	-	381,292
Ice and fitness capital	-	-	162,672	162,672
Assigned				
Subsequent year expenditures	2,283,859	-	-	2,283,859
Ice and fitness program	-	-	260,795	260,795
Debt service	-	-	25,499	25,499
Capital projects	-	-	131,750	131,750
Unassigned	8,095,984	-	-	8,095,984
Total fund balances	<u>11,310,673</u>	<u>2,246,708</u>	<u>1,103,929</u>	<u>14,661,310</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,788,158</u>	<u>\$ 3,564,184</u>	<u>\$ 1,193,457</u>	<u>\$ 17,545,799</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2021

Fund balances - total governmental funds	\$ 14,661,310
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Amounts reported for *governmental activities* in the statement of net position are different because

Capital assets used in governmental activities are not current resources and therefore are not reported in the funds.

Add - land	2,763,859
Add - construction in progress	267,825
Add - capital assets (net of accumulated depreciation)	73,145,820

Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - long-term deferred receivables	24,163
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Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service fund	3,933,793
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Certain liabilities and other items do not impact current financial resources and therefore are not reported in the funds.

Deduct - compensated absences payable	(1,389,239)
Deduct - other post-employment benefits liability	(4,228,932)
Deduct - net pension liability	(5,820,977)
Add - deferred outflows related to net pension liability	1,110,678
Deduct - deferred inflows related to net pension liability	(753,811)
Add - deferred outflows related to other post-employment benefits liability	904,078
Deduct - deferred inflows related to other post-employment benefits liability	(2,243,009)
Deduct - bonds and notes payable	(339,757)
Deduct - accrued interest on bonds payable	(15,559)

Net position of governmental activities	<u>\$ 82,020,242</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 15,691,287	\$ -	\$ -	\$ 15,691,287
Intergovernmental revenues				
Federal	989,109	-	-	989,109
State	2,392,082	2,545,826	777,273	5,715,181
Local	26,490	717,860	49,745	794,095
Cable franchise fees	359,352	-	-	359,352
Licenses and permits	1,060,650	-	-	1,060,650
Charges for services	83,263	-	817,537	900,800
Fines	424,931	-	-	424,931
Special assessments	-	-	10,964	10,964
Investment earnings	12,232	2,715	5,821	20,768
Miscellaneous	250,454	-	84	250,538
Total revenues	<u>21,289,850</u>	<u>3,266,401</u>	<u>1,661,424</u>	<u>26,217,675</u>
Expenditures				
Current				
Judicial	842,876	-	85,418	928,294
General government	3,100,523	-	-	3,100,523
Public safety	8,931,108	-	20,410	8,951,518
Public works	741,638	5,305,159	1,090,122	7,136,919
Culture and recreation	320,448	-	1,282,818	1,603,266
Planning and economic development	20,968	-	-	20,968
Other	2,367,593	-	-	2,367,593
Debt service				
Principal	47,087	-	45,000	92,087
Interest	4,064	-	5,385	9,449
Total expenditures	<u>16,376,305</u>	<u>5,305,159</u>	<u>2,529,153</u>	<u>24,210,617</u>
Revenues over (under) expenditures	<u>4,913,545</u>	<u>(2,038,758)</u>	<u>(867,729)</u>	<u>2,007,058</u>
Other financing sources (uses)				
Debt issuance	137,857	-	-	137,857
Transfers in	-	1,150,000	850,000	2,000,000
Transfers out	(2,400,000)	-	-	(2,400,000)
Total other financing sources (uses)	<u>(2,262,143)</u>	<u>1,150,000</u>	<u>850,000</u>	<u>(262,143)</u>
Net changes in fund balances	2,651,402	(888,758)	(17,729)	1,744,915
Fund balances, beginning of year, as restated	<u>8,659,271</u>	<u>3,135,466</u>	<u>1,121,658</u>	<u>12,916,395</u>
Fund balances, end of year	<u>\$ 11,310,673</u>	<u>\$ 2,246,708</u>	<u>\$ 1,103,929</u>	<u>\$ 14,661,310</u>

The accompanying notes are an integral part of these financial statement

CITY OF WALKER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds	\$ 1,744,915
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital contributions	176,516
Deduct - net book value of capital asset disposals	(690,729)
Add - capital outlay	4,707,358
Deduct - depreciation expense	(4,380,951)

Contract receivables are long-term in nature and related revenues or benefits are recognized in future years. However the current years receipts are reflected as revenues in the fund statements.

Deduct - payments on long-term receivables	(10,964)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	45,000
Add - principal portion of contractual payments	47,087
Deduct - issuance of contract payable	(137,857)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in compensated absences	497,852
Add - decrease in net pension liability	1,816,266
Add - decrease in other post-employments benefits liability	898,710
Deduct - decrease in deferred outflows related to pensions	(295,969)
Deduct - increase in deferred inflows related to pensions	(753,811)
Deduct - decrease in deferred outflows related to other post-employment benefits	(303,664)
Deduct - increase in deferred inflows related to other post-employment benefits	(507,638)
Deduct - increase in accrued interest	(10,101)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position of the internal service fund	692,858
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Change in net position of governmental activities	<u>\$ 3,534,878</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF NET POSITION

JUNE 30, 2021

Assets

Current assets	
Cash and pooled investments	\$ 319,749
Prepaid items	512
Inventory	<u>29,819</u>
Total current assets	<u>350,080</u>
Non-current assets	
Capital assets	
Vehicles	9,395,067
Less accumulated depreciation	<u>(4,979,925)</u>
Total non-current assets	<u>4,415,142</u>
Total assets	<u>4,765,222</u>

Liabilities

Current liabilities	
Accounts payable	30,941
Accrued liabilities	4,914
Current portion of notes payable	<u>396,000</u>
Total current liabilities	<u>431,855</u>
Long-term liabilities	
Compensated absences	2,574
Notes payable, net of current portion	<u>397,000</u>
Total long-term liabilities	<u>399,574</u>
Total liabilities	<u>831,429</u>

Net position

Net investment in capital assets	3,622,142
Unrestricted	<u>311,651</u>
Total net position	<u>\$ 3,933,793</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

Operating revenue	
Charges for services	<u>\$ 1,513,533</u>
Operating expense	
Personnel costs	270,461
Operating supplies and expenses	56,798
Repair and maintenance	172,382
Gas and oil	155,747
Other expenses	3,338
Depreciation	<u>614,220</u>
Total operating expense	<u>1,272,946</u>
Operating income (loss)	<u>240,587</u>
Non-operating revenue (expense)	
Interest income	930
Gain on sale of capital assets	42,535
Insurance reimbursement	17,782
Interest expense	<u>(8,976)</u>
Total non-operating revenue (expense)	<u>52,271</u>
Income (loss) before transfers	292,858
Transfers	
Transfers in	<u>400,000</u>
Changes in net position	692,858
Net position, beginning of year	<u>3,240,935</u>
Net position, end of year	<u>\$ 3,933,793</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

