



CITY OF WALKER, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF WALKER

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INDEPENDENT AUDITORS' REPORT

October 17, 2017

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, 2017, 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, 2017, 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 combining and individual fund financial statements and schedules 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 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 October 17, 2017, on our consideration of the City'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 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 the City's internal control over financial reporting and compliance.

Ordetweld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Walker

June 30, 2017

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, 2017. 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 General Fund, the Major Street Fund, the Improvement Revolving Fund, and other Nonmajor Governmental 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 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 City's taxable value increased 2.18%. The income generated from property taxes is 8% of total General Fund Revenues.
- The City's millage rate of 1.336 remains the lowest of all cities levying an income tax. The rate is unchanged since the year 2000.
- Income tax revenue increased 9.37% in FY 2017. Total income tax revenue is 68.7% of General Fund total revenues.
- The City's expenditures increased by 4.5% from the prior year. This is due mainly to increased spending for improvements in roads, buildings and parks and reducing long term liabilities.
- Overall in the General Fund Budget for 16-17, the City spent \$361,657 less than budgeted. Together with the increase in revenues over budget of \$1,040,325, the City's general fund equity is 39% of expenditures for FY 2017.
- At the conclusion of 2017, the City had \$400,000 set aside in a building sinking fund.
- The general fund equity set aside for long term liabilities is \$178,817.
- The Capital Equipment Replacement Fund has \$200,000 set aside for a new fire truck.
- The City continues to reduce long term liabilities by contributing more than the actuarial required contribution to the Defined Benefit Pension Plan. This year an additional \$500,000 was contributed.
- The City contributed \$300,000 toward its' OPEB liability into the OPEB Trust Account` (other post employee benefits).
- The City implemented a Retiree Health Savings Plan for non-union full-time employees hired after July 1, 2009. The intent is to decrease the future expense (OPEB liability) of providing health care to retirees. Currently, 15 full time employees are enrolled in this plan.
- Interest savings of \$80,000 will result from refunding the Michigan Transportation Fund Bonds series 2006 and the Downtown Development Bonds series 2006 and the 2006 WIFC refunding bonds.
- The Walker Ice and Fitness Bond will be paid in full in 17-18.
- The City Community Development Department issued the following building permits:
 - 77 Commercial permits with a total value of \$8,011,391.
 - 36 Industrial permits with a total value of \$4,115,734.
 - 322 Residential permits with a total value of \$11,440,828.
- Zoning complaints increased in FY 17 with 518 complaints as compared to 489 in FY 16. In July of 2015 the City hired a part-time Code Enforcement Specialist.

- Construction of a new water tank for the North Water District Improvement has been completed. The State of Michigan's Sewer Water Revolving Fund, the Grand Rapids/Walker Water Department customers, and developer contributions funded the cost of this tank.
- A new 16" public water main was installed on Maynard Ave from Veterans Drive to 1500 feet north.
- The City applied for, and received, a grant for \$1,988,955 in State TAP funding in 2015-16 to construct a pedestrian tunnel under Lake Michigan Drive (M-45) as part of the Fred Meijer Standale Trail network. The tunnel was officially opened in October 2016.
- The resurfacing of Walker Ave from Waldorf Ave to 3 Mile Rd began in FY 15-16. This project is now completed at a total cost of \$372,789 with the State (MDOT) contributing \$268,125.
- \$640,000 State Grant was awarded to add a center turn lane on Fruit Ridge Ave from 4 Mile Rd south to the railroad. This project has been completed.
- A \$164,000 State Grant was also awarded for an updated traffic signal with a left turn arrow at Wilson Ave and 3 Mile Rd. which had been completed.
- The City applied for and received a Stormwater, Asset Management, and Wastewater (SAW) Grant from the DEQ in the amount of \$99,941 with a 10% match from the City of Walker. This program aids in the assessment of existing stormwater pipe conditions and updates the storm water pipes mapping using field investigations, as-built research, and a zoom camera in the pipes. This project wraps up in the 17-18 fiscal year.
- Upgrades at City Hall included a freshly paved parking lot, upgraded way-finding signs, and replacement of the aging brick walkway.
- A new skid steer was purchased for the Department of Public Works in the amount of \$65,020.
- A new dump truck with snow plow was purchased for \$168,618.
- The City budgeted and spent \$845,000 for road overlay and surface treatments for maintaining City roads.
- City employees received a 2.5% wage increase in July of 2017.
- The Walker Ice and Fitness Center invested \$79,894 to replace aging treadmills, incline trainers, and elliptical exercise equipment.
- New LED lighting was installed in the Walker Ice and Fitness lobby.
- WIFC added \$50,000 to its capital set aside fund equity. The amount increased to \$102,682 on June 30, 2017.
- \$25,203 was spent on a new ice melting system for Zamboni ice clean-up.
- The number of fitness members at WIFC remains strong with a total of 1,770 active members on June 30, 2017.
- The Hockey Association of West Kent (HAWK) had a total of 285 participants during the 2016/2017 season. This is an increase of 27 participants from last year.
- A new basketball court is now in place at Alpine Estates Park for a cost of \$36,233, along with a new sign at the entrance to the park.
- Community Park now has upgraded basketball courts. There are also playground upgrades planned in the 17-18 budget.
- City Central Park has a new fishing deck and upgraded bathroom floors.
- The walking/bicycle trail around City Central Park was resurfaced for \$78,827.
- A Trail along Remembrance Rd. was also added for \$257,644.

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 nine 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, 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 \$70,525,348 at the close of the most recent fiscal year. A summary of net position is as follows:

Summary of Net Position		
	Governmental Activities	
	<u>2016</u>	<u>2017</u>
Current and other assets	\$13,972,034	\$14,133,587
Capital assets	73,857,343	78,838,785
Total assets	87,829,377	92,972,372
Deferred outflows of resources	2,705,043	2,180,148
Long-term liabilities outstanding	19,726,910	20,717,182
Other liabilities	4,341,692	3,909,990
Total liabilities	24,068,602	24,627,172
Net position		
Invested in capital assets, net		
of related debt	68,884,676	75,494,951
Restricted	1,609,442	1,519,227
Unrestricted (deficit)	(4,028,300)	(6,488,830)
Total net position	\$66,465,818	\$70,525,348

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 \$7,413,902, primarily due to increases in income tax revenues and capital grants. A summary of the changes in net position is as follows:

Summary of Activities		
	Governmental Activities	
	<u>2016</u>	<u>2017</u>
Revenue		
Program revenue		
Charges for services	\$ 3,254,859	\$ 2,962,913
Operating grants and contributions	2,716,138	2,738,488
Capital grants and contributions	804,000	5,933,006
General revenue		
Property taxes	1,383,236	1,427,332
Income taxes	11,241,413	12,294,915
Other governmental sources	1,853,929	1,957,190
Unrestricted investment earnings	24,299	33,524
Other	61,203	76,921
Total revenue	21,339,077	27,424,289
Expenses		
General government	4,946,007	3,572,641
Judicial	751,480	783,346
Public safety	7,058,105	7,010,441
Public works	5,134,452	6,524,340
Culture and recreation	1,878,950	2,025,540
Interest	165,639	94,079
Total expenses	19,934,633	20,010,387
Increase (decrease) in net position	1,404,444	7,413,902
Net position - beginning of year	65,061,374	63,111,446
Net position - end of year	\$66,465,818	\$70,525,348

Governmental Activities. During the year, the City invested \$7,010,441 or 35.0% of governmental activities expenses in public safety. Public works expenses amounted to \$6,524,340 or 32.6% of governmental activities while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 32.4% of governmental activities expenses.

Beginning net position of governmental activities was reduced by \$3,354,372 to recognize the net other post-employment benefits liability at the beginning of the year in accordance with the implementation of GASB Statement No. 75.

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 \$9,590,288, an increase of \$509,836 in comparison with the prior year. Of the

\$9,590,288, \$6,972,345 is reported in the general fund, \$1,223,933 is reported in the major streets fund, and \$204,655 is reported in the improvement revolving 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 \$6,972,345. Of that amount, \$33,749 was restricted for cemetery operations, \$5,782 was nonspendable, \$578,816 was committed for various purposes by the City Commission, \$1,397,608 is assigned to meet fiscal year 2017 expenditures, and the remaining \$4,956,390 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 28.8% of total general fund expenditures and transfers. The fund balance of the City's general fund increased by \$654,684 during the current fiscal year primarily due to higher than expected income tax revenues and controlled spending.

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 \$1,223,933, a decrease of \$52,360 from the previous year.

The Improvement Revolving Fund is used to account for the resources of special assessment proceeds that are used for improvements in the special assessment districts. The fund balance at the end of the year amounted to \$204,655, a decrease of \$59,540 from the previous year. The decrease is primarily the result of expenditures related to storm sewer improvements.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$78,838,785 (net of accumulated depreciation).