Cash flows from operating activities	
Receipts from internal services provided	\$ 1,519,062
Payments to employees	(291,910)
Payments to suppliers	<u>(1,039,169)</u>
Net cash provided by (used in) operating activities	<u>187,983</u>
Cash flows from non-capital financing activities	
Transfers in	<u>400,000</u>
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	42,535
Proceeds from insurance reimbursement	17,782
Interest paid	(8,976)
Principal payment on installment notes	(396,000)
Acquisitions of capital assets	<u>(419,366)</u>
Net cash provided by (used in) capital and related financing activities	<u>(764,025)</u>
Cash flows from investing activities	
Interest income	<u>930</u>
Net increase (decrease) in cash and pooled investments	(175,112)
Cash and pooled investments, beginning of year	<u>494,861</u>
Cash and pooled investments, end of year	<u>\$ 319,749</u>
Cash flows from operating activities	
Operating income (loss)	\$ 240,587
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	614,220
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	5,529
Prepaid items	360
Inventory	(5,811)
Accounts payable	4,547
Accrued liabilities	(695)
Due to other funds	(650,000)
Compensated absences	<u>(20,754)</u>
Net cash provided by (used in) operating activities	<u>\$ 187,983</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Other Post- employment Benefits <u>Trust Fund</u>	Custodial Funds
Assets		
Cash and pooled investments	\$ -	\$ 1,075,233
Investments	1,577,716	-
Due from other governments	<u>-</u>	<u>3,276</u>
Total assets	<u>1,577,716</u>	<u>1,078,509</u>
 Liabilities		
Due to other governmental units	<u>-</u>	<u>5,558</u>
 Net position		
Net position held in trust for OPEB	1,577,716	-
Restricted	<u>-</u>	<u>1,072,951</u>
Total net position	<u><u>\$ 1,577,716</u></u>	<u><u>\$ 1,072,951</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Other Post- employment Benefits <u>Trust Fund</u>	Custodial Funds
Additions		
Property taxes collected for other governments	\$ -	\$ 46,821,633
Escrow deposits collected	-	953,445
Court ordered bonds	-	91,965
Fines and fees	-	604,413
Investment earnings		
Interest	<u>22,617</u>	<u>-</u>
Total additions	<u>22,617</u>	<u>48,471,456</u>
Deductions		
Property taxes distributed to other governments	-	46,821,633
Escrow funds used to cover expenses	-	973,478
Bonds refunded	-	85,733
Funds used to cover court costs	<u>-</u>	<u>598,000</u>
Total deductions	<u>-</u>	<u>48,478,844</u>
Changes in net position	22,617	(7,388)
Net position, beginning of year, as restated	<u>1,555,099</u>	<u>1,080,339</u>
Net position, end of year	<u>\$ 1,577,716</u>	<u>\$ 1,072,951</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Walker, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these entities are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

Blended Component Units

The *59th District Court* has been blended into the General Fund of the City's financial statements. Although the Court operates under the direction of the district judge, it is reported as if it was part of the primary government because of the fiduciary responsibility the City retains relative to the operations of the Court.

The *City of Walker Building Authority* is governed by a five-member board that is appointed by the City Commission. Although it is legally separate from the City, it is reported as if it was part of the primary government because its primary purpose is to construct and finance the construction of the City's public buildings.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The *City of Walker Downtown Development Authority* is responsible for the improvement and ongoing maintenance and debt service of the Downtown Development Improvement District. The Authority's governing body, which consists of ten individuals, is selected by the City Commission. Separate financial statements are not prepared for the Downtown Development Authority.

The *City of Walker Brownfield Redevelopment Authority* was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of five individuals, is selected by the City Commission. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

The budgets of these Authorities must be approved by the City Commission, and the City has the ability to significantly influence their operations.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the internal service fund are reported separately.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Property taxes, income tax, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to City departments for equipment utilization. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Special Revenue Fund* accounts for the receipt and expenditures of state shared gas and weight taxes restricted to major street activities within the City.

Additionally, the City reports the following fund types:

The *Capital Equipment Replacement Internal Service Fund* is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City or to other governments, primarily on a cost of reimbursements basis. The Capital Equipment Replacement Fund rents vehicles and equipment to the police, fire and public works departments.

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the collections of special assessments, along with contributions from benefiting city funds, to be used in retiring the outstanding long-term debt of the City.

The *Other Post-Employment Benefits Trust Fund* is used to account for the operations of the Other Post-employment Benefits Plan which provides post-employment benefits to the City's employees.

The *Custodial Funds* are used to account for the collection and disbursement of resources that are held on behalf of outside governments, entities and individuals.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first City Commission meeting in May, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any activity must be approved by the City Commission. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

City investment policy allows for all investments authorized by State statutes. State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Special Assessments Receivable

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects.

Due to and Due from Other Funds

Interfund receivables and payables are short-term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Inventory and Prepaid Items

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Inventory and prepaid items are accounted for following the consumption method of accounting.

Capital Assets

Capital assets, which includes land, construction in progress, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (infrastructure utilizes \$10,000 or more) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 1945.

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

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	5-50
Land improvements	5-30
Buildings and improvements	7-40
Vehicles	2-5
Office furnishings	5-7
Other tools and equipment	5-20

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the pension plan as discussed in note 6 and to the OPEB plan as discussed in note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments receivable which are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has items that qualify for reporting in this category related to the pension plan as discussed in note 6 and to the OPEB plan as discussed in note 10.

Unavailable Revenue

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the funds were as follows:

Governmental funds	
Unearned revenue	\$ -
Special assessment unearned revenue	1,169,157
Special assessments unavailable revenue	<u>24,163</u>
	1,193,320
Less earned portion of special assessments	<u>24,163</u>
Unearned revenue – government-wide statements	<u><u>\$1,169,157</u></u>

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures/expense regardless of fund or activity.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Pensions

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.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation paid time off (PTO) upon termination, and for accumulated sick leave upon retirement under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Compensated absences are generally liquidated by general fund resources when they are due. Amounts accumulated for proprietary funds are reported on the statements of net position of the internal service fund.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Commission.

City policy requires the General Fund budget to be prepared and activities managed to result in an ending unassigned fund balance of at least 15% of adopted expenditures, except in the case of emergency or financial distress. Circumstances of emergency or financial distress shall be reported to the City Commission at the earliest practical time. Upon such report, the City Commission may direct that additional action be taken to preserve the minimum unassigned fund balance.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 14. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to Kent County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the fiduciary funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Income Taxes

The City has a local income tax for all city residents, businesses, and individuals working in the City. Income taxes receivable represents estimated income taxes for wages and profits through June 30, 2021, net of estimated refunds.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Remaining transactions are generally reflected as transfers.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2021, the City did not incur any expenditures in excess of the amounts appropriated.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$13,696,844	\$1,382,389	\$1,075,233	\$16,154,466
Investments	-	-	1,577,716	1,577,716
	<u>\$13,696,844</u>	<u>\$1,382,389</u>	<u>\$2,652,949</u>	<u>\$17,732,182</u>

The cash and investments making up the above balances are as follows:

Deposits	\$12,217,068
Investments	5,512,414
Petty cash	<u>2,700</u>
Total	<u>\$17,732,182</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$11,061,913 of the City's bank balance of \$12,767,512 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Kent County Investment Pool	N/A	\$2,478,751	Unrated	N/A
Stable NAV Government Investment Pool	N/A	1,455,947	AAAm	S&P
Vantagepoint Low Duration Bond Fund	N/A	1,577,716	3 star	Morningstar

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The City has the following recurring fair value measurements as of year-end.

- The Vantagepoint Low Duration Bond Fund is valued using quoted market prices (Level 1 inputs).
- The Kent County Pool and Stable NAV Government Pool investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

The aforementioned investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment and deposit risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the City's investments identified above.

At June 30, 2021 the balance of the Kent County Public Funds Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Government agency securities	12%	0-3
Certificates of deposits	71%	0-5
Deposits, money markets and other pools	17%	Not applicable

At June 30, 2021 the balance of the Stable NAV Government Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Commercial paper	76%	Not applicable
Collateralized bank deposits	6%	Not applicable
Money market funds	6%	Not applicable
Repurchase agreements	6%	Not applicable
Treasury Securities	6%	Not Applicable

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above pooled and mutual fund investments, the City's custodial credit risk exposure cannot be determined because the City's participation in the pool/funds does not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 3,426,485	\$ -	\$ 662,626	\$ 2,763,859
Construction in progress	1,362,319	193,096	1,287,590	267,825
Total capital assets, not being depreciated	4,788,804	193,096	1,950,216	3,031,684
Capital assets, being depreciated				
Land improvements	2,901,591	64,340	7,132	2,958,799
Buildings and improvements	21,640,472	-	194,079	21,446,393
Vehicles	8,337,425	332,865	539,393	8,130,897
Other tools and equipment	4,246,003	591,120	39,324	4,797,799
Office furnishings	1,211,773	23,199	-	1,234,972
Infrastructure	112,224,731	5,386,210	-	117,610,941
Total capital assets, being depreciated	150,561,995	6,397,734	779,928	156,179,801
Less accumulated depreciation for				
Land improvements	2,136,153	143,168	3,289	2,276,032
Buildings and improvements	13,099,420	520,764	169,819	13,450,365
Vehicles	4,239,307	503,406	539,393	4,203,320
Other tools and equipment	2,993,976	364,156	39,324	3,318,808
Office furnishings	1,115,428	44,763	-	1,160,191
Infrastructure	50,791,209	3,418,914	-	54,210,123
Total accumulated depreciation	74,375,493	4,995,171	751,825	78,618,839
Net capital assets, being depreciated	76,186,502	1,402,563	28,103	77,560,962
Governmental Activities capital assets, net	\$80,975,306	\$1,595,659	\$1,978,319	\$80,592,646