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

Capital Assets	
	Governmental Activities
Land	\$ 2,829,471
Construction in progress	65,029
Buildings, Equipment and Infrastructure (net)	<u>75,944,285</u>
Total	<u>\$78,838,785</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 \$3,343,834 summarized as follows:

Debt	
	Governmental Activities
Installment notes	\$ 63,834
Bonds payable	<u>3,280,000</u>
Total	<u>\$3,343,834</u>

The City made debt payments totaling \$3,088,833 and issued refunding bonds of \$1,460,000. 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. The improvement in the economy has allowed for more spending on roads, building improvements, capital equipment and city park improvements. The City has received several grants from the Michigan Department of Transportation towards the funding of road improvements that require matches from the City.
- Increases in the City's fund balance have allowed the City to pay additional funds toward reducing long-term liabilities.
- The General Fund Balance Policy states that the budget shall be prepared and managed to result in an ending unassigned fund balance of at least 15% of General Fund expenditures. At year end June 30, 2017, the City's unassigned fund balance is at 28.8%.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2017-18 fiscal year:

- The stability of the economy directly impacts the City's income tax receipts. As receipts are strong at this time, we continue to monitor the revenue stream. Adjustments to expenditures will be recommended accordingly.
- For the fourth year in a row, the City experienced an increase in property tax values. The 17-18 budget includes another slight increase. We continue to budget property tax revenue conservatively.
- The city's millage rate remains at 1.336 for FY 2018. The millage rate has not changed since the year 2000, and is the lowest millage rate of all cities levying an income tax in Michigan. The City does have the capacity to raise the millage rate through a majority vote of the City Commission an additional 2.74 mills.

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, 2017

	Primary Government Governmental Activities	Component Units Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and pooled investments	\$ 8,075,624	\$ 573,786	\$ 51,686
Accounts receivable	1,781,068	-	-
Special assessments receivable	3,203,697	5,001	-
Due from other governments	792,820	-	-
Prepaid items	22,444	-	-
Inventory	257,934	-	-
Capital assets			
Land	2,829,471	1,294,978	-
Construction in progress	65,029	-	-
Depreciable capital assets, net	<u>75,944,285</u>	<u>2,001,129</u>	<u>-</u>
Total assets	<u>92,972,372</u>	<u>3,874,894</u>	<u>51,686</u>
Deferred outflows of resources			
Deferred outflows of resources related to pensions	1,743,922	-	-
Deferred outflows of resources related to OPEB items	<u>436,226</u>	<u>-</u>	<u>-</u>
	<u>2,180,148</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	507,976	31,865	-
Accrued liabilities	292,580	3,392	-
Unearned revenue	3,109,434	-	-
Noncurrent liabilities			
Compensated absences	1,319,526	-	-
Other post-employment benefits	6,289,560	-	-
Net pension liability	9,764,262	-	-
Due within one year	1,628,834	220,000	-
Due in more than one year	<u>1,715,000</u>	<u>980,000</u>	<u>-</u>
Total liabilities	<u>24,627,172</u>	<u>1,235,257</u>	<u>-</u>
Net position			
Net investment in capital assets	75,494,951	2,096,107	-
Restricted for:			
Streets	1,385,803	-	-
Public safety	133,424	-	-
Unrestricted (deficit)	<u>(6,488,830)</u>	<u>543,530</u>	<u>51,686</u>
Total net position	<u>\$ 70,525,348</u>	<u>\$ 2,639,637</u>	<u>\$ 51,686</u>

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

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 3,572,641	\$ 479,221	\$ 385,538	\$ -	\$ (2,707,882)
Judicial	783,346	735,894	-	-	(47,452)
Public safety	7,010,441	50,400	116,970	-	(6,843,071)
Public works	6,524,340	379,060	2,235,980	5,933,006	2,023,706
Culture and recreation	2,025,540	1,318,338	-	-	(707,202)
Interest on long-term debt	94,079	-	-	-	(94,079)
Total governmental activities	20,010,387	2,962,913	2,738,488	5,933,006	(8,375,980)
Total primary government	\$ 20,010,387	\$ 2,962,913	\$ 2,738,488	\$ 5,933,006	\$ (8,375,980)
Component units					
Downtown Development Authority	\$ 381,680	\$ 124,873	\$ 10,300	\$ -	\$ (246,507)
Brownfield Redevelopment Authority	190,522	-	-	-	(190,522)
Total component units	\$ 572,202	\$ 124,873	\$ 10,300	\$ -	\$ (437,029)

(Continued)

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

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Primary Government <u>Governmental Activities</u>	Component Units <u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
Changes in net position			
Net (expense) revenue	\$ (8,375,980)	\$ (246,507)	\$ (190,522)
General revenues			
Income taxes	12,294,915	-	-
Property taxes	1,427,332	366,482	182,035
State shared revenues	1,957,190	-	-
Unrestricted investment earnings	33,524	2,169	134
Other general revenues	<u>76,921</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>15,789,882</u>	<u>368,651</u>	<u>182,169</u>
Change in net position	7,413,902	122,144	(8,353)
Net position, beginning of year, as restated	<u>63,111,446</u>	<u>2,517,493</u>	<u>60,039</u>
Net position, end of year	<u><u>\$ 70,525,348</u></u>	<u><u>\$ 2,639,637</u></u>	<u><u>\$ 51,686</u></u>

(Concluded)

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

CITY OF WALKER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 5,492,902	\$ 814,386	\$ 197,822	\$ 1,025,468	\$ 7,530,578
Accounts receivable	1,724,811	50,000	3,370	2,887	1,781,068
Special assessment receivable	-	-	3,109,434	94,263	3,203,697
Due from other governments	341,365	340,171	13,855	97,429	792,820
Prepaid items	5,782	-	-	16,662	22,444
Inventory	-	84,401	-	142,975	227,376
Total assets	<u>\$ 7,564,860</u>	<u>\$ 1,288,958</u>	<u>\$ 3,324,481</u>	<u>\$ 1,379,684</u>	<u>\$ 13,557,983</u>
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 339,761	\$ 54,260	\$ 10,392	\$ 80,602	\$ 485,015
Accrued liabilities	252,754	10,765	-	15,463	278,982
Unearned revenue	-	-	3,109,434	-	3,109,434
Total liabilities	<u>592,515</u>	<u>65,025</u>	<u>3,119,826</u>	<u>96,065</u>	<u>3,873,431</u>
Deferred inflows					
Unavailable revenue	-	-	-	94,264	94,264
Fund balances					
Nonspendable					
Prepaid items	5,782	-	-	16,662	22,444
Inventory	-	84,401	-	142,975	227,376
Restricted					
Cemetery	33,749	-	-	-	33,749
Streets	-	1,139,532	-	246,271	1,385,803
Public safety	-	-	-	133,424	133,424
Committed					
Building sinking fund	400,000	-	-	-	400,000
Long-term liabilities	178,816	-	-	-	178,816
Ice and fitness capital	-	-	-	102,683	102,683
Assigned					
Subsequent year expenditures	1,397,608	-	-	-	1,397,608
Ice and fitness program	-	-	-	377,055	377,055
Debt service	-	-	-	170,285	170,285
Capital projects	-	-	204,655	-	204,655
Unassigned	4,956,390	-	-	-	4,956,390
Total fund balances	<u>6,972,345</u>	<u>1,223,933</u>	<u>204,655</u>	<u>1,189,355</u>	<u>9,590,288</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,564,860</u>	<u>\$ 1,288,958</u>	<u>\$ 3,324,481</u>	<u>\$ 1,379,684</u>	<u>\$ 13,557,983</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, 2017

Fund balances - total governmental funds	\$ 9,590,288
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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	2,829,471
Add - construction in progress	65,029
Add - capital assets (net of accumulated depreciation)	73,485,813

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	94,263
--------------------------------------	--------

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	2,932,279
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(1,308,513)
Deduct - other post-employment benefits liability	(6,289,560)
Deduct - net pension liability	(9,764,262)
Add - deferred outflows related to net pension liability	1,743,922
Add - deferred outflows related to other post-employment benefits liability	436,226
Deduct - bonds payable	(3,280,000)
Deduct - accrued interest on bonds payable	(9,608)

Net position of governmental activities	<u>\$ 70,525,348</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, 2017