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Component units				
Capital assets not being depreciated				
Land	\$1,294,978	\$ -	\$ -	\$1,294,978
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,294,978</u>	<u>-</u>	<u>-</u>	<u>1,294,978</u>
Capital assets being depreciated				
Land improvements	192,298	-	-	192,298
Infrastructure	305,957	-	-	305,957
Buildings	2,516,680	-	-	2,516,680
Office furnishings	73,392	-	-	73,392
Total capital assets being depreciated	<u>3,088,327</u>	<u>-</u>	<u>-</u>	<u>3,088,327</u>
Less accumulated depreciation for				
Land improvements	167,211	19,466	-	186,677
Infrastructure	225,314	8,618	-	233,932
Buildings	880,838	62,917	-	943,755
Office furnishings	55,404	3,035	-	58,439
Total accumulated depreciation	<u>1,328,767</u>	<u>94,036</u>	<u>-</u>	<u>1,422,803</u>
Net capital assets, being depreciated	<u>1,759,560</u>	<u>(94,036)</u>	<u>-</u>	<u>1,665,524</u>
Component Units capital assets, net	<u>\$3,054,538</u>	<u>\$(94,036)</u>	<u>\$ -</u>	<u>\$2,960,502</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 230,954
Public safety	276,957
Public works	3,214,206
Culture and recreation	646,858
Judicial	11,976
Capital assets held by the governments internal service fund are charged to the various functions based on their usage of the assets	<u>614,220</u>

Total depreciation expense - governmental activities **\$4,995,171**

5. PENSION PLANS

Defined Contribution Pension Plan

The City of Walker provides pension benefits to substantially all of its full-time employees hired after July 1, 2005 through a defined contribution plan administered by ICMA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees hired prior to July 1, 2009, the City contributes 10% of employees' eligible earnings; for those hired subsequent to July 1, 2009, the City contributes 6% of eligible earnings plus up to an additional 2% match, as defined in the plan document which may be amended by the City Commission. In accordance with these requirements, the City contributed \$536,030 during the year ended June 30, 2021. In addition, employee contributions amounted to \$121,916 during the year ended June 30, 2021.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

MERS Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees Retirement System of Michigan (MERS). 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 publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

Only non-union employees hired prior to January 1, 1999 and union employees hired prior to July 1, 2005 participate in the defined benefit plan. The Plan is closed to new participants. Benefits provided include a multiplier of 2.5 times final average compensation with a vesting period of 5 years. Normal retirement age is 55-60 with early retirement at 50 with 25 years of service with various benefits. Benefits are calculated using final average compensation of 3 years depending on the employee's position and classification.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2020):

Active plan members	19
Inactive employees entitled but not yet receiving benefits	3
Inactive employees or beneficiaries currently receiving benefits	61
	<hr/>
Total	83

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$160,113 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 2% of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

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.

The total pension liability in 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: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.35%, net of investment expense, including inflation

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			7.60%

Discount rate. The discount rate used to measure the total pension liability is 7.60%. 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 WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2019	\$25,768,549	\$18,131,306	\$ 7,637,243
Changes for the Year:			
Service cost	167,032	-	167,032
Interest	1,899,189	-	1,899,189
Change in benefits	-	-	-
Differences between expected and actual experience	(280,140)	-	(280,140)
Change in assumptions	611,591	-	611,591
Contributions: employer	-	1,852,296	(1,852,296)
Contributions: employee	-	18,340	(18,340)
Net investment income (loss)	-	2,380,242	(2,380,242)
Benefit payments, including refunds	(1,725,478)	(1,725,478)	-
Administrative expense	-	(36,940)	36,940
Other changes	-	-	-
Net changes	672,194	2,488,460	(1,816,266)
Balance at December 31, 2020	\$26,440,743	\$20,619,766	\$ 5,820,977

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 percentage point lower (6.60%) or higher (8.60%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	\$29,182,597	\$26,440,743	\$24,107,147
Fiduciary net position	20,619,766	20,619,766	20,619,766
Net pension liability	\$ 8,562,831	\$ 5,820,977	\$ 3,487,381

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$1,304,871. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
(Excess) deficit investment returns	-	753,811
Contributions subsequent to the measurement date*	1,110,678	-
Total	\$1,110,678	\$753,811

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2022.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2022	\$(154,502)
2023	(11,263)
2024	(388,417)
2025	(199,629)
Thereafter	-
Total	<u>\$ (753,811)</u>

6. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Offering Bonds					
2009 Special Assessment Bonds, due in annual installments of \$45,000 to \$55,000 through October 1, 2023; interest at 1.95% to 4.30%.	\$135,000	\$ -	\$45,000	\$90,000	\$45,000
Private Placement Bonds and Contracts					
Contractual agreement payable to another government, due in annual installments of \$47,088 to \$18,650 through November 2026; interest at 3.0%	158,987	-	47,087	111,900	18,650
2020 fire truck installment purchase, due in annual installments of \$396,000 to \$397,000 through September 1, 2022; interest at 2.14%	1,189,000	-	396,000	793,000	396,000
Contractual agreement payable to a contractor for police equipment, due in annual installments of \$34,464 through September 2024	-	137,857	-	137,857	34,464
Total Private Placement Bonds and Contracts	<u>1,347,987</u>	<u>137,857</u>	<u>443,087</u>	<u>1,042,757</u>	<u>449,114</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Total Debt	\$1,482,987	\$137,857	\$488,087	\$1,132,757	\$494,114
Accrued compensated absences	1,910,419	-	518,606	1,391,813	-
Total Governmental Activities	\$3,393,406	\$137,857	\$1,006,693	\$2,524,570	\$494,114

Component Units

Private Placement Bonds

2017 Refunding Bonds (DDA portion), due in annual installments of \$150,000 to \$180,000 through May 1, 2023; interest at .85% to 2.15%

\$535,000	\$	-	\$175,000	\$360,000	\$180,000
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The annual requirements to amortize all debt outstanding (excluding other post-employment benefits and accrued compensated absences) as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities				Component Units	
	Public Offering Bonds		Private Placement Bonds and Contracts		Private Placement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$45,000	\$4,747	\$449,114	\$20,047	\$180,000	\$ 7,470
2023	45,000	1,912	450,114	11,014	180,000	3,870
2024	-	-	53,114	1,958	-	-
2025	-	-	53,115	1,399	-	-
2026	-	-	18,650	839	-	-
2027	-	-	18,650	280	-	-
Total	\$90,000	\$6,659	\$1,042,757	\$35,537	\$360,000	\$11,340

7. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	Major streets fund	Nonmajor governmental funds	Internal Service Fund	
General fund	\$1,150,000	\$850,000	\$400,000	\$2,400,000

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

8. 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 (workers' compensation); medical benefits provided to employees; and natural disasters. The City has purchased commercial insurance to cover risks of losses for all of these areas except workers compensation. The City participates in the Michigan Municipal League (MML) risk pool program for claims relating to workers' compensation. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

The MML risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Plan is included as an other post-employment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

Benefits provided

The plan provides single coverage health insurance premiums paid at 85% from retirement until age 65 at which time the Plan covers Medicare supplemental premiums until death of the employee and dental insurance premiums paid at 100% for retirees for life. Benefit provisions are established through policy and available to all qualifying fulltime employees. The City makes 100% of the premium payment to the plan and receives reimbursement for 15% of the health premium plus optional spousal coverage. Employees hired after July 1, 2009 are not eligible for retiree medical benefits.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

Active plan members	50
Inactive plan members	5
Retirees and beneficiaries receiving benefits	<u>47</u>
Total	<u>102</u>

Contributions

The Plan was established and is being funded under the authority of the City Commission. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Net OPEB Liability

The total OPEB liability in the June 30, 2020 annual actuarial valuation, rolled forward to June 30, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%

Salary Increases: 2.5%

Investment rate of return: 3.0%

Healthcare cost trend rates: 4.5% per year

20-year Aa Municipal bond yield: 2.18%

Mortality rates used general/public safety 2010 employee and healthy retiree, headcount weighted, 2020 improvement scale mortality tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB 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 weighting 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>Expected Rate of Return</u>
VT Vantagepoint Low Dur Bond	100%	1.0%

The sum of each target benefit times its long-term expected real rate is 1.0%. The long-term expected rate of return is 3.0% with inflation.