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 14,087,334	\$ -	\$ -	\$ -	\$ 14,087,334
Intergovernmental revenues					
State	1,964,592	1,690,152	-	529,793	4,184,537
Local	33,403	488,184	-	76,165	597,752
Cable franchise fees	385,538	-	-	-	385,538
Licenses and permits	441,376	-	-	-	441,376
Charges for services	66,840	-	-	1,315,625	1,382,465
Fines	714,211	-	-	-	714,211
Special assessments	-	-	679	50,452	51,131
Investment earnings	20,679	1,309	2,307	14,795	39,090
Miscellaneous	175,556	-	1,165	6,251	182,972
Total revenues	<u>17,889,529</u>	<u>2,179,645</u>	<u>4,151</u>	<u>1,993,081</u>	<u>22,066,406</u>
Expenditures					
Current					
Judicial	786,204	-	-	-	786,204
General government	2,572,248	-	-	-	2,572,248
Public safety	7,085,837	-	-	20,730	7,106,567
Public works	569,978	3,484,454	63,691	1,000,611	5,118,734
Culture and recreation	444,641	-	-	1,406,299	1,850,940
Planning and economic development	9,587	-	-	-	9,587
Other	2,416,472	-	-	-	2,416,472
Debt service					
Principal	580,000	260,000	-	750,000	1,590,000
Interest	34,975	18,070	-	52,773	105,818
Bond issuance costs	-	3,101	-	2,292	5,393
Total expenditures	<u>14,499,942</u>	<u>3,765,625</u>	<u>63,691</u>	<u>3,232,705</u>	<u>21,561,963</u>
Revenues over (under) expenditures	<u>3,389,587</u>	<u>(1,585,980)</u>	<u>(59,540)</u>	<u>(1,239,624)</u>	<u>504,443</u>
Other financing sources (uses)					
Debt issuance	-	165,000	-	1,295,000	1,460,000
Payment to refunded bond escrow agent	-	(161,899)	-	(1,292,708)	(1,454,607)
Transfers in	-	1,530,519	-	1,880,684	3,411,203
Transfers out	(2,734,903)	-	-	(676,300)	(3,411,203)
Total other financing sources (uses)	<u>(2,734,903)</u>	<u>1,533,620</u>	<u>-</u>	<u>1,206,676</u>	<u>5,393</u>
Net changes in fund balances	654,684	(52,360)	(59,540)	(32,948)	509,836
Fund balances, beginning of year	<u>6,317,661</u>	<u>1,276,293</u>	<u>264,195</u>	<u>1,222,303</u>	<u>9,080,452</u>
Fund balances, end of year	<u>\$ 6,972,345</u>	<u>\$ 1,223,933</u>	<u>\$ 204,655</u>	<u>\$ 1,189,355</u>	<u>\$ 9,590,288</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, 2017

Net changes in fund balances - total governmental funds	\$ 509,836
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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	5,408,336
Add - capital outlay	3,414,922
Deduct - depreciation expense	(3,808,801)

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	(50,453)
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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	3,025,000
Deduct - debt issuance	(1,460,000)

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.

Deduct - increase in compensated absences	(34,243)
Deduct - increase in other post-employments benefits liability	(492,049)
Deduct - decrease in deferred outflows related to pensions	(961,121)
Add - increase in deferred outflows related to other post-employment benefits	436,226
Add - decrease in net pension liability	1,263,667
Add - decrease in accrued interest	11,739

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	<u>150,843</u>
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Change in net position of governmental activities	<u>\$ 7,413,902</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, 2017

Assets

Current assets	
Cash and pooled investments	\$ 545,046
Inventory	<u>30,558</u>
Total current assets	<u>575,604</u>
Non-current assets	
Capital assets	
Vehicles	7,079,866
Less accumulated depreciation	<u>(4,621,394)</u>
Total non-current assets	<u>2,458,472</u>
Total assets	<u><u>3,034,076</u></u>

Liabilities

Current liabilities	
Accounts payable	22,961
Accrued liabilities	3,989
Current portion of notes payable	<u>63,834</u>
Total current liabilities	<u>90,784</u>
Long-term liabilities	
Compensated absences	11,013
Notes payable, net of current portion	<u>-</u>
Total long-term liabilities	<u>11,013</u>
Total liabilities	<u><u>101,797</u></u>

Net position

Net investment in capital assets	2,394,638
Unrestricted	<u>537,641</u>
Total net position	<u><u>\$ 2,932,279</u></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, 2017

Operating revenue	
Charges for services	<u>\$ 1,160,244</u>
Operating expense	
Personnel costs	265,623
Operating supplies and expenses	56,894
Repair and maintenance	149,417
Gas and oil	155,472
Other expenses	2,038
Depreciation	<u>436,407</u>
Total operating expense	<u>1,065,851</u>
Operating income (loss)	<u>94,393</u>
Non-operating revenue (expense)	
Interest income	2,038
Gain on sale of capital assets	56,301
Interest expense	<u>(1,889)</u>
Total non-operating revenue (expense)	<u>56,450</u>
Changes in net position	150,843
Net position, beginning of year	<u>2,781,436</u>
Net position, end of year	<u>\$ 2,932,279</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, 2017

Cash flows from operating activities	
Receipts from internal services provided	\$ 1,166,769
Payments to employees	(262,396)
Payments to suppliers	<u>(361,897)</u>
Net cash provided by (used in) operating activities	<u>542,476</u>
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	56,301
Interest expense	(1,889)
Principal payment on installment notes	(63,833)
Acquisitions of capital assets	<u>(403,392)</u>
Net cash provided by (used in) capital and related financing activities	<u>(412,813)</u>
Cash flows from investing activities	
Interest income	<u>2,038</u>
Net increase (decrease) in cash and pooled investments	131,701
Cash and pooled investments, beginning of year	<u>413,345</u>
Cash and pooled investments, end of year	<u><u>\$ 545,046</u></u>
Cash flows from operating activities	
Operating income (loss)	\$ 94,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	436,407
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	6,525
Inventory	(2,985)
Accounts payable	4,909
Accrued liabilities	1,120
Compensated absences	<u>2,107</u>
Net cash provided by (used in) operating activities	<u><u>\$ 542,476</u></u>

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

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Other Post- employment Benefits <u>Trust Fund</u>	Agency Funds
Assets		
Cash and pooled investments	\$ -	\$ 961,299
Investments	<u>1,121,106</u>	<u>-</u>
Total assets	<u>1,121,106</u>	<u>\$ 961,572</u>
 Liabilities		
Accounts payable	-	\$ 83,002
Deposits	-	836,352
Due to other governmental units	<u>-</u>	<u>42,218</u>
Total liabilities	<u>-</u>	<u>\$ 961,572</u>
 Net position		
Net position held in trust for OPEB	<u>\$ 1,121,106</u>	

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

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Other Post- employment Benefits <u>Trust Fund</u>
Additions	
Contributions	
City contributions	\$ 430,438
Investment earnings	
Interest	<u>7,987</u>
Total additions	438,425
Deductions	
Health insurance premiums paid	<u>130,438</u>
Changes in net position	307,987
Net position, beginning of year	<u>813,119</u>
Net position, end of year	<u><u>\$ 1,121,106</u></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, 2017

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, 2017

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. Exceptions to this general rule are changes between internal service functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *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, except for agency funds which do not have a measurement focus. 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, 2017

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.

The *Improvement Revolving Capital Projects Fund* accounts for the resources of special assessment proceeds that are used for improvements on special assessment districts.

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 *Agency Funds* are used to account for assets held in an agency capacity on behalf of outside parties, including other governments.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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.

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, 2017

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 pension investments and contributions as discussed in note 6 and OPEB investments 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 only 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.

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	\$3,109,434
Special assessments unavailable revenue	94,264
	<u>3,203,698</u>
Less earned portion of special assessments	<u>94,264</u>
Unearned revenue – government-wide statements	<u>\$3,109,434</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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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 the applicable 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 agency 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, 2017, 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. DEFICIT NET POSITION

At June 30, 2017, the City reported a deficit unrestricted net position in its governmental activities of \$6,488,830.