Discount rate. The discount rate used to measure the total OPEB liability is 2.27%. For projected benefits that are expected to be 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"), 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. As of June 30, 2020, the discount rate used to value OPEB liabilities was 2.68%.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2020	\$6,682,741	\$1,555,099	\$5,127,642
Changes for the Year:			
Service cost	145,582	-	145,582
Interest	181,535	-	181,535
Change in benefits	370,109	-	370,109
Differences between expected and actual experience	(1,527,148)	-	(1,527,148)
Change in assumptions	63,073	-	63,073
Contributions: employer	-	109,244	(109,244)
Contributions: employee	-	-	-
Net investment Income	-	22,617	(22,617)
Benefit payments, including refunds	(109,244)	(109,244)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(876,093)	22,617	(898,710)
Balance at June 30, 2021	\$5,806,648	\$1,577,716	\$4,228,932

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 2.27%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total OPEB liability	\$6,617,138	\$5,806,648	\$5,139,959
Fiduciary net position	1,577,716	1,577,716	1,577,716
Net OPEB liability	\$5,039,422	\$4,228,932	\$3,562,243
Plan fiduciary position as a percentage of the total OPEB liability		27.17%	

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 4.5%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$5,095,537	\$5,806,648	\$6,690,692
Fiduciary net position	1,577,716	1,577,716	1,577,716
Net OBEB liability	\$3,517,821	\$4,228,932	\$5,112,976

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2021 the employer recognized OPEB expense of \$21,836. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$2,243,009
Changes in assumptions	898,656	-
Excess(deficit) investment returns	5,422	-
Total	<u>\$904,078</u>	<u>\$2,243,009</u>

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

2022	\$ (634,178)
2023	(670,794)
2024	(50,536)
2025	16,577
2026	-
Thereafter	<u>-</u>
Total	<u>\$(1,338,931)</u>

10. CONSTRUCTION CODE FEES

The City oversees building construction in accordance with the State of Michigan Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Current year building permit revenues	<u>\$ 959,182</u>
Related Expenses	
Direct costs	521,981
Indirect Costs	<u>35,615</u>
Total construction code expenses	<u>557,596</u>
Net revenues (expenses)	401,586
Cumulative shortfall – July 1, 2020	<u>(453,198)</u>
Cumulative shortfall – June 30, 2021	<u>\$(51,612)</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

11. TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFTE) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The IFTE is computed at half the local property tax millage rate which generally amounts to a 50% reduction in property taxes. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement. For the year ended June 30, 2021 the City abated property tax revenues of approximately \$16,800.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing. For the year ended June 30, 2021 the City abated property tax revenues of approximately \$10,400.

12. CONTINGENCIES

The City has received state and federal grants for specific purposes that are subject to review and audit by grantor agencies. Although no amounts have been claimed, such audits could lead to requests for repayment to the grantor agency for expenditures disallowed under the terms of the grant. The City believes such disallowances, if any, will be immaterial.

13. COMMITMENTS

As of June 30, 2021, the City had outstanding construction commitments of approximately \$44,000 related to various street projects.

14. PRIOR PERIOD ADJUSTMENT

The following adjustments were made to opening balances in accordance with the implementation of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities:

Beginning net position of the District Court custodial fund was increased by \$51,931.

Beginning net position of the Trust and Agency custodial fund was increased by \$1,028,408.

Beginning fund balance of the General Fund and net position of Governmental Activities were increased by \$26,332.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALKER

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Income taxes	\$ 12,000,000	\$ 11,000,000	\$ 13,566,604	\$ 2,566,604
Property taxes	2,028,850	2,063,850	2,124,683	60,833
Intergovernmental revenues				
Federal	2,000	987,719	989,109	1,390
State	2,150,250	2,152,760	2,392,082	239,322
Local	7,500	26,165	26,490	325
Cable franchise fees	345,000	345,000	359,352	14,352
Licenses and permits	506,300	904,300	1,060,650	156,350
Charges for services	9,000	54,000	83,263	29,263
Fines	592,000	400,000	424,931	24,931
Investment earnings	52,075	9,255	12,232	2,977
Miscellaneous	138,200	243,375	250,454	7,079
Total revenues	17,831,175	18,186,424	21,289,850	3,103,426
Expenditures				
Current				
Judicial	899,197	910,457	842,876	67,581
General government	3,447,480	3,349,170	3,100,523	248,647
Public safety	8,812,800	9,134,775	8,931,108	203,667
Public works	857,967	858,742	741,638	117,104
Culture and recreation	440,606	400,431	320,448	79,983
Planning and economic development	20,000	25,200	20,968	4,232
Other	2,643,650	2,509,525	2,367,593	141,932
Debt service				
Principal	47,087	47,087	47,087	-
Interest and fiscal charges	4,064	4,064	4,064	-
Total expenditures	17,172,851	17,239,451	16,376,305	863,146
Revenues over (under) expenditures	658,324	946,973	4,913,545	3,966,572
Other financing sources (uses)				
Use of fund balance	1,063,825	1,424,426	-	(1,424,426)
Debt issuance	-	-	137,857	137,857
Transfers out	(1,700,000)	(2,400,000)	(2,400,000)	-
Total other financing sources (uses)	(636,175)	(975,574)	(2,262,143)	(1,286,569)
Net changes in fund balance	22,149	(28,601)	2,651,402	2,680,003
Fund balance, beginning of year	8,659,271	8,659,271	8,659,271	-
Fund balance, end of year	\$ 8,681,420	\$ 8,630,670	\$ 11,310,673	\$ 2,680,003

CITY OF WALKER

MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ 1,074,000	\$ 754,000	\$ -	\$ (754,000)
State	2,644,000	2,693,323	2,545,826	(147,497)
Local	38,000	727,150	717,860	(9,290)
Investment earnings	<u>11,000</u>	<u>2,100</u>	<u>2,715</u>	<u>615</u>
Total revenues	3,767,000	4,176,573	3,266,401	(910,172)
Expenditures				
Current				
Public works	<u>7,659,720</u>	<u>6,518,640</u>	<u>5,305,159</u>	<u>1,213,481</u>
Revenues over (under) expenditures	<u>(3,892,720)</u>	<u>(2,342,067)</u>	<u>(2,038,758)</u>	<u>303,309</u>
Other financing sources				
Use of fund balance	2,742,720	1,192,067	-	(1,192,067)
Transfers in	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Total other financing sources (uses)	<u>3,892,720</u>	<u>2,342,067</u>	<u>1,150,000</u>	<u>(1,192,067)</u>
Net changes in fund balance	-	-	(888,758)	(888,758)
Fund balance, beginning of year	<u>3,135,466</u>	<u>3,135,466</u>	<u>3,135,466</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,135,466</u>	<u>\$ 3,135,466</u>	<u>\$ 2,246,708</u>	<u>\$ (888,758)</u>

CITY OF WALKER
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	For the years ended December 31						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 167,032	\$ 167,849	\$ 187,282	\$ 209,394	\$ 227,361	\$ 229,952	\$ 258,272
Interest	1,899,189	1,887,943	1,842,166	1,769,831	1,733,124	1,599,515	1,593,796
Changes in benefit terms	-	-	-	(36,401)	-	-	-
Difference between expected and actual experience	(280,140)	259,676	122,503	394,710	(197,734)	(119,385)	-
Changes in assumptions	611,591	755,654	-	-	-	1,145,765	-
Benefit payments including employee refunds	(1,725,478)	(1,635,871)	(1,504,183)	(1,340,376)	(1,249,507)	(1,219,318)	(1,106,117)
Other	-	-	-	(1)	-	49,985	-
Net change in total pension liability	672,194	1,435,251	647,768	997,157	513,244	1,686,514	745,951
Total pension liability, beginning of year	25,768,549	24,333,298	23,685,530	22,688,373	22,175,129	20,488,615	19,742,664
Total pension liability, end of year	\$ 26,440,743	\$ 25,768,549	\$ 24,333,298	\$ 23,685,530	\$ 22,688,373	\$ 22,175,129	\$ 20,488,615
Plan Fiduciary Net Position							
Contributions-employer	\$ 1,852,296	\$ 2,397,265	\$ 2,077,526	\$ 1,975,152	\$ 1,693,104	\$ 1,093,251	\$ 963,598
Contributions-employee	18,340	19,987	21,291	21,741	36,976	27,467	30,728
Net investment income (loss)	2,380,242	2,131,627	(636,975)	1,775,267	1,322,316	(174,326)	689,020
Benefit payments including employee refunds	(1,725,478)	(1,635,871)	(1,504,183)	(1,340,376)	(1,249,507)	(1,219,318)	(1,106,117)
Administrative expense	(36,940)	(36,869)	(30,441)	(27,946)	(25,978)	(25,203)	(25,347)
Net change in plan fiduciary net position	2,488,460	2,876,139	(72,782)	2,403,838	1,776,911	(298,129)	551,882
Plan fiduciary net position, beginning of year	18,131,306	15,255,167	15,327,949	12,924,111	11,147,200	11,445,329	10,893,447
Plan fiduciary net position, end of year	\$ 20,619,766	\$ 18,131,306	\$ 15,255,167	\$ 15,327,949	\$ 12,924,111	\$ 11,147,200	\$ 11,445,329
Total net pension liability	\$ 5,820,977	\$ 7,637,243	\$ 9,078,131	\$ 8,357,581	\$ 9,764,262	\$ 11,027,929	\$ 9,043,286
Plan fiduciary net position as a percentage of the total pension liability	78.0%	70.4%	62.7%	64.7%	57.0%	50.3%	55.9%
Covered employee payroll	\$ 1,480,976	\$ 1,519,009	\$ 1,704,383	\$ 1,886,004	\$ 2,056,503	\$ 2,107,449	\$ 2,362,044
Employer's net pension liability as a percentage of covered employee payroll	393.1%	502.8%	532.6%	443.1%	474.8%	523.3%	382.9%

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

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 1,921,356	\$ 1,783,253	\$ 1,691,508	\$ 1,463,544	\$ 1,267,788	\$ 1,066,104	\$ 847,320
Contributions in relation to the actuarially determined contribution	<u>2,071,356</u>	<u>1,933,253</u>	<u>2,191,508</u>	<u>1,963,544</u>	<u>1,767,788</u>	<u>1,566,104</u>	<u>847,320</u>
Contribution excess (deficiency)	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,480,976	\$ 1,519,009	\$ 1,704,383	\$ 1,886,004	\$ 2,056,503	\$ 2,107,449	\$ 2,362,044
Contributions as a percentage of covered employee payroll	140%	127%	129%	104%	86%	74%	36%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35% (7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

CITY OF WALKER

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 145,582	\$ 133,505	\$ 245,521	\$ 244,292	\$ 164,171
Interest	181,535	188,571	240,696	235,513	268,879
Changes in benefit terms	370,109	-	(388,641)	-	-
Difference between expected and actual experience	(1,527,148)	(24,898)	(2,247,458)	(58,072)	(609,575)
Changes in assumptions	63,073	285,859	631,179	115,153	1,082,232
Benefit payments including employee refunds	(109,244)	(104,950)	(108,635)	(115,560)	(105,671)
Other	-	-	-	-	-
Net change in total OPEB liability	(876,093)	478,087	(1,627,338)	421,326	800,036
Total OPEB liability, beginning of year	6,682,741	6,204,654	7,831,992	7,410,666	6,610,630
Total OPEB liability, end of year	\$ 5,806,648	\$ 6,682,741	\$ 6,204,654	\$ 7,831,992	\$ 7,410,666
Plan Fiduciary Net Position					
Contributions-employer	\$ 109,244	\$ 104,950	\$ 108,635	\$ 415,560	\$ 405,671
Contributions-employee	-	-	-	-	-
Net investment income	22,617	65,024	61,886	7,083	8,055
Benefit payments including employee refunds	(109,244)	(104,950)	(108,635)	(115,560)	(105,671)
Administrative expense	-	-	-	-	(68)
Other	-	-	-	-	-
Net change in plan fiduciary net position	22,617	65,024	61,886	307,083	307,987
Plan fiduciary net position, beginning of year	1,555,099	1,490,075	1,428,189	1,121,106	813,119
Plan fiduciary net position, end of year	\$ 1,577,716	\$ 1,555,099	\$ 1,490,075	\$ 1,428,189	\$ 1,121,106
Employer net OPEB liability	\$ 4,228,932	\$ 5,127,642	\$ 4,714,579	\$ 6,403,803	\$ 6,289,560
Plan fiduciary net position as a percentage of the total OPEB liability	27%	23%	24%	18%	15%
Covered employee payroll	\$ 3,860,415	\$ 4,420,745	\$ 4,689,938	\$ 4,588,570	\$ 4,649,196
Employer's net OPEB liability as a percentage of covered employee payroll	110%	116%	101%	140%	135%

CITY OF WALKER

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017
Actuarial determined contributions	\$ 962,606	\$ 809,132	\$ 941,811	\$ 873,491	\$ 814,831
Contributions in relation to the actuarially determined contribution	109,244	104,950	108,635	415,560	405,671
Contribution excess (deficiency)	<u>\$ (853,362)</u>	<u>\$ (704,182)</u>	<u>\$ (833,176)</u>	<u>\$ (457,931)</u>	<u>\$ (409,160)</u>
Covered employee payroll	\$ 3,860,415	\$ 4,420,745	\$ 4,689,938	\$ 4,588,570	\$ 4,649,196
Contributions as a percentage of covered employee payroll	2.8%	2.4%	2.3%	9.1%	8.7%

SCHEDULE OF INVESTMENT RATE OF RETURN

Investment rate of return	2.7%	4.3%	1.0%	0.5%	0.8%
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Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	10 years (average future service)
Asset valuation method	Market value
Inflation	2.0%
Salary increases	2.5 (2.0% for 2018)
Investment rate of return	3.0% (3.1% for 2017)
20-year Aa Municipal bond yield	2.18% (2.66% for 2020, 3.0% for 2019)
Healthcare cost trend rates	Pre-65 - 8.5% graded .25% per year to 4.5% ultimate rate Medicare - 7.0% graded .25% per year to
Retirement age	Varies depending on plan adoption
Mortality	IRS 2017 annuitant/non-annuitant mortality

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 832,799
Minimum required contribution under PA 202	109,244
Actual contribution	109,244
Contribution for employees hired after June 30, 2019	-

State of Michigan PA 202 assumptions, if different from GASB:

Discount rate - 2.27%
Salary scale - 3.5%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Pension and OPEB data