3. 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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

During the year ended June 30, 2017, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
Public safety			
Building inspections	\$576,766	\$581,276	\$4,510

4. 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	\$8,075,624	\$625,472	\$ 961,301	\$ 9,662,397
Investments	-	-	1,121,106	1,121,106
	<u>\$8,075,624</u>	<u>\$625,472</u>	<u>\$2,082,407</u>	<u>\$10,783,503</u>

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

Deposits	\$ 6,642,007
Investments	4,138,846
Petty cash	<u>2,650</u>
Total	<u>\$10,783,503</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, \$5,039,456 of the City's bank balance of \$6,573,205 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	\$2,340,895	Unrated	N/A
Stable NAV Government Investment Pool	N/A	676,846	AAA	S&P
Vantagepoint Low Duration Bond Fund	N/A	1,121,106	3 star	Morningstar

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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, 2017 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	20%	0-3
Certificates of deposits	67%	0-2
Deposits, money markets and other pools	13%	Not applicable

At June 30, 2017 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	88%	Not applicable
Collateralized bank deposits	1%	Not applicable
Repurchase agreements	7%	Not applicable
Treasury Securities	4%	Not Applicable

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,829,471	\$ -	\$ -	\$ 2,829,471
Construction in progress	817,897	65,029	817,897	65,029
Total capital assets, not being depreciated	3,647,368	65,029	817,897	2,894,500
Capital assets, being depreciated				
Land improvements	2,334,164	123,981	-	2,458,145
Buildings and improvements	21,524,874	-	41,400	21,483,474
Vehicles	1,551,076	116,000	100,949	1,566,127
Other tools and equipment	8,581,765	440,023	225,357	8,796,431
Office furnishings	1,059,706	87,742	-	1,147,448
Infrastructure	94,657,940	9,212,495	-	103,870,435
Total capital assets, being depreciated	129,709,525	9,980,241	367,706	139,322,060
Less accumulated depreciation for				
Land improvements	1,670,555	95,337	-	1,765,892
Buildings and improvements	11,118,050	532,884	41,400	11,609,534
Vehicles	939,131	209,824	100,949	1,048,006
Other tools and equipment	6,035,725	455,366	224,634	6,266,457
Office furnishings	913,859	69,476	-	983,335
Infrastructure	38,822,230	2,882,321	-	41,704,551
Total accumulated depreciation	59,499,550	4,245,208	366,983	63,377,775
Net capital assets, being depreciated	70,209,975	5,735,033	723	75,944,285
Governmental Activities capital assets, net	\$73,857,343	\$5,800,062	\$818,620	\$78,838,785

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Component units	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$1,294,978	\$ -	\$ -	\$1,294,978
Construction in progress	25,000	-	25,000	-
Total capital assets, not being depreciated	1,319,978	-	25,000	1,294,978
Capital assets being depreciated				
Land improvements	192,298	-	-	192,298
Infrastructure	282,699	-	-	282,699
Buildings	2,516,680	-	-	2,516,680
Office furnishings	73,392	-	-	73,392
Total capital assets being depreciated	3,065,069	-	-	3,065,069
Less accumulated depreciation for				
Land improvements	88,594	19,667	-	108,261
Infrastructure	215,392	4,941	-	220,333
Buildings	629,170	62,917	-	692,087
Office furnishings	38,705	4,554	-	43,259
Total accumulated depreciation	971,861	92,079	-	1,063,940
Net capital assets, being depreciated	2,093,208	(92,079)	-	2,001,129
Component Units capital assets, net	\$3,413,186	\$(92,079)	\$25,000	\$3,296,107

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

Governmental Activities

General government	\$ 265,837
Public safety	250,983
Public works	2,827,963
Culture and recreation	454,054
Judicial	9,964
Capital assets held by the governments internal service fund are charged to the various functions based on their usage of the assets	436,407

Total depreciation expense - governmental activities \$4,245,208

6. 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 \$387,707 during the year ended June 30, 2017. In addition, employee contributions amounted to \$54,677 during the year ended June 30, 2017.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

MERS Defined Benefit Plan

Plan Description

As of July 1, 2006 the City began participating 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, 2016):

Active plan members	31
Inactive employees entitled but not yet receiving benefits	3
Inactive employees or beneficiaries currently receiving benefits	50
	<hr/>
Total	84

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$105,649 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 2% percent 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, 2016, 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, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 8.00%, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 mortality table using a 50% male and 50% female blend. For disabled retirees, the RP-2014 disabled mortality table is used using a 50% male and 50% female blend of disabled retirees.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount rate. The discount rate used to measure the total pension liability is 8.0%. 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, 2017

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/15	\$22,175,129	\$11,147,200	\$11,027,929
Changes for the Year:			
Service cost	227,361	-	227,361
Interest	1,733,124	-	1,733,124
Change in benefits	-	-	-
Differences between expected and actual experience	(197,734)	-	(197,734)
Change in assumptions	-	-	-
Contributions: employer	-	1,693,104	(1,693,104)
Contributions: employee	-	36,976	(36,976)
Net investment Income (loss)	-	1,322,316	(1,322,316)
Benefit payments, including refunds	(1,249,507)	(1,249,507)	-
Administrative expense	-	(25,978)	25,978
Other changes	-	-	-
Net changes	513,244	1,776,911	(1,263,667)
Balance at 12/31/16	\$22,688,373	\$12,924,111	\$ 9,764,262

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$25,120,900	\$22,688,373	\$20,607,122
Fiduciary Net Position	12,924,111	12,924,111	12,924,111
Net Pension Liability	\$12,196,789	\$9,764,262	\$ 7,683,011

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017 the employer recognized pension expense of \$1,491,078. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ (171,617)
Differences in assumptions	381,921
(Excess) deficit investment returns	402,728
Contributions subsequent to the measurement date*	1,130,890
Total	\$1,743,922

* 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 2018.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

2018	\$451,551
2019	109,424
2020	134,529
2021	(82,472)
Thereafter	-
Total	<u>\$613,032</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities					
2006 Road Improvement Michigan Transportation Funds Bonds (LTGO), due in annual installments of \$35,000 to \$55,000 through June 1, 2019; interest at 3.90% to 4.55%.	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
2006 Building Authority Refunding Bonds (LTGO), due in annual installments of \$430,000 to \$650,000 through May 1, 2018; interest at 3.75% to 5.00%.	1,275,000	-	1,275,000	-	-
2008 Special Assessment Bonds, due in annual installments of \$40,000 to \$45,000 through April 1, 2017; interest at 3.2% to 4.1%.	20,000	-	20,000	-	-
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%.	380,000	-	95,000	285,000	50,000
2010 Transportation Fund Bonds, due in annual installments of \$80,000 to \$105,000 through June 1, 2019; interest at 2.0% to 3.2%.	300,000	-	95,000	205,000	100,000
2015 Refunding Bonds (City portion), due in annual installments of \$670,000 to \$730,000 through May 1, 2020; interest at .6% to 1.9%	2,710,000	-	685,000	2,025,000	700,000

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2017</u>	Due Within <u>One Year</u>
2017 Building Authority Refunding Bonds (City portion), due in annual installments of \$635,000 to \$660,000 through May 1, 2018; interest at .85% to 1.15%	\$ -	\$1,295,000	\$ 635,000	\$ 660,000	\$ 660,000
2017 Road Improvement Michigan Transportation Fund Refunding Bonds (City portion), due in annual installments of \$50,000 to \$60,000 through May 1, 2019; interest at .85% to 1.4%	-	165,000	60,000	105,000	55,000
Installment purchase agreement, due in annual installments of \$63,833 through January 2018; interest at 1.48%	127,667	-	63,833	63,834	63,834
Total	4,972,667	1,460,000	3,088,833	3,343,834	1,628,834
Accrued compensated absences	1,283,176	36,350	-	1,319,526	-
Total Governmental Activities	\$6,255,843	\$1,496,350	\$3,088,833	\$4,663,360	\$1,628,834
Component Units					
2006 Downtown Improvement DDA Bonds (LTGO), due in annual installments of \$100,000 to \$190,000 through May 1, 2023; interest at 4.00% to 4.125%.	\$1,180,000	\$ -	\$1,180,000	\$ -	\$ -
2015 Refunding Bonds (DDA portion), due in annual installments of \$50,000 through May 1, 2020; interest at .6% to 1.9%	200,000	-	50,000	150,000	50,000
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%	-	1,200,000	150,000	1,050,000	170,000
Total Component Units	\$1,380,000	\$1,200,000	\$1,380,000	\$1,200,000	\$220,000

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The annual requirements to amortize all debt outstanding (excluding other post-employment benefits and accrued compensated absences) as of June 30, 2017 are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$1,628,834	\$60,920	\$ 220,000	\$ 20,355
2019	915,000	38,528	220,000	17,801
2020	665,000	20,129	225,000	14,544
2021	45,000	6,570	175,000	10,708
2022	45,000	4,747	180,000	7,470
2023-2024	45,000	1,912	180,000	3,870
Total	\$3,343,834	\$132,806	\$1,200,000	\$74,748

During fiscal year 2017, the City issued \$2,660,000 of refunding bonds to pay off outstanding bonds. This refunding was undertaken to reduce total debt service payments by \$108,394, which resulted in an economic gain of \$79,098.

8. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2017 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>		
	Major streets fund	Nonmajor governmental funds	Total
General fund	\$1,530,519	\$1,204,384	\$2,734,903
Nonmajor governmental funds	-	676,300	676,300
Total	\$1,530,519	\$1,880,684	\$3,411,203

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.