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF WALKER
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Income taxes	\$ 12,000,000	\$ 11,000,000	\$ 13,566,604	\$ 2,566,604
Real and personal property taxes	1,573,900	1,593,900	1,645,390	51,490
Payments in lieu of tax	950	950	1,278	328
Collection fees	454,000	469,000	478,015	9,015
Total taxes	14,028,850	13,063,850	15,691,287	2,627,437
Licenses and permits				
Business	34,000	34,000	38,620	4,620
Nonbusiness	451,300	849,300	1,000,433	151,133
Liquor license fees	21,000	21,000	21,597	597
Total licenses and permits	506,300	904,300	1,060,650	156,350
Intergovernmental - federal	2,000	987,719	989,109	1,390
Intergovernmental - state				
State-shared revenue	2,150,000	2,152,510	2,391,074	238,564
State grants	250	250	1,008	758
Total state sources	2,150,250	2,152,760	2,392,082	239,322
Intergovernmental - local	7,500	26,165	26,490	325
Cable franchise fees	345,000	345,000	359,352	14,352
Charges for services				
Planning and zoning fees	34,000	39,000	47,126	8,126
Overtime event reimbursement	(55,000)	(15,000)	6,137	21,137
Administrative fees	30,000	30,000	30,000	-
Total charges for services	9,000	54,000	83,263	29,263
Fines				
Ordinance fines	592,000	400,000	424,931	24,931
Interest and rentals	52,075	9,255	12,232	2,977
Other revenue	138,200	243,375	250,454	7,079
Total revenues	17,831,175	18,186,424	21,289,850	3,103,426
Other financing sources				
Debt issuance	-	-	137,857	137,857
Total revenues and other financing sources	\$ 17,831,175	\$ 18,186,424	\$ 21,289,850	\$ 3,103,426

CITY OF WALKER
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Judicial				
District court	\$ 899,197	\$ 910,457	\$ 842,876	\$ 67,581
General government				
City Commission	83,710	77,710	70,591	7,119
City managers office	604,425	556,200	527,797	28,403
Elections	98,500	68,040	61,882	6,158
Finance/treasurer department	270,475	279,225	264,390	14,835
Information technology	327,000	354,700	309,002	45,698
Income tax	600,390	530,915	499,434	31,481
City assessor	340,500	343,100	334,529	8,571
City clerk	244,045	244,045	226,786	17,259
Buildings and grounds	650,325	658,125	606,546	51,579
Human resources	228,110	237,110	199,566	37,544
	<u>3,447,480</u>	<u>3,349,170</u>	<u>3,100,523</u>	<u>248,647</u>
Public safety				
Police department	5,805,800	6,003,600	5,922,311	81,289
Fire department	2,329,750	2,394,875	2,274,696	120,179
Building inspections	677,250	736,300	734,101	2,199
	<u>8,812,800</u>	<u>9,134,775</u>	<u>8,931,108</u>	<u>203,667</u>
Public works				
Sidewalks	30,000	22,500	9,065	13,435
City engineer	423,750	432,025	405,421	26,604
Drains	143,217	143,217	77,528	65,689
Street lighting	261,000	261,000	249,624	11,376
	<u>857,967</u>	<u>858,742</u>	<u>741,638</u>	<u>117,104</u>
Culture and recreation				
Parks	439,106	398,931	320,172	78,759
Museum	1,500	1,500	276	1,224
	<u>440,606</u>	<u>400,431</u>	<u>320,448</u>	<u>79,983</u>
Planning and economic development				
Zoning	20,000	25,200	20,968	4,232
Other				
Retiree insurance/pension	1,713,900	1,670,000	1,638,582	31,418
Property and liability insurance	145,000	155,000	152,085	2,915
Other unclassified expenses	784,750	684,525	576,926	107,599
	<u>2,643,650</u>	<u>2,509,525</u>	<u>2,367,593</u>	<u>141,932</u>
Debt service				
Principal	47,087	47,087	47,087	-
Interest	4,064	4,064	4,064	-
	<u>51,151</u>	<u>51,151</u>	<u>51,151</u>	<u>-</u>
Total expenditures	17,172,851	17,239,451	16,376,305	863,146
Other financing uses				
Transfers out	1,700,000	2,400,000	2,400,000	-
Total expenditures and other financing uses	\$ 18,872,851	\$ 19,639,451	\$ 18,776,305	\$ 863,146

CITY OF WALKER

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2021

	<u>Special Revenue</u>					<u>Debt Service</u>	
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Improvement Revolving</u>	<u>Indigent Defense</u>	<u>2009 Bonds</u>	<u>Total</u>
Assets							
Cash and pooled investments	\$ 151,652	\$ 468,401	\$ 119,440	\$ 125,802	\$ -	\$ 25,499	\$ 890,794
Accounts receivable	-	7,780	-	5,948	-	-	13,728
Special assessment receivable	-	-	-	-	-	24,163	24,163
Due from other governments	122,227	-	-	-	-	-	122,227
Prepaid items	1,239	21,314	-	-	-	-	22,553
Inventory	51,088	68,904	-	-	-	-	119,992
Total assets	<u>\$ 326,206</u>	<u>\$ 566,399</u>	<u>\$ 119,440</u>	<u>\$ 131,750</u>	<u>\$ -</u>	<u>\$ 49,662</u>	<u>\$ 1,193,457</u>
Liabilities, deferred inflows and fund balances							
Liabilities							
Accounts payable	\$ 2,926	\$ 34,948	\$ -	\$ -	\$ -	\$ -	\$ 37,874
Accrued liabilities	9,725	17,766	-	-	-	-	27,491
Total liabilities	<u>12,651</u>	<u>52,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,365</u>
Deferred inflows							
Unavailable revenue	-	-	-	-	-	24,163	24,163
Fund balances							
Nonspendable							
Prepaid items	1,239	21,314	-	-	-	-	22,553
Inventory	51,088	68,904	-	-	-	-	119,992
Restricted							
Streets	261,228	-	-	-	-	-	261,228
Public safety	-	-	119,440	-	-	-	119,440
Committed							
Ice and fitness capital	-	162,672	-	-	-	-	162,672
Assigned							
Ice and fitness	-	260,795	-	-	-	-	260,795
Debt service	-	-	-	-	-	25,499	25,499
Capital projects	-	-	-	131,750	-	-	131,750
Total fund balances	<u>313,555</u>	<u>513,685</u>	<u>119,440</u>	<u>131,750</u>	<u>-</u>	<u>25,499</u>	<u>1,103,929</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 326,206</u>	<u>\$ 566,399</u>	<u>\$ 119,440</u>	<u>\$ 131,750</u>	<u>\$ -</u>	<u>\$ 49,662</u>	<u>\$ 1,193,457</u>

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

	<u>Special Revenue</u>					<u>Debt Service</u>	
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Improvement Revolving</u>	<u>Indigent Defense</u>	<u>2009 Bonds</u>	<u>Total</u>
Revenues							
Intergovernmental revenues							
State	\$ 777,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 777,273
Local	6,788	-	7,802	35,155	-	-	49,745
Charges for services	-	817,537	-	-	-	-	817,537
Special assessments	-	-	-	-	-	10,964	10,964
Investment earnings	455	1,918	812	726	4	1,906	5,821
Miscellaneous	-	84	-	-	-	-	84
Total revenues	<u>784,516</u>	<u>819,539</u>	<u>8,614</u>	<u>35,881</u>	<u>4</u>	<u>12,870</u>	<u>1,661,424</u>
Expenditures							
Current							
Judicial	-	-	-	-	85,418	-	85,418
Public safety	-	-	20,410	-	-	-	20,410
Public works	1,087,303	-	-	2,811	-	8	1,090,122
Culture and recreation	-	1,282,818	-	-	-	-	1,282,818
Debt service							
Principal	-	-	-	-	-	45,000	45,000
Interest	-	-	-	-	-	5,385	5,385
Total expenditures	<u>1,087,303</u>	<u>1,282,818</u>	<u>20,410</u>	<u>2,811</u>	<u>85,418</u>	<u>50,393</u>	<u>2,529,153</u>
Revenues over (under) expenditures	(302,787)	(463,279)	(11,796)	33,070	(85,414)	(37,523)	(867,729)
Other financing sources (uses)							
Transfers in	<u>350,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,000</u>
Net changes in fund balances	47,213	36,721	(11,796)	33,070	(85,414)	(37,523)	(17,729)
Fund balances, beginning of year	<u>266,342</u>	<u>476,964</u>	<u>131,236</u>	<u>98,680</u>	<u>85,414</u>	<u>63,022</u>	<u>1,121,658</u>
Fund balances, end of year	<u>\$ 313,555</u>	<u>\$ 513,685</u>	<u>\$ 119,440</u>	<u>\$ 131,750</u>	<u>\$ -</u>	<u>\$ 25,499</u>	<u>\$ 1,103,929</u>

CITY OF WALKER

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 696,500	\$ 726,500	\$ 777,273	\$ 50,773
Local	5,500	14,100	6,788	(7,312)
Investment earnings	<u>2,000</u>	<u>500</u>	<u>455</u>	<u>(45)</u>
Total revenues	704,000	741,100	784,516	43,416
Expenditures				
Current				
Public works	<u>1,172,289</u>	<u>1,149,274</u>	<u>1,087,303</u>	<u>61,971</u>
Revenues over (under) expenditures	<u>(468,289)</u>	<u>(408,174)</u>	<u>(302,787)</u>	<u>105,387</u>
Other financing source (uses)				
Use of fund balance	118,289	58,174	-	(58,174)
Transfers in	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total other financing sources (uses)	<u>468,289</u>	<u>408,174</u>	<u>350,000</u>	<u>(58,174)</u>
Net changes in fund balance	-	-	47,213	47,213
Fund balance, beginning of year	<u>266,342</u>	<u>266,342</u>	<u>266,342</u>	<u>-</u>
Fund balance, end of year	<u>\$ 266,342</u>	<u>\$ 266,342</u>	<u>\$ 313,555</u>	<u>\$ 47,213</u>

CITY OF WALKER

ICE AND FITNESS PROGRAM FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ 1,276,200	\$ 769,200	\$ 817,537	\$ 48,337
Investment earnings	4,500	1,900	1,918	18
Miscellaneous	<u>3,300</u>	<u>110</u>	<u>84</u>	<u>(26)</u>
Total revenues	1,284,000	771,210	819,539	48,329
Expenditures				
Current				
Culture and recreation	<u>1,622,985</u>	<u>1,471,345</u>	<u>1,282,818</u>	<u>188,527</u>
Revenues over (under) expenditures	<u>(338,985)</u>	<u>(700,135)</u>	<u>(463,279)</u>	<u>236,856</u>
Other financing source (uses)				
Use of fund balance	138,985	200,135	-	(200,135)
Transfers in	<u>200,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>338,985</u>	<u>700,135</u>	<u>500,000</u>	<u>(200,135)</u>
Net changes in fund balance	-	-	36,721	36,721
Fund balance, beginning of year	<u>476,964</u>	<u>476,964</u>	<u>476,964</u>	<u>-</u>
Fund balance, end of year	<u>\$ 476,964</u>	<u>\$ 476,964</u>	<u>\$ 513,685</u>	<u>\$ 36,721</u>

CITY OF WALKER

SPECIAL VICE INVESTIGATION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Local	\$ 21,000	\$ 10,100	\$ 7,802	\$ (2,298)
Investment earnings	<u>1,800</u>	<u>850</u>	<u>812</u>	<u>(38)</u>
Total Revenues	22,800	10,950	8,614	(2,336)
Expenditures				
Current				
Public safety	<u>-</u>	<u>24,000</u>	<u>20,410</u>	<u>3,590</u>
Revenues over (under) expenditures	22,800	(13,050)	(11,796)	1,254
Other financing source (uses)				
Use of fund balance	<u>(22,800)</u>	<u>13,050</u>	<u>-</u>	<u>(13,050)</u>
Net changes in fund balance	-	-	(11,796)	(11,796)
Fund balance, beginning of year	<u>131,236</u>	<u>131,236</u>	<u>131,236</u>	<u>-</u>
Fund balance, end of year	<u>\$ 131,236</u>	<u>\$ 131,236</u>	<u>\$ 119,440</u>	<u>\$ (11,796)</u>

CITY OF WALKER

INDIGENT DEFENSE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Investment earnings	\$ -	\$ 4	\$ 4	\$ -
Expenditures				
Current				
Judicial	71,650	85,418	85,418	-
Revenues over (under) expenditures	(71,650)	(85,414)	(85,414)	-
Other financing source (uses)				
Use of fund balance	65,413	85,414	-	(85,414)
Transfers in	6,237	-	-	-
Total other financing sources (uses)	71,650	85,414	-	(85,414)
Net changes in fund balance	-	-	(85,414)	(85,414)
Fund balance, beginning of year	85,414	85,414	85,414	-
Fund balance, end of year	<u>\$ 85,414</u>	<u>\$ 85,414</u>	<u>\$ -</u>	<u>\$ (85,414)</u>

CITY OF WALKER
CUSTODIAL FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Custodial Funds</u>			
	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 64,576	\$ 2,282	\$ 1,008,375	\$ 1,075,233
Due from other governments	-	3,276	-	3,276
Total assets	<u>64,576</u>	<u>5,558</u>	<u>1,008,375</u>	<u>1,078,509</u>
Liabilities				
Due to other governmental units	-	5,558	-	5,558
Total liabilities	<u>-</u>	<u>5,558</u>	<u>-</u>	<u>5,558</u>
Net position				
Restricted	<u>\$ 64,576</u>	<u>\$ -</u>	<u>\$ 1,008,375</u>	<u>\$ 1,072,951</u>

CITY OF WALKER
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2021

	<u>Custodial Funds</u>			
	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Additions				
Property taxes collected for other governments	\$ -	\$ 46,821,633	\$ -	\$ 46,821,633
Escrow deposits collected	-	-	953,445	953,445
Court ordered bonds	91,965	-	-	91,965
Fines and fees	604,413	-	-	604,413
Total additions	<u>696,378</u>	<u>46,821,633</u>	<u>953,445</u>	<u>48,471,456</u>
Deductions				
Property taxes distributed to other governments	-	46,821,633	-	46,821,633
Escrow funds used to cover expenses	-	-	973,478	973,478
Bonds refunded	85,733	-	-	85,733
Funds used to cover court costs	598,000	-	-	598,000
Total deductions	<u>683,733</u>	<u>46,821,633</u>	<u>973,478</u>	<u>48,478,844</u>
Net increase (decrease)	12,645	-	(20,033)	(7,388)
Net position, beginning of year, as restated	<u>51,931</u>	<u>-</u>	<u>1,028,408</u>	<u>1,080,339</u>
Net position, end of year	<u>\$ 64,576</u>	<u>\$ -</u>	<u>\$ 1,008,375</u>	<u>\$ 1,072,951</u>

CITY OF WALKER
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Fund Type			Statement of Net Position
	General Fund	Streetscape Maintenance	Totals	
Assets				
Cash and pooled investments	\$ 1,086,971	\$ 141,920	\$ 1,228,891	\$ -
Special assessment receivable	-	5,823	5,823	-
Capital assets				
Land	-	-	-	1,294,978
Depreciable capital assets, net	-	-	-	1,665,524
Total assets	<u>\$ 1,086,971</u>	<u>\$ 147,743</u>	<u>\$ 1,234,714</u>	<u>2,960,502</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 11,291	\$ 11,139	\$ 22,430	-
Accrued liabilities	-	-	-	1,245
Debt due within one year	-	-	-	180,000
Noncurrent liabilities				
Debt due in more than one year	-	-	-	180,000
Total liabilities	<u>11,291</u>	<u>11,139</u>	<u>22,430</u>	<u>361,245</u>
Deferred inflows				
Unavailable revenue	-	5,823	5,823	(5,823)
Fund balances				
Unassigned	<u>1,075,680</u>	<u>130,781</u>	<u>1,206,461</u>	<u>(1,206,461)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,086,971</u>	<u>\$ 147,743</u>	<u>\$ 1,234,714</u>	
Net position				
Net investment in capital assets				2,600,502
Unrestricted				1,211,039
Total net position				<u>\$ 3,811,541</u>
Reconciliation of fund balances to net position				
Fund balances of governmental funds				\$ 1,206,461
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds				
Add - land				1,294,978
Add - capital assets (net of accumulated depreciation)				1,665,524
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds				
Add - unavailable revenue				5,823
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.				
Deduct - debt payable				(360,000)
Deduct - accrued interest on debt payable				(1,245)
Net position of governmental activities				<u>\$ 3,811,541</u>