9. 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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

10. 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, 2017):

Active plan members	81
Retirees and beneficiaries receiving benefits	<u>33</u>
Total	<u>114</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.

Net OPEB Liability

The total OPEB liability in the June 30, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%

Salary Increases: 2.0%

Investment rate of return: 3.1%

Healthcare cost trend rates: 5% per year

20-year Aa Municipal bond yield: 3.1%

Mortality rates used IRS 2017 annuitant and non-annuitant, sex-distinct mortality tables.

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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%	1.10%

The sum of each target benefit times its long-term expected real rate is 1.1%. The long-term expected rate of return is 3.1% with inflation.

Discount rate. The discount rate used to measure the total OPEB liability is 3.1%. 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, 2016, the discount rate used to value OPEB liabilities was 4.0%.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2016	\$6,610,630	\$813,119	\$5,797,511
Changes for the Year:			
Service cost	164,171	-	164,171
Interest	268,879	-	268,879
Change in benefits	-	-	-
Differences between expected and actual experience	(609,575)	-	(609,575)
Change in assumptions	1,082,232	-	1,082,232
Contributions: employer	-	300,000	(300,000)
Contributions: employee	-	105,671	(105,671)
Net investment income	-	8055	(8,055)
Benefit payments, including refunds	(105,671)	(105,671)	-
Administrative expense	-	(68)	68
Other changes	-	-	-
Net changes	800,036	307,987	492,049
Balance at June 30, 2017	\$7,410,666	\$1,121,106	\$6,289,560

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 3.1%, 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	\$8,643,693	\$7,410,666	\$6,409,095
Fiduciary net position	1,121,106	1,121,106	1,121,106
Net OPEB liability	<u>\$7,522,587</u>	<u>\$6,289,560</u>	<u>\$5,287,989</u>
Plan fiduciary position as a percentage of the total OPEB liability		<u>15.13%</u>	

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 5.0%, 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	\$6,250,277	\$7,410,666	\$8,887,522
Fiduciary net position	1,121,106	1,121,106	1,121,106
Net OPEB liability	<u>\$5,129,171</u>	<u>\$6,289,560</u>	<u>\$7,766,416</u>

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

For the year ended June 30, 2017 the employer recognized OPEB expense of \$922,487. 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	\$ -	\$534,504
Changes in assumptions	948,952	-
Excess(deficit) investment returns	21,778	-
Total	<u>\$970,730</u>	<u>\$534,504</u>

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

2018	\$ 63,654
2019	63,654
2020	63,654
2021	63,652
2022	58,209
Thereafter	<u>123,403</u>
Total	<u>\$436,226</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

11. 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.

12. 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:

Cumulative shortfall – July 1, 2016	<u>\$ (932,990)</u>
Current year building permit revenues	357,603
Related Expenses	
Direct costs	439,434
Indirect Costs	<u>33,229</u>
Total construction code expenses	<u>472,663</u>
Cumulative shortfall – June 30, 2017	<u><u>\$(1,048,050)</u></u>

13. 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. This amounts to a reduction in property taxes of approximately 50%. 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, 2017 the City abated property tax revenues of approximately \$33,000.

14. PRIOR PERIOD ADJUSTMENT

Beginning net position of governmental activities was decreased by \$3,354,372 to record the other post-employment benefits liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Income taxes	\$ 10,700,000	\$ 11,400,000	\$ 12,294,915	\$ 894,915
Property taxes	1,697,050	1,792,717	1,792,419	(298)
Intergovernmental revenues				
State	1,920,000	1,900,000	1,964,592	64,592
Local	-	-	33,403	33,403
Cable franchise fees	390,000	390,000	385,538	(4,462)
Licenses and permits	467,200	469,333	441,376	(27,957)
Charges for services	81,300	88,300	66,840	(21,460)
Fines	675,000	675,000	714,211	39,211
Investment earnings	15,015	15,015	20,679	5,664
Miscellaneous	119,320	143,842	175,556	31,714
Total revenues	<u>16,064,885</u>	<u>16,874,207</u>	<u>17,889,529</u>	<u>1,015,322</u>
Expenditures				
Current				
Judicial	805,265	805,265	786,204	19,061
General government	2,684,545	2,713,399	2,572,248	141,151
Public safety	7,182,100	7,187,216	7,085,837	101,379
Public works	607,235	601,378	569,978	31,400
Culture and recreation	582,656	463,156	444,641	18,515
Planning and economic development	25,000	10,700	9,587	1,113
Other	1,925,010	2,490,510	2,416,472	74,038
Debt service				
Principal	580,000	580,000	580,000	-
Interest and fiscal charges	34,978	34,978	34,975	3
Total expenditures	<u>14,426,789</u>	<u>14,886,602</u>	<u>14,499,942</u>	<u>386,660</u>
Revenues over (under) expenditures	<u>1,638,096</u>	<u>1,987,605</u>	<u>3,389,587</u>	<u>1,401,982</u>
Other financing sources (uses)				
Use of fund balance	1,096,807	747,298	-	(747,298)
Transfers out	(2,734,903)	(2,734,903)	(2,734,903)	-
Total other financing sources (uses)	<u>(1,638,096)</u>	<u>(1,987,605)</u>	<u>(2,734,903)</u>	<u>(747,298)</u>
Net changes in fund balance	-	-	654,684	654,684
Fund balance, beginning of year	<u>6,317,661</u>	<u>6,317,661</u>	<u>6,317,661</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,317,661</u>	<u>\$ 6,317,661</u>	<u>\$ 6,972,345</u>	<u>\$ 654,684</u>

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$ 1,345,000	\$ 1,535,000	\$ 1,690,152	\$ 155,152
Local	-	485,741	488,184	2,443
Investment earnings	600	600	1,309	709
Total revenues	<u>1,345,600</u>	<u>2,021,341</u>	<u>2,179,645</u>	<u>158,304</u>
Expenditures				
Current				
Public works	2,856,515	3,744,121	3,484,454	259,667
Debt service				
Principal	255,000	260,000	260,000	-
Interest	21,604	20,340	18,070	2,270
Bond issuance costs	-	-	3,101	(3,101)
Total expenditures	<u>3,133,119</u>	<u>4,024,461</u>	<u>3,765,625</u>	<u>258,836</u>
Revenues over (under) expenditures	<u>(1,787,519)</u>	<u>(2,003,120)</u>	<u>(1,585,980)</u>	<u>417,140</u>
Other financing sources				
Use of fund balance	257,000	472,601	-	(472,601)
Debt issuance	-	-	165,000	165,000
Payment to refunded bond escrow agent	-	-	(161,899)	(161,899)
Transfers in	1,530,519	1,530,519	1,530,519	-
Total other financing sources (uses)	<u>1,787,519</u>	<u>2,003,120</u>	<u>1,533,620</u>	<u>(469,500)</u>
Net changes in fund balance	-	-	(52,360)	(52,360)
Fund balance, beginning of year	<u>1,276,293</u>	<u>1,276,293</u>	<u>1,276,293</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,276,293</u>	<u>\$ 1,276,293</u>	<u>\$ 1,223,933</u>	<u>\$ (52,360)</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, 2017

	2014	2015	2016
Total pension liability			
Service cost	\$ 258,272	\$ 229,952	\$ 227,361
Interest	1,593,796	1,599,515	1,733,124
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	(119,385)	(197,734)
Changes in assumptions	-	1,145,765	-
Benefit payments including employee refunds	(1,106,117)	(1,219,318)	(1,249,507)
Other	-	49,985	-
Net change in total pension liability	745,951	1,686,514	513,244
Total pension liability, beginning of year	19,742,664	20,488,615	22,175,129
Total pension liability, end of year	<u>\$ 20,488,615</u>	<u>\$ 22,175,129</u>	<u>\$ 22,688,373</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 963,598	\$ 1,093,251	\$ 1,693,104
Contributions-employee	30,728	27,467	36,976
Net investment income (loss)	689,020	(174,326)	1,322,316
Benefit payments including employee refunds	(1,106,117)	(1,219,318)	(1,249,507)
Administrative expense	(25,347)	(25,203)	(25,978)
Net change in plan fiduciary net position	551,882	(298,129)	1,776,911
Plan fiduciary net position, beginning of year	10,893,447	11,445,329	11,147,200
Plan fiduciary net position, end of year	<u>\$ 11,445,329</u>	<u>\$ 11,147,200</u>	<u>\$ 12,924,111</u>
Total net pension liability	<u>\$ 9,043,286</u>	<u>\$ 11,027,929</u>	<u>\$ 9,764,262</u>
Plan fiduciary net position as a percentage of the total pension liability	55.9%	50.3%	57.0%
Covered employee payroll	\$ 2,362,044	\$ 2,107,449	\$ 2,056,503
Employer's net pension liability as a percentage of covered employee payroll	382.9%	523.3%	474.8%

CITY OF WALKER

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2017

	2015	2016	2017
Actuarially determined contributions	\$ 847,320	\$ 1,066,104	\$ 1,267,788
Contributions in relation to the actuarially determined contribution	<u>847,320</u>	<u>1,566,104</u>	<u>1,767,788</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Covered employee payroll	\$ 2,362,044	\$ 2,107,449	\$ 2,056,503
Contributions as a percentage of covered employee payroll	36%	74%	86%

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	3.75%
Investment rate of return	7.75%
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, 2017

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 164,171
Interest	268,879
Changes in benefit terms	-
Difference between expected and actual experience	(609,575)
Changes in assumptions	1,082,232
Benefit payments including employee refunds	(105,671)
Other	-
Net change in total OPEB liability	<u>800,036</u>
Total OPEB liability, beginning of year	<u>6,610,630</u>
Total OPEB liability, end of year	<u><u>\$ 7,410,666</u></u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 405,671
Contributions-employee	-
Net Investment income	8,055
Benefit payments including employee refunds	(105,671)
Administrative expense	(68)
Other	-
Net change in plan fiduciary net position	<u>307,987</u>
Plan fiduciary net position, beginning of year	<u>813,119</u>
Plan fiduciary net position, end of year	<u><u>\$ 1,121,106</u></u>
 Employer net OPEB liability	 <u><u>\$ 6,289,560</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 15%
 Covered employee payroll	 \$ 4,935,534
 Employer's net OPEB liability as a percentage of covered employee payroll	 127%

CITY OF WALKER

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Actuarial determined contributions	\$ 814,831
Contributions in relation to the actuarially determined contribution	<u>430,438</u>
Contribution deficiency (excess)	<u>\$ 384,393</u>
 Covered employee payroll	 \$ 4,935,534
 Contributions as a percentage of covered employee payroll	 9%

Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	15 years (average future service)
Asset valuation method	Market value
Inflation	2.00%
Salary increases	2.00%
Investment rate of return	3.10%
20-year Aa Municipal bond yield	3.10%
Healthcare cost trend rates	5.00%
Retirement age	Varies depending on plan adoption
Mortality	IRS 2017 annuitant/non-annuitant mortality

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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Income taxes	\$ 10,700,000	\$ 11,400,000	\$ 12,294,915	\$ 894,915
Real and personal property taxes	1,318,100	1,400,355	1,401,394	1,039
Payments in lieu of tax	950	950	1,125	175
Collection fees	378,000	391,412	389,900	(1,512)
Total taxes	12,397,050	13,192,717	14,087,334	894,617
Licenses and permits				
Business	35,000	36,450	38,050	1,600
Nonbusiness	414,200	413,200	383,299	(29,901)
Liquor license fees	18,000	19,683	20,027	344
Total licenses and permits	467,200	469,333	441,376	(27,957)
Intergovernmental - state				
State-shared revenue	1,920,000	1,900,000	1,964,592	64,592
Intergovernmental - local	-	-	33,403	33,403
Cable franchise fees	390,000	390,000	385,538	(4,462)
Charges for services				
Planning and zoning fees	26,300	33,300	36,840	3,540
Overtime event reimbursement	25,000	25,000	-	(25,000)
Administrative fees	30,000	30,000	30,000	-
Total charges for services	81,300	88,300	66,840	(21,460)
Fines				
Ordinance fines	675,000	675,000	714,211	39,211
Interest and rentals	15,015	15,015	20,679	5,664
Other revenue	119,320	143,842	175,556	31,714
Total revenues	\$ 16,064,885	\$ 16,874,207	\$ 17,889,529	\$ 1,015,322

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CITY OF WALKER
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Judicial				
District court	\$ 805,265	\$ 805,265	\$ 786,204	\$ 19,061
General government				
City Commission	91,910	96,410	90,148	6,262
City managers office	619,380	638,880	608,256	30,624
Elections	82,790	75,349	69,965	5,384
Finance department	224,500	220,900	213,084	7,816
Treasurer	140,000	139,300	136,038	3,262
Income tax	427,060	398,860	379,307	19,553
City assessor	313,425	308,447	298,659	9,788
City clerk	178,080	179,302	166,632	12,670
Buildings and grounds	607,400	655,951	610,159	45,792
	<u>2,684,545</u>	<u>2,713,399</u>	<u>2,572,248</u>	<u>141,151</u>
Public safety				
Police department	4,833,130	4,836,780	4,771,386	65,394
Fire department	1,776,170	1,773,670	1,733,175	40,495
Building inspections	572,800	576,766	581,276	(4,510)
	<u>7,182,100</u>	<u>7,187,216</u>	<u>7,085,837</u>	<u>101,379</u>
Public works				
City engineer	360,730	354,873	336,052	18,821
Drains	26,505	26,505	26,505	-
Street lighting	220,000	220,000	207,421	12,579
	<u>607,235</u>	<u>601,378</u>	<u>569,978</u>	<u>31,400</u>
Culture and recreation				
Parks	581,156	461,656	444,426	17,230
Museum	1,500	1,500	215	1,285
	<u>582,656</u>	<u>463,156</u>	<u>444,641</u>	<u>18,515</u>
Planning and economic development				
Zoning	25,000	10,700	9,587	1,113
Other				
Retiree insurance/pension	1,130,000	1,630,000	1,620,438	9,562
Property and liability insurance	135,000	135,000	131,629	3,371
Other unclassified expenses	660,010	725,510	664,405	61,105
	<u>1,925,010</u>	<u>2,490,510</u>	<u>2,416,472</u>	<u>74,038</u>
Debt service				
Principal	580,000	580,000	580,000	-
Interest	34,978	34,978	34,975	3
	<u>614,978</u>	<u>614,978</u>	<u>614,975</u>	<u>3</u>
Total expenditures	14,426,789	14,886,602	14,499,942	386,660
Other financing uses				
Transfers out	2,734,903	2,734,903	2,734,903	-
Total expenditures and other financing uses	\$ 17,161,692	\$ 17,621,505	\$ 17,234,845	\$ 386,660

CITY OF WALKER

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2017

	Special Revenue			
	Local Streets	Ice and Fitness Program	Special Vice Investigation	1998/2006
Assets				
Cash and pooled investments	\$ 165,176	\$ 556,582	\$ 133,424	\$ 4,206
Accounts receivable	-	2,887	-	-
Special assessment receivable	-	-	-	-
Due from other governments	97,429	-	-	-
Prepaid items	-	16,662	-	-
Inventory	46,283	96,692	-	-
Total assets	<u>\$ 308,888</u>	<u>\$ 672,823</u>	<u>\$ 133,424</u>	<u>\$ 4,206</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 11,370	\$ 69,232	\$ -	\$ -
Accrued liabilities	4,964	10,499	-	-
Total liabilities	<u>16,334</u>	<u>79,731</u>	<u>-</u>	<u>-</u>
Deferred inflows				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable				
Prepaid items	-	16,662	-	-
Inventory	46,283	96,692	-	-
Restricted				
Streets	246,271	-	-	-
Public safety	-	-	133,424	-
Committed				
Ice and fitness capital	-	102,683	-	-
Assigned				
Ice and fitness	-	377,055	-	-
Debt service	-	-	-	4,206
Total fund balances	<u>292,554</u>	<u>593,092</u>	<u>133,424</u>	<u>4,206</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 308,888</u>	<u>\$ 672,823</u>	<u>\$ 133,424</u>	<u>\$ 4,206</u>

Debt Service

<u>2008</u>	<u>2009 Bonds</u>	<u>Total</u>
\$ 25,558	\$ 140,522	\$ 1,025,468
-	-	2,887
11,472	82,791	94,263
-	-	97,429
-	-	16,662
-	-	142,975
<u>\$ 37,030</u>	<u>\$ 223,313</u>	<u>\$ 1,379,684</u>
\$ -	\$ -	\$ 80,602
-	-	15,463
-	-	96,065
<u>11,473</u>	<u>82,791</u>	<u>94,264</u>
-	-	16,662
-	-	142,975
-	-	246,271
-	-	133,424
-	-	102,683
-	-	377,055
<u>25,557</u>	<u>140,522</u>	<u>170,285</u>
<u>25,557</u>	<u>140,522</u>	<u>1,189,355</u>
<u>\$ 37,030</u>	<u>\$ 223,313</u>	<u>\$ 1,379,684</u>

CITY OF WALKER

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Special Revenue</u>			
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>1998/2006</u>
Revenues				
Intergovernmental revenues				
State	\$ 529,793	\$ -	\$ -	\$ -
Local	-	-	76,165	-
Charges for services	-	1,315,625	-	-
Special assessments	-	-	-	-
Investment earnings	760	2,713	784	295
Miscellaneous	-	6,251	-	-
Total revenues	<u>530,553</u>	<u>1,324,589</u>	<u>76,949</u>	<u>295</u>
Expenditures				
Current				
Public safety	-	-	20,730	-
Public works	1,000,601	-	-	-
Culture and recreation	-	1,406,299	-	-
Debt service				
Principal	-	-	-	635,000
Interest	-	-	-	40,202
Total expenditures	<u>1,000,601</u>	<u>1,406,299</u>	<u>20,730</u>	<u>677,494</u>
Revenues over (under) expenditures	<u>(470,048)</u>	<u>(81,710)</u>	<u>56,219</u>	<u>(677,199)</u>
Other financing sources (uses)				
Transfers in	410,084	794,300	-	676,300
Transfers out	-	(676,300)	-	-
Total other financing sources (uses)	<u>410,084</u>	<u>118,000</u>	<u>-</u>	<u>678,592</u>
Net changes in fund balances	(59,964)	36,290	56,219	1,393
Fund balances, beginning of year	<u>352,518</u>	<u>556,802</u>	<u>77,205</u>	<u>2,813</u>
Fund balances, end of year	<u>\$ 292,554</u>	<u>\$ 593,092</u>	<u>\$ 133,424</u>	<u>\$ 4,206</u>

Debt Service

<u>2008</u>	<u>2009 Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ 529,793
-	-	76,165
-	-	1,315,625
34,848	15,604	50,452
4,104	6,139	14,795
-	-	6,251
<u>38,952</u>	<u>21,743</u>	<u>1,993,081</u>
-	-	20,730
-	10	1,000,611
-	-	1,406,299
20,000	95,000	750,000
<u>(1,132)</u>	<u>13,703</u>	<u>52,773</u>
<u>18,868</u>	<u>108,713</u>	<u>3,232,705</u>
<u>20,084</u>	<u>(86,970)</u>	<u>(1,239,624)</u>
-	-	1,880,684
-	-	(676,300)
-	-	1,206,676
20,084	(86,970)	(32,948)
<u>5,473</u>	<u>227,492</u>	<u>1,222,303</u>
<u>\$ 25,557</u>	<u>\$ 140,522</u>	<u>\$ 1,189,355</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, 2017

	<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	\$ 435,000	\$ 470,000	\$ 529,793	\$ 59,793
Investment earnings	400	400	760	360
Total revenues	435,400	470,400	530,553	60,153
Expenditures				
Current				
Public works	1,029,772	1,030,122	1,000,601	29,521
Revenues over (under) expenditures	(594,372)	(559,722)	(470,048)	89,674
Other financing source (uses)				
Use of fund balance	184,288	149,638	-	(149,638)
Transfers in	410,084	410,084	410,084	-
Total other financing sources (uses)	594,372	559,722	410,084	(149,638)
Net changes in fund balance	-	-	(59,964)	(59,964)
Fund balance, beginning of year	352,518	352,518	352,518	-
Fund balance, end of year	<u>\$ 352,518</u>	<u>\$ 352,518</u>	<u>\$ 292,554</u>	<u>\$ (59,964)</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, 2017

	<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				
Charges for services	\$ 1,303,800	\$ 1,303,800	\$ 1,315,625	\$ 11,825
Investment earnings	600	600	2,713	2,113
Miscellaneous	125	125	6,251	6,126
Total revenues	1,304,525	1,304,525	1,324,589	20,064
Expenditures				
Current				
Culture and recreation	1,455,551	1,455,551	1,406,299	49,252
Revenues over (under) expenditures	(151,026)	(151,026)	(81,710)	69,316
Other financing source (uses)				
Use of fund balance	33,026	33,026	-	(33,026)
Transfers in	794,300	794,300	794,300	-
Transfers out	(676,300)	(676,300)	(676,300)	-
Total other financing sources (uses)	151,026	151,026	118,000	(33,026)
Net changes in fund balance	-	-	36,290	36,290
Fund balance, beginning of year	556,802	556,802	556,802	-
Fund balance, end of year	<u>\$ 556,802</u>	<u>\$ 556,802</u>	<u>\$ 593,092</u>	<u>\$ 36,290</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
Local	\$ 46,500	\$ 76,144	\$ 76,165	\$ 21
Investment earnings	300	300	784	484
Total Revenues	46,800	76,444	76,949	505
Expenditures				
Current				
Public safety	30,350	30,350	20,730	9,620
Revenues over (under) expenditures	16,450	46,094	56,219	10,125
Other financing source (uses)				
Use of fund balance	16,450	46,094	-	(46,094)
Net changes in fund balance	32,900	92,188	56,219	(35,969)
Fund balance, beginning of year	77,205	77,205	77,205	-
Fund balance, end of year	<u>\$ 110,105</u>	<u>\$ 169,393</u>	<u>\$ 133,424</u>	<u>\$ (35,969)</u>

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CITY OF WALKER

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2017

	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Flexible Spending</u>
Assets				
Cash and pooled investments	\$ 107,732	\$ 9,740	\$ 730,345	\$ 8,405
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 107,732</u>	<u>\$ 10,013</u>	<u>\$ 730,345</u>	<u>\$ 8,405</u>
 Liabilities				
Accounts payable	\$ 68,006	\$ -	\$ -	\$ 8,405
Deposits	7,521	-	730,345	-
Due to other governmental units	<u>32,205</u>	<u>10,013</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 107,732</u>	<u>\$ 10,013</u>	<u>\$ 730,345</u>	<u>\$ 8,405</u>

<u>Other Agency</u>	<u>Total</u>
\$ 105,077	\$ 961,299
<u>-</u>	<u>-</u>
<u>\$ 105,077</u>	<u>\$ 961,572</u>
\$ 6,591	\$ 83,002
98,486	836,352
<u>-</u>	<u>42,218</u>
<u>\$ 105,077</u>	<u>\$ 961,572</u>

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>District Court</u>				
Assets				
Cash and pooled investments	\$ 108,660	\$ 1,175,876	\$ 1,176,804	\$ 107,732
Liabilities				
Accounts payable	\$ 66,164	\$ 627,109	\$ 625,267	\$ 68,006
Deposits	12,786	218,296	223,561	7,521
Due to other governmental units	29,710	330,471	327,976	32,205
Total liabilities	<u>\$ 108,660</u>	<u>\$ 1,175,876</u>	<u>\$ 1,176,804</u>	<u>\$ 107,732</u>
<u>Current Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ 29,206	\$ 40,121,216	\$ 40,140,682	\$ 9,740
Due from other governments	-	273	-	273
Total Assets	<u>\$ 29,206</u>	<u>\$ 40,121,489</u>	<u>\$ 40,140,682</u>	<u>\$ 10,013</u>
Liabilities				
Due to other governmental units	\$ 29,206	\$ 40,121,489	\$ 40,140,682	\$ 10,013
<u>Trust and Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 1,228,342	\$ 807,871	\$ 1,305,868	\$ 730,345
Accrued interest	406	-	406	-
Total assets	<u>\$ 1,228,748</u>	<u>\$ 807,871</u>	<u>\$ 1,306,274</u>	<u>\$ 730,345</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	1,228,748	807,871	1,306,274	730,345
Total liabilities	<u>\$ 1,228,748</u>	<u>\$ 807,871</u>	<u>\$ 1,306,274</u>	<u>\$ 730,345</u>

(continued)

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<u>Flexible Spending</u>				
Assets				
Cash and pooled investments	\$ 11,440	\$ 32,064	\$ 35,099	\$ 8,405
Liabilities				
Accounts payable	\$ 11,440	\$ 32,064	\$ 35,099	\$ 8,405
<u>Other Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 836,519	\$ 14,904,862	\$ 15,636,304	\$ 105,077
Liabilities				
Accounts payable	\$ 6,489	\$ 8,394,052	\$ 8,393,950	\$ 6,591
Deposits	830,030	6,510,810	7,242,354	98,486
	\$ 836,519	\$ 14,904,862	\$ 15,636,304	\$ 105,077
<u>Total - All Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 2,214,167	\$ 57,041,889	\$ 58,294,757	\$ 961,299
Due from other governments	-	273	-	273
Accrued interest	406	-	406	-
Total assets	<u>\$ 2,214,573</u>	<u>\$ 57,042,162</u>	<u>\$ 58,295,163</u>	<u>\$ 961,572</u>
Liabilities				
Accounts payable	\$ 84,093	\$ 9,053,225	\$ 9,054,316	\$ 83,002
Deposits	2,071,564	7,536,977	8,772,189	836,352
Due to other governmental units	58,916	40,451,960	40,468,658	42,218
Total liabilities	<u>\$ 2,214,573</u>	<u>\$ 57,042,162</u>	<u>\$ 58,295,163</u>	<u>\$ 961,572</u>

(concluded)

CITY OF WALKER

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Fund Type			Adjustments	Statement of Net Position
	General Fund	Streetscape Maintenance	Totals		
Assets					
Cash and pooled investments	\$ 385,234	\$ 188,552	\$ 573,786	\$ -	\$ 573,786
Special assessment receivable	-	5,001	5,001	-	5,001
Capital assets					
Land	-	-	-	1,294,978	1,294,978
Construction in progress	-	-	-	-	-
Depreciable capital assets, net	-	-	-	2,001,129	2,001,129
Total assets	<u>\$ 385,234</u>	<u>\$ 193,553</u>	<u>\$ 578,787</u>	<u>3,296,107</u>	<u>3,874,894</u>
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 12,658	\$ 19,207	\$ 31,865	-	31,865
Accrued liabilities	-	-	-	3,392	3,392
Noncurrent liabilities					
Due within one year	-	-	-	220,000	220,000
Due in more than one year	-	-	-	980,000	980,000
Total liabilities	<u>12,658</u>	<u>19,207</u>	<u>31,865</u>	<u>1,203,392</u>	<u>1,235,257</u>
Deferred inflows					
Unavailable revenue	-	5,001	5,001	(5,001)	-
Fund balances					
Unassigned	<u>372,576</u>	<u>169,345</u>	<u>541,921</u>	<u>(541,921)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 385,234</u>	<u>\$ 193,553</u>	<u>\$ 578,787</u>		
Net position					
Net investment in capital assets				2,096,107	2,096,107
Unrestricted				543,530	543,530
Total net position				<u>\$ 2,639,637</u>	<u>\$ 2,639,637</u>
Reconciliation of fund balances to net position					
Fund balances of governmental funds					\$ 541,921
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)					2,001,129
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds					
Add - unavailable revenue					5,001
Certain liabilities are not due and payable in the current period and therefore are not reported the funds.					
Deduct - debt payable					(1,200,000)
Deduct - accrued interest on debt payable					(3,392)
Net position of governmental activities					<u>\$ 2,639,637</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, 2017

	Governmental Fund Type				Statement of Activities
	General Fund	Streetscape Maintenance	Totals	Adjustments	
Revenues					
Taxes	\$ 366,482	\$ -	\$ 366,482	\$ -	\$ 366,482
Special assessments	-	126,865	126,865	(1,992)	124,873
Investment earnings	819	1,350	2,169	-	2,169
Miscellaneous	10,300	-	10,300	-	10,300
	<u>377,601</u>	<u>128,215</u>	<u>505,816</u>	<u>(1,992)</u>	<u>503,824</u>
Expenditures/expenses					
Current					
Community development	76,076	133,965	210,041	133,954	343,995
Debt Service					
Principal	200,000	-	200,000	(200,000)	-
Interest	42,881	-	42,881	(5,196)	37,685
Total expenditures/expenses	<u>318,957</u>	<u>133,965</u>	<u>452,922</u>	<u>(71,242)</u>	<u>381,680</u>
Revenues over (under) expenditures/expense	<u>58,644</u>	<u>(5,750)</u>	<u>52,894</u>	<u>69,250</u>	<u>122,144</u>
Other financing sources (uses)					
Debt issuance	1,200,000	-	1,200,000	(1,200,000)	-
Payment to refunded bond escrow ager	(1,196,875)	-	(1,196,875)	1,196,875	-
Total other financing sources (uses)	<u>3,125</u>	<u>-</u>	<u>3,125</u>	<u>(3,125)</u>	<u>-</u>
Net changes in fund balances	61,769	(5,750)	56,019	(56,019)	
Change in net position				122,144	122,144
Fund balances/net position					
Beginning of year	<u>310,807</u>	<u>175,095</u>	<u>485,902</u>		<u>2,517,493</u>
End of year	<u>\$ 372,576</u>	<u>\$ 169,345</u>	<u>\$ 541,921</u>		<u>\$ 2,639,637</u>
Reconciliation of change in fund balances to change in net position					
Net change in fund balances of governmental funds					\$ 56,019
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					25,000
Deduct - depreciation expense					(92,078)
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.					
Deduct - payments on special assessment receivable					(1,992)
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.					
Deduct - net issuance of refunding debt					(3,125)
Add - principal payments on debt					200,000
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					5,196
Change in net position of governmental activities					<u>\$ 189,020</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 362,000	\$ 375,481	\$ 366,482	\$ (8,999)
Investment earnings	300	300	819	519
Miscellaneous	12,200	12,200	10,300	(1,900)
Total revenues	<u>374,500</u>	<u>387,981</u>	<u>377,601</u>	<u>(10,380)</u>
Expenditures				
Current				
Community development	118,500	118,500	76,076	42,424
Debt service				
Principal	195,000	200,000	200,000	-
Interest	51,825	42,882	42,881	1
Total expenditures	<u>365,325</u>	<u>361,382</u>	<u>318,957</u>	<u>42,425</u>
Revenues over (under) expenditures	9,175	26,599	58,644	32,045
Other financing source (uses)				
Use of fund balance	(9,175)	(26,599)	-	26,599
Debt issuance	-	-	1,200,000	1,200,000
Payment to refunded bond escrow agent	-	-	(1,196,875)	(1,196,875)
Total other financing sources (uses)	<u>(9,175)</u>	<u>(26,599)</u>	<u>3,125</u>	<u>29,724</u>
Net changes in fund balance	-	-	61,769	61,769
Fund balance, beginning of year	<u>310,807</u>	<u>310,807</u>	<u>310,807</u>	<u>-</u>
Fund balance, end of year	<u>\$ 310,807</u>	<u>\$ 310,807</u>	<u>\$ 372,576</u>	<u>\$ 61,769</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Special assessments	\$ 120,000	\$ 120,000	\$ 126,865	\$ 6,865
Investment earnings	<u>750</u>	<u>750</u>	<u>1,350</u>	<u>600</u>
Total revenues	120,750	120,750	128,215	7,465
Expenditures				
Current				
Community development	<u>120,000</u>	<u>120,000</u>	<u>133,965</u>	<u>(13,965)</u>
Revenues over (under) expenditures	750	750	(5,750)	(6,500)
Other financing source (uses)				
Use of fund balance	<u>750</u>	<u>750</u>	<u>-</u>	<u>(750)</u>
Net changes in fund balance	1,500	1,500	(5,750)	(7,250)
Fund balance, beginning of year	<u>175,095</u>	<u>175,095</u>	<u>175,095</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 176,595</u></u>	<u><u>\$ 176,595</u></u>	<u><u>\$ 169,345</u></u>	<u><u>\$ (7,250)</u></u>

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 51,686	\$ -	\$ 51,686
Total assets	<u>\$ 51,686</u>	<u>-</u>	<u>51,686</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	-	-
Fund balances			
Unassigned	<u>51,686</u>	<u>(51,686)</u>	
Total liabilities and fund balances	<u>\$ 51,686</u>		
Net position			
Unrestricted		<u>\$ 51,686</u>	<u>\$ 51,686</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, 2017

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 182,035	\$ -	\$ 182,035
Investment earnings	<u>134</u>	<u>-</u>	<u>134</u>
	182,169	-	182,169
 Expenditures/expenses			
Current			
Public works			
Return of tax increment	<u>190,522</u>	<u>-</u>	<u>190,522</u>
 Net changes in fund balances	(8,353)	8,353	
 Change in net position		(8,353)	(8,353)
 Fund balances/net position, beginning of year	<u>60,039</u>		<u>60,039</u>
 Fund balances/net position, end of year	<u>\$ 51,686</u>		<u>\$ 51,686</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 176,900	\$ 176,900	\$ 182,035	\$ 5,135
Investment earnings	<u>10</u>	<u>10</u>	<u>134</u>	<u>124</u>
Total revenues	176,910	176,910	182,169	5,259
Expenditures				
Current				
Return of tax increment	<u>171,250</u>	<u>171,250</u>	<u>190,522</u>	<u>(19,272)</u>
Net changes in fund balance	5,660	5,660	(8,353)	(14,013)
Fund balance, beginning of year	<u>60,039</u>	<u>60,039</u>	<u>60,039</u>	<u>-</u>
Fund balance, end of year	<u>\$ 65,699</u>	<u>\$ 65,699</u>	<u>\$ 51,686</u>	<u>\$ (14,013)</u>

INTERNAL CONTROL AND COMPLIANCE



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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

October 17, 2017

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 business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2017.

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 of 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vredendael Haefner LLC