CITY OF WALKER

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Fund Type				Statement of Activities
	General Fund	Streetscape Maintenance	Totals	Adjustments	
Revenues					
Taxes	\$ 488,029	\$ -	\$ 488,029	\$ -	\$ 488,029
Special assessments	-	136,265	136,265	(12,741)	123,524
Investment earnings	764	1,461	2,225	-	2,225
Miscellaneous	975	-	975	-	975
	<u>489,768</u>	<u>137,726</u>	<u>627,494</u>	<u>(12,741)</u>	<u>614,753</u>
Expenditures/expenses					
Current					
Community development	28,659	141,423	170,082	94,036	264,118
Debt Service					
Principal	175,000	-	175,000	(175,000)	-
Interest	11,208	-	11,208	(540)	10,668
	<u>214,867</u>	<u>141,423</u>	<u>356,290</u>	<u>(81,504)</u>	<u>274,786</u>
Total expenditures/expenses	<u>214,867</u>	<u>141,423</u>	<u>356,290</u>	<u>(81,504)</u>	<u>274,786</u>
Revenues over (under) expenditures/expenses	<u>274,901</u>	<u>(3,697)</u>	<u>271,204</u>	<u>68,763</u>	<u>339,967</u>
Net changes in fund balances	274,901	(3,697)	271,204	(271,204)	
Change in net position				339,967	339,967
Fund balances/net position					
Beginning of year	<u>800,779</u>	<u>134,478</u>	<u>935,257</u>		<u>3,471,574</u>
End of year	<u>\$ 1,075,680</u>	<u>\$ 130,781</u>	<u>\$ 1,206,461</u>		<u>\$ 3,811,541</u>
Reconciliation of change in fund balances to change in net position					
Net change in fund balances of governmental funds					\$ 271,204
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.					
Add - capital outlay					36,766
Deduct - depreciation expense					(130,802)
Business loan receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.					
Add - addition to special assessment receivable					(12,741)
Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position.					
Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.					
Add - principal payments on debt					175,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.					
Add - decrease in accrued interest					540
Change in net position of governmental activities					<u>\$ 339,967</u>

CITY OF WALKER

DDA GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 435,000	\$ 488,000	\$ 488,029	\$ 29
Investment earnings	4,000	775	764	(11)
Miscellaneous	<u>-</u>	<u>975</u>	<u>975</u>	<u>-</u>
Total revenues	<u>439,000</u>	<u>489,750</u>	<u>489,768</u>	<u>18</u>
Expenditures				
Current				
Community development	109,550	109,550	28,659	80,891
Debt service				
Principal	175,000	175,000	175,000	-
Interest	<u>11,208</u>	<u>11,208</u>	<u>11,208</u>	<u>-</u>
Total expenditures	<u>295,758</u>	<u>295,758</u>	<u>214,867</u>	<u>80,891</u>
Revenues over (under) expenditures	143,242	193,992	274,901	80,909
Other financing source (uses)				
Use of fund balance	<u>(143,242)</u>	<u>(193,992)</u>	<u>-</u>	<u>193,992</u>
Net changes in fund balance	-	-	274,901	274,901
Fund balance, beginning of year	<u>800,779</u>	<u>800,779</u>	<u>800,779</u>	<u>-</u>
Fund balance, end of year	<u>\$ 800,779</u>	<u>\$ 800,779</u>	<u>\$ 1,075,680</u>	<u>\$ 274,901</u>

CITY OF WALKER

DDA STREETSCAPE MAINTENANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Special assessments	\$ 124,873	\$ 124,873	\$ 136,265	\$ 11,392
Investment earnings	925	925	1,461	536
Miscellaneous	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenues	126,298	126,298	137,726	11,428
Expenditures				
Current				
Community development	<u>135,850</u>	<u>177,850</u>	<u>141,423</u>	<u>36,427</u>
Revenues over (under) expenditures	(9,552)	(51,552)	(3,697)	47,855
Other financing source (uses)				
Use of fund balance	<u>9,552</u>	<u>51,552</u>	<u>-</u>	<u>(51,552)</u>
Net changes in fund balance	-	-	(3,697)	(3,697)
Fund balance, beginning of year	<u>134,478</u>	<u>134,478</u>	<u>134,478</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 134,478</u></u>	<u><u>\$ 134,478</u></u>	<u><u>\$ 130,781</u></u>	<u><u>\$ (3,697)</u></u>

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2021

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 153,498	\$ -	\$ 153,498
Total assets	<u>\$ 153,498</u>	<u>-</u>	<u>153,498</u>
Liabilities and fund balances			
Liabilities			
Total liabilities	\$ -	-	-
Fund balances			
Unassigned	153,498	(153,498)	
Total liabilities and fund balances	<u>\$ 153,498</u>		
Net position			
Unrestricted		<u>\$ 153,498</u>	<u>\$ 153,498</u>

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 130,686	\$ -	\$ 130,686
Investment earnings	<u>117</u>	<u>-</u>	<u>117</u>
	130,803	-	130,803
 Expenditures/expenses			
Current			
Public works			
Return of tax increment	<u>116,680</u>	<u>-</u>	<u>116,680</u>
 Net changes in fund balances	14,123	(14,123)	
 Change in net position		14,123	14,123
 Fund balances/net position, beginning of year	<u>139,375</u>		<u>139,375</u>
 Fund balances/net position, end of year	<u><u>\$ 153,498</u></u>		<u><u>\$ 153,498</u></u>

CITY OF WALKER

BROWNFIELD GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 131,300	\$ 131,300	\$ 130,686	\$ (614)
Investment earnings	430	145	117	(28)
Total revenues	131,730	131,445	130,803	(642)
Expenditures				
Current				
Return of tax increment	131,300	117,306	116,680	626
Revenues over (under) expenditures	430	14,139	14,123	(16)
Other financing source (uses)				
Use of fund balance	(430)	(14,139)	-	14,139
Net changes in fund balance	-	-	14,123	14,123
Fund balance, beginning of year	139,375	139,375	139,375	-
Fund balance, end of year	<u>\$ 139,375</u>	<u>\$ 139,375</u>	<u>\$ 153,498</u>	<u>\$ 14,123</u>

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SINGLE AUDIT SECTION



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 18, 2021

Honorable Mayor and Members of the City Commission
City of Walker, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Walker, Michigan (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vredexeld Haefner LLC



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 18, 2021

Honorable Mayor and Members of the City Commission
City of Walker, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Walker, Michigan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uredaxeld Haefner LLC

CITY OF WALKER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Expenditures
Coronavirus Aid, Relief and Economic Security (CARES Act)				
U.S. Department of Treasury				
Passed through Michigan Department of Treasury				
Public Safety Public Health Payroll	21.019		\$ 480,652	\$ 480,652
First Responder Hazard Pay Premiums Program (FRHPPP)	21.019		81,000	79,000
Coronavirus Relief Local Government Grant (CRLGG)	21.019	41-2080-CRLGG	21,559	21,559
Passed through Kent County				
Coronavirus Relief Fund	21.019	CRF-GOV-033	398,241	<u>398,241</u>
Total U.S. Department of Treasury				<u>979,452</u>
U.S. Department of Justice				
Passed through Michigan State Police				
Coronavirus Emergency Supplemental Funding (CESF)	16.034	CESF-7-41-042	8,708	6,267
Office of Justice Programs (direct funding)				
Bullet Proof Vests	16.607		-	<u>3,390</u>
Total U.S. Department of Justice				<u>9,657</u>
Total Federal expenditures				<u>\$ 989,109</u>

See notes to schedule of expenditures of federal awards.

CITY OF WALKER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.

2. Reconciliation of revenues from federal sources per financial statements and expenditures per the Schedule of Expenditures of Federal Awards:

Grants reported on Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance

\$ 989,109

Agrees to Schedule of Expenditures of Federal Awards

\$ 989,109

3. The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

4. Expenditures reported on the Schedule of Expenditures of Federal Awards include \$878,893 of public safety and public health payroll reimbursement program expenditures incurred in City fiscal year 2020.

CITY OF WALKER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	_____ yes	<u> X </u> no	

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted