



CITY OF WALKER, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF WALKER

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Internal Service Fund	18
Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Fund	19
Statement of Cash Flows - Internal Service Fund	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23-44
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	45
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets Fund	46
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	47
Schedule of Employer Contributions	48
Retiree Health Other Post-Employment Benefits Plan	
Schedule of Changes in Employers Net OPEB Liability and Other Ratios	49
Schedule of Employer Contributions	50
Notes to Required Supplementary Information	50
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues - Budget and Actual	51
Schedule of Expenditures - Budget and Actual	53
Nonmajor Governmental Funds	
Combining Balance Sheet	54-55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56-57

CITY OF WALKER

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	58
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Ice and Fitness Program Fund	59
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Vice Investigation Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Indigent Defense Fund	61
 Fiduciary Funds	
Combining Statement of Assets and Liabilities - Agency Funds	62-63
Combining Statement of Changes in Assets and Liabilities - Agency Funds	64-65
 Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	66
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA General Fund	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA Streetscape Maintenance Fund	69
 Brownfield Redevelopment Authority	
Balance Sheet/Statement of Net Position	70
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Brownfield General Fund	72



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

October 17, 2019

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, 2019, 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. 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, 2019, 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.

Oradaveld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Walker

June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

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

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

Financial Highlights

- The General Fund of the City is funded by three main sources of revenues; income tax, state revenue sharing, and property tax. These three sources account for 86.2% of the total general fund revenues in the current fiscal year.
 - Walker income tax collections increased by 11.6% from the prior fiscal year. The \$13,254,063 collected in the current fiscal year is a record high and represents 68.1% of total revenues for the City's General Fund.
 - State revenue sharing is a small percentage of sales tax collections received by the State of Michigan that the State shares with local units of government per the State Constitution and other applicable legislation. State revenue sharing represents 10.9% of the total revenues for the City's General Fund.
 - The City's property tax millage rate of 1.336 mills for city operations remains one of the smallest millage rates charged by any city in the State of Michigan that also collects a local income tax. Property tax collections represent 7.2% of total revenues for the City's General Fund.
- The City's General Fund expenditures increased by 2.6% from the prior year. This increase was the result of various items including:
 - Staffing adjustments.
 - Conversion of 17 current employees out of the City's retiree health insurance program and into a Retiree Health Savings Account program.
 - Increased costs for inspections and planning activities caused by the continued strong level of building and development within Walker.
 - Multiple repairs and improvements to City owned buildings and properties.
- Development and construction activities remain strong in the City. The following building permits were issued during the fiscal year:
 - 99 Commercial permits with a total value of \$10,072,786.
 - 37 Industrial permits with a total value of \$9,517,055.
 - 200 Residential permits with a total value of \$13,276,161.
- General Fund revenues exceeded expenditures by \$1,307,849 in the current fiscal year.
- The General Fund's unassigned fund balance as of June 30, 2019 equals \$6,287,049 which represents 34.5% of the actual total General Fund expenditures for the current fiscal year. The City's fund balance policy requires a minimum unassigned fund balance in the General Fund of 15%.

- Roads continue to be a priority for the City of Walker. In the current fiscal year:
 - The City received approximately \$2.98 million from the State of Michigan Transportation Fund (or “Act 51”), which is funded by State gasoline taxes and vehicle registration fees.
 - The City spent approximately \$883,000 on repaving projects for multiple major and local roads throughout the City.
 - The City spent approximately \$2.7 million on significant road projects including reconstruction of Leonard Street between Kinney and Wilson, construction of dual left turn lanes at Three Mile Road and Walker Avenue, design work for the connection of Northridge Drive NW, and design work for the removal of a road bridge on Walker Avenue near Waldorf Street.
 - The City spent approximately \$579,000 on snowplowing roads this past winter.
- The City continues to closely monitor its debt and long-term liability obligations:
 - In May 2019, Walker paid in full its remaining three Michigan Transportation Fund (MTF) bonds. These bonds were used to finance various significant road improvement projects in the City of Walker multiple years ago. The City’s Road Funds are now debt-free.
 - The City once again contributed more than the actuarial required contribution to the Defined Benefit Pension Plan (DB). The additional contribution equaled \$500,000.
 - The City also contributed \$300,000 to a set aside account dedicated towards the City’s OPEB (Other Post Employee Benefits) long-term liability.
- The City has established multiple set-aside or sinking accounts designed to assist with the future purchase of equipment, large repair expenses, and long-term liabilities. As of June 30, 2019, the City had:
 - \$400,000 set aside in a building sinking account.
 - \$300,000 set aside for OPEB long-term liabilities.
 - \$300,000 set aside for the future purchase of a fire truck.
 - \$208,267 set aside for capital improvements at the Walker Ice & Fitness Center.

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 ten 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 \$76,066,714 at the close of the most recent fiscal year. A summary of net position is as follows:

Summary of Net Position		
	Governmental Activities	
	2019	2018
Current and other assets	\$16,251,492	\$14,841,408
Capital assets	78,803,200	78,421,489
Total assets	95,054,692	93,262,897
 Deferred outflows of resources	 3,825,961	 2,319,303
Long-term liabilities outstanding	16,155,538	18,086,722
Other liabilities	4,426,123	4,463,550
Total liabilities	20,581,661	22,550,272
 Deferred inflows of resources	 2,232,278	 855,467
 Net position		
Invested in capital assets, net of related debt	77,797,126	76,453,327
Restricted	1,839,355	1,849,003
Unrestricted (deficit)	(3,569,767)	(6,125,869)
Total net position	\$76,066,714	\$72,176,461

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

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

Net position of the City, which consists only of governmental activities, increased by \$3,890,253, primarily due to an increase in Walker income tax revenues and increases in state revenue sharing and Act 51 monies received from the State of Michigan, along with Federal contributed capital for a street reconstruction project. A summary of the changes in net position is as follows:

Summary of Activities		
	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenue		
Program revenue		
Charges for services	\$ 3,329,164	\$ 3,244,151
Operating grants and contributions	3,920,388	3,907,765
Capital grants and contributions	903,846	641,905
General revenue		
Property taxes	1,529,650	1,480,441
Income taxes	13,254,063	11,871,504
Other governmental sources	2,114,998	2,026,353
Unrestricted investment earnings	93,419	46,844
Other	111,524	72,716
Total revenue	25,257,052	23,291,679
Expenses		
General government	5,366,607	4,994,170
Judicial	828,935	830,358
Public safety	7,342,144	7,183,199
Public works	5,519,115	6,597,798
Culture and recreation	2,274,474	1,977,654
Interest	35,524	57,387
Total expenses	21,366,799	21,640,566
Increase (decrease) in net position	3,890,253	1,651,113
Net position - beginning of year	72,176,461	70,525,348
Net position - end of year	\$76,066,714	\$72,176,461

Governmental Activities. During the year, the City invested \$5,519,115 or 25.8% of governmental activities expenses in public works. Public safety expenses amounted to \$7,342,144 or 34.4% of governmental activities while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 39.8% of governmental activities expenses.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,149,054, an increase of \$1,278,896 in comparison with the prior year. Of the \$11,149,054, \$8,362,241 is reported in the general fund, \$1,366,169 is reported in the major streets fund, and \$130,009 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 \$8,362,241. Of that amount, \$31,525 was restricted for cemetery operations, \$31,816 was nonspendable, \$700,000 was committed for various purposes by the City Commission, \$1,311,851 is assigned to meet fiscal year 2020 expenditures, and the remaining \$6,287,049 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 34.5% of total general fund expenditures and transfers. The fund balance of the City's general fund increased by \$1,307,849 during the current fiscal year primarily due to increase in the City income tax revenue and controlled spending to be within budgeted revenues.

The Major Streets Fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951, as amended. The fund balance at the end of the year amounted to \$1,366,169, a decrease of \$113,846 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 \$130,009, a decrease of \$30,482 from the previous year. The decrease is primarily the result of expenditures related to storm sewer improvements and sidewalk repairs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$78,803,200 (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	795,294
Buildings, Equipment and Infrastructure (net)	<u>75,178,435</u>
Total	<u>\$78,803,200</u>

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

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,006,074 summarized as follows:

Debt	Governmental Activities
Contractual agreement	\$ 206,074
Bonds payable	<u>800,000</u>
Total	<u>\$1,006,074</u>

The City did not issue any new debt in the current fiscal year and made debt payments totaling \$962,088. Additional information on the City's long-term debt can be found in the footnotes to these financial statements.

Budgetary Highlights

- The City's practice is to budget conservatively and to amend the budget throughout the fiscal year as needed. The current state of the economy has allowed for continued significant spending on roads, building improvements, and capital equipment purchases.
- Increases in the City's fund balance have allowed the City to make additional contributions towards reducing long-term liabilities.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2019-20 fiscal year:

- The City continues its practice of budgeting conservatively and intends to amend the budget as needed throughout the fiscal year.
- The stability of the economy directly impacts the City's income tax receipts. We have budgeted income tax revenues based on current economic conditions. We will continue to monitor collections and will recommend potential changes in expenditures accordingly.
- The City continues to pursue grant opportunities from the Michigan Department of Transportation to assist with the funding of road improvements.
- The City utilizes a rolling 5-year capital improvement plan. This plan is designed to prioritize large equipment and improvement expenditures in the upcoming fiscal years. The plan is reviewed annually and revised accordingly.
- The Walker City Commission has made debt reduction and long-term liability funding a priority. Therefore, the budget includes equipment purchases and various improvements throughout the City that do not require the need to borrow money and incur debt.

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.

(This page left intentionally blank)

BASIC FINANCIAL STATEMENTS

CITY OF WALKER
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government Governmental Activities	Component Units	
	Downtown Development Authority	Brownfield Redevelopment Authority	
Assets			
Cash and pooled investments	\$ 9,961,939	\$ 847,033	\$ 99,125
Accounts receivable	1,702,526	-	-
Special assessments receivable	3,391,849	9,586	-
Due from other governments	902,355	-	-
Prepaid items	57,090	-	-
Inventory	235,733	-	-
Capital assets			
Land	2,829,471	1,294,978	-
Construction in progress	795,294	-	-
Depreciable capital assets, net	<u>75,178,435</u>	<u>1,816,970</u>	-
Total assets	<u>95,054,692</u>	<u>3,968,567</u>	<u>99,125</u>
Deferred outflows of resources			
Deferred outflows of resources related to pensions	2,537,970	-	-
Deferred outflows of resources related to OPEB items	<u>1,287,991</u>	-	-
Total deferred outflows of resources	<u>3,825,961</u>	-	-
Liabilities			
Accounts payable	816,369	10,227	-
Accrued liabilities	268,034	2,423	-
Unearned revenue	3,341,720	-	-
Noncurrent liabilities			
Compensated absences	1,356,754	-	-
Other post-employment benefits	4,714,579	-	-
Net pension liability	9,078,131	-	-
Due within one year	712,087	225,000	-
Due in more than one year	<u>293,987</u>	<u>535,000</u>	-
Total liabilities	<u>20,581,661</u>	<u>772,650</u>	-
Deferred inflows of resources			
Deferred inflows of resources related to OPEB items	<u>2,232,278</u>	-	-
Net position			
Net investment in capital assets	77,797,126	2,351,948	-
Restricted for:			
Streets	1,706,310	-	-
Public safety	133,045	-	-
Unrestricted (deficit)	<u>(3,569,767)</u>	<u>843,969</u>	<u>99,125</u>
Total net position	<u>\$ 76,066,714</u>	<u>\$ 3,195,917</u>	<u>\$ 99,125</u>

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

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government						
Governmental activities						
General government	\$ 5,366,607	\$ 478,607	\$ 359,628	\$ -	\$ (4,528,372)	
Judicial	828,935	677,943	108,565	-	(42,427)	
Public safety	7,342,144	110,289	41,718	-	(7,190,137)	
Public works	5,519,115	778,206	3,410,477	903,846	(426,586)	
Culture and recreation	2,274,474	1,284,119	-	-	(990,355)	
Interest on long-term debt	35,524	-	-	-	(35,524)	
Total governmental activities	<u>21,366,799</u>	<u>3,329,164</u>	<u>3,920,388</u>	<u>903,846</u>	<u>(13,213,401)</u>	
Total primary government	<u>\$ 21,366,799</u>	<u>\$ 3,329,164</u>	<u>\$ 3,920,388</u>	<u>\$ 903,846</u>	<u>\$ (13,213,401)</u>	
Component units						
Downtown Development Authority	\$ 244,719	\$ 123,523	\$ 1,120	\$ -	\$ (120,076)	
Brownfield Redevelopment Authority	173,888	-	-	-	(173,888)	
Total component units	<u>\$ 418,607</u>	<u>\$ 123,523</u>	<u>\$ 1,120</u>	<u>\$ -</u>	<u>\$ (293,964)</u>	

(Continued)

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

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government Governmental Activities	Component Units	
		Downtown Development Authority	Brownfield Redevelopment Authority
Changes in net position			
Net (expense) revenue	\$ (13,213,401)	\$ (120,076)	\$ (173,888)
General revenues			
Income taxes	13,254,063	-	-
Property taxes	1,529,650	402,451	196,782
State shared revenues	2,114,998	-	-
Unrestricted investment earnings	93,419	5,812	616
Other general revenues	111,524	-	-
Total general revenues	<u>17,103,654</u>	<u>408,263</u>	<u>197,398</u>
Change in net position	3,890,253	288,187	23,510
Net position, beginning of year	<u>72,176,461</u>	<u>2,907,730</u>	<u>75,615</u>
Net position, end of year	<u>\$ 76,066,714</u>	<u>\$ 3,195,917</u>	<u>\$ 99,125</u>

(Concluded)

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

CITY OF WALKER

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 6,872,933	\$ 1,321,590	\$ 59,426	\$ 1,094,868	\$ 9,348,817
Accounts receivable	1,688,848	-	4,059	8,140	1,701,047
Special assessment receivable	-	-	3,341,720	50,129	3,391,849
Due from other governments	367,134	349,668	73,098	112,455	902,355
Due from other funds	-	1,376	-	6,690	8,066
Prepaid items	31,816	3,295	-	21,266	56,377
Inventory	-	78,207	-	122,237	200,444
Total assets	\$ 8,960,731	\$ 1,754,136	\$ 3,478,303	\$ 1,415,785	\$ 15,608,955
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 361,219	\$ 376,135	\$ 6,574	\$ 56,553	\$ 800,481
Accrued liabilities	229,205	11,832	-	18,468	259,505
Due to other funds	8,066	-	-	-	8,066
Unearned revenue	-	-	3,341,720	-	3,341,720
Total liabilities	598,490	387,967	3,348,294	75,021	4,409,772
Deferred inflows					
Unavailable revenue	-	-	-	50,129	50,129
Fund balances					
Nonspendable					
Prepaid items	31,816	3,295	-	21,266	56,377
Inventory	-	78,207	-	122,237	200,444
Restricted					
Cemetery	31,525	-	-	-	31,525
Judicial	-	-	-	106,582	106,582
Streets	-	1,284,667	-	421,643	1,706,310
Public safety	-	-	-	133,045	133,045
Committed					
Building sinking fund	400,000	-	-	-	400,000
Long-term liabilities	300,000	-	-	-	300,000
Ice and fitness capital	-	-	-	208,267	208,267
Assigned					
Subsequent year expenditures	1,311,851	-	-	-	1,311,851
Ice and fitness program	-	-	-	176,039	176,039
Debt service	-	-	-	101,556	101,556
Capital projects	-	-	130,009	-	130,009
Unassigned	6,287,049	-	-	-	6,287,049
Total fund balances	8,362,241	1,366,169	130,009	1,290,635	11,149,054
Total liabilities, deferred inflows and fund balances					
	\$ 8,960,731	\$ 1,754,136	\$ 3,478,303	\$ 1,415,785	\$ 15,608,955

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, 2019

Fund balances - total governmental funds	\$ 11,149,054
---	----------------------

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	795,294
Add - capital assets (net of accumulated depreciation)	72,676,440

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	50,129
--------------------------------------	--------

Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service fund	3,114,222
--	-----------

Certain liabilities and other items do not impact current financial resources and therefore are not reported in the funds.

Deduct - compensated absences payable	(1,338,494)
Deduct - other post-employment benefits liability	(4,714,579)
Deduct - net pension liability	(9,078,131)
Add - deferred outflows related to net pension liability	2,537,970
Add - deferred outflows related to other post-employment benefits liability	1,287,991
Deduct - deferred inflows related to other post-employment benefits liability	(2,232,278)
Deduct - bonds and notes payable	(1,006,074)
Deduct - accrued interest on bonds payable	<u>(4,301)</u>

Net position of governmental activities	<u>\$ 76,066,714</u>
--	-----------------------------

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, 2019

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 15,184,398	\$ -	\$ -	\$ -	\$ 15,184,398
Intergovernmental revenues					
Federal	- 222,742	- -	- -	- -	222,742
State	2,114,998	2,313,768	- -	875,197	5,303,963
Local	- 69,395	- -	- 48,215	- 117,610	
Cable franchise fees	359,628	- -	- -	- -	359,628
Licenses and permits	797,154	- -	- -	- -	797,154
Charges for services	124,932	- -	- -	1,277,283	1,402,215
Fines	657,719	- -	- -	- -	657,719
Special assessments	- 3,203	- -	- 16,368	- 19,571	
Investment earnings	87,573	12,674	566	17,332	118,145
Miscellaneous	181,325	- -	- 5,104	- 186,429	
Total revenues	<u>19,507,727</u>	<u>2,618,579</u>	<u>3,769</u>	<u>2,239,499</u>	<u>24,369,574</u>
Expenditures					
Current					
Judicial	834,326	- -	- -	8,083	842,409
General government	2,713,312	- -	- -	- -	2,713,312
Public safety	7,942,823	- -	- -	82,036	8,024,859
Public works	663,282	4,355,352	34,251	1,150,106	6,202,991
Culture and recreation	313,770	- -	- -	1,429,998	1,743,768
Planning and economic development	73,931	- -	- -	- -	73,931
Other	2,536,064	- -	- -	- -	2,536,064
Debt service					
Principal	595,000	270,000	- -	50,000	915,000
Interest	22,098	7,073	- -	9,173	38,344
Total expenditures	<u>15,694,606</u>	<u>4,632,425</u>	<u>34,251</u>	<u>2,729,396</u>	<u>23,090,678</u>
Revenues over (under) expenditures	<u>3,813,121</u>	<u>(2,013,846)</u>	<u>(30,482)</u>	<u>(489,897)</u>	<u>1,278,896</u>
Other financing sources (uses)					
Transfers in	828	1,900,000	- -	644,541	2,545,369
Transfers out	(2,506,100)	- -	- -	(39,269)	(2,545,369)
Total other financing sources (uses)	<u>(2,505,272)</u>	<u>1,900,000</u>	<u>- -</u>	<u>605,272</u>	<u>- -</u>
Net changes in fund balances	1,307,849	(113,846)	(30,482)	115,375	1,278,896
Fund balances, beginning of year	<u>7,054,392</u>	<u>1,480,015</u>	<u>160,491</u>	<u>1,175,260</u>	<u>9,870,158</u>
Fund balances, end of year	<u>\$ 8,362,241</u>	<u>\$ 1,366,169</u>	<u>\$ 130,009</u>	<u>\$ 1,290,635</u>	<u>\$ 11,149,054</u>

The accompanying notes are an integral part of these financial statements

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, 2019

Net changes in fund balances - total governmental funds	\$ 1,278,896
---	--------------

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	903,846
Add - capital outlay	3,541,776
Deduct - depreciation expense	(3,962,037)

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	(16,368)
--	----------

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	915,000
Add - principal portion of contractual payments	47,088

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

Add - decrease in compensated absences	2,171
Deduct - increase in net pension liability	(720,550)
Add - decrease in other post-employments benefits liability	1,689,224
Add - increase in deferred outflows related to pensions	1,174,755
Add - decrease in deferred inflows related to pensions	345,563
Add - increase in deferred outflows related to other post-employment benefits	331,903
Deduct - increase in deferred inflows related to other post-employment benefits	(1,722,374)
Add - decrease in accrued interest	2,820

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	78,540
---	--------

Change in net position of governmental activities	\$ 3,890,253
---	--------------

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, 2019

Assets

Current assets	
Cash and pooled investments	\$ 613,122
Accounts receivable	1,479
Prepaid items	713
Inventory	<u>35,289</u>
 Total current assets	 <u>650,603</u>
Non-current assets	
Capital assets	
Vehicles	7,625,761
Less accumulated depreciation	<u>(5,123,766)</u>
 Total non-current assets	 <u>2,501,995</u>
 Total assets	 <u>3,152,598</u>

Liabilities

Current liabilities	
Accounts payable	15,888
Accrued liabilities	<u>4,228</u>
 Total current liabilities	 20,116
Long-term liabilities	
Compensated absences	<u>18,260</u>
 Total liabilities	 <u>38,376</u>

Net position

Net investment in capital assets	2,501,995
Unrestricted	<u>612,227</u>
 Total net position	 <u>\$ 3,114,222</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, 2019

Operating revenue	
Charges for services	\$ <u>1,262,844</u>
Operating expense	
Personnel costs	312,280
Operating supplies and expenses	61,647
Repair and maintenance	232,286
Gas and oil	195,761
Other expenses	1,956
Depreciation	<u>492,765</u>
Total operating expense	<u>1,296,695</u>
Operating income (loss)	<u>(25,052)</u>
Non-operating revenue (expense)	
Interest income	10,303
Gain on sale of capital assets	<u>93,289</u>
Total non-operating revenue (expense)	<u>103,592</u>
Changes in net position	78,540
Net position, beginning of year	<u>3,035,682</u>
Net position, end of year	<u>\$ 3,114,222</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, 2019

Cash flows from operating activities

Receipts from internal services provided	\$ 1,285,587
Payments to employees	(310,229)
Payments to suppliers	<u>(528,155)</u>

Net cash provided by (used in) operating activities

447,203

Cash flows from capital and related financing activities

Proceeds from sale of capital assets	93,289
Acquisitions of capital assets	<u>(390,891)</u>

Net cash provided by (used in) capital and related financing activities

(297,602)

Cash flows from investing activities

Interest income	<u>10,303</u>
-----------------	---------------

Net increase (decrease) in cash and pooled investments

159,904

Cash and pooled investments, beginning of year

453,218

Cash and pooled investments, end of year

\$ 613,122

Cash flows from operating activities

Operating income (loss)	\$ (25,052)
-------------------------	-------------

Adjustments to reconcile operating income (loss)
to net cash provided by (used in) operating activities

492,765

Depreciation	492,765
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(1,479)
Due from other governments	15,423
Prepaid items	(713)
Inventory	(5,800)
Accounts payable	(29,992)
Accrued liabilities	302
Compensated absences	<u>1,749</u>

Net cash provided by (used in) operating activities

\$ 447,203

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

CITY OF WALKER

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>Other Post-employment Benefits Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments	\$ -	\$ 1,296,570
Investments	<u>1,490,075</u>	<u>-</u>
Total assets	<u>1,490,075</u>	<u>\$ 1,296,570</u>
Liabilities		
Accounts payable	- \$ 53,259	
Deposits	- 1,217,908	
Due to other governmental units	<u>-</u>	<u>25,403</u>
Total liabilities	<u>-</u>	<u>\$ 1,296,570</u>
Net position		
Net position held in trust for OPEB	<u>\$ 1,490,075</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, 2019

	<u>Other Post-employment Benefits Trust Fund</u>
Additions	
Contributions	
City contributions	\$ 123,234
Investment earnings	
Interest	<u>61,886</u>
Total additions	185,120
Deductions	
Health insurance premiums paid	<u>123,234</u>
Changes in net position	61,886
Net position, beginning of year	<u>1,428,189</u>
Net position, end of year	<u><u>\$ 1,490,075</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, 2019

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, 2019

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, 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, 2019

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, 2019

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, 2019

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 following the consumption method.

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, 2019

Deferred Outflows/Inflows of Resources

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

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

Unavailable Revenue

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

Governmental funds	
Unearned revenue	\$3,341,720
Special assessments unavailable revenue	<u>50,129</u>
	3,391,849
Less earned portion of special assessments	<u>50,129</u>
Unearned revenue – government-wide statements	<u><u>\$3,341,720</u></u>

Long-Term Obligations

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

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

Net Position and Fund Balance Flow Assumptions

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

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 14. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to Kent County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the 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, 2019, 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, 2019, the City reported a deficit unrestricted net position in its governmental activities of \$3,569,767.

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, 2019

During the year ended June 30, 2019, 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>Unfavorable Variance</u>
General fund			
Public Safety			
Police department	\$5,276,919	\$5,297,868	\$20,949
Building inspections	678,455	698,723	20,268
Public works			
Drains	31,914	32,198	284
Street lighting	240,000	346,383	6,383
Planning and economic development			
Zoning	63,750	73,931	10,181
Major streets fund			
Public works	4,345,698	4,355,352	9,654
Special Vice Investigation fund			
Public safety	79,000	82,036	3,036

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	\$9,961,939	\$946,158	\$1,296,570	\$12,204,667
Investments	-	-	1,490,075	1,490,075
	<u>\$9,961,939</u>	<u>\$946,158</u>	<u>\$2,786,645</u>	<u>\$13,694,742</u>

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

Deposits	\$ 7,975,701
Investments	5,716,541
Petty cash	<u>2,500</u>
Total	<u>\$13,694,742</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, \$6,086,867 of the City's bank balance of \$7,987,968 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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	\$2,416,986	Unrated	N/A
Stable NAV Government Investment Pool	N/A	1,809,480	AAAm	S&P
Vantagepoint Low Duration Bond Fund	N/A	1,490,075	2 star	Morningstar

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, 2019 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	17%	0-3
Certificates of deposits	61%	0-3
Deposits, money markets and other pools	22%	Not applicable

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019 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	93%	Not applicable
Collateralized bank deposits	1%	Not applicable
Repurchase agreements	2%	Not applicable
Treasury Securities	4%	Not Applicable

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

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:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,829,471	\$ -	\$ -	\$ 2,829,471
Construction in progress	491,147	743,480	439,333	795,294
Total capital assets, not being depreciated	3,320,618	743,480	439,333	3,624,765
Capital assets, being depreciated				
Land improvements	2,696,188	69,276	-	2,765,464
Buildings and improvements	21,505,475	-	-	21,505,475
Vehicles	1,990,645	337,494	170,826	2,157,313
Other tools and equipment	8,961,691	202,188	158,029	9,005,850
Office furnishings	1,158,860	67,631	2,590	1,223,901
Infrastructure	106,246,860	3,855,777	-	110,102,637
Total capital assets, being depreciated	142,559,719	4,532,366	331,445	146,760,640

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2019</u>
Less accumulated depreciation for				
Land improvements	1,881,652	119,317	-	2,000,969
Buildings and improvements	12,136,278	526,198	-	12,662,476
Vehicles	1,219,216	252,084	170,826	1,300,474
Other tools and equipment	6,626,121	439,289	158,029	6,907,381
Office furnishings	1,025,357	61,018	2,590	1,083,785
Infrastructure	44,570,224	3,056,896	-	47,627,120
Total accumulated depreciation	67,458,848	4,454,802	331,445	71,582,205
Net capital assets, being depreciated	75,100,871	77,564	-	75,178,435
Governmental Activities capital assets, net	\$78,421,489	\$821,044	\$439,333	\$78,803,200
 Component units				
Capital assets not being depreciated				
Land	\$1,294,978	\$	-	\$1,294,978
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,294,978	-	-	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	127,928	19,667	-	147,595
Infrastructure	225,274	4,940	-	230,214
Buildings	755,004	62,917	-	817,921
Office furnishings	47,813	4,556	-	52,369
Total accumulated depreciation	1,156,019	92,080	-	1,248,099
Net capital assets, being depreciated	1,909,050	(92,080)	-	1,816,970
Component Units capital assets, net	\$3,204,028	\$(92,080)	\$	-
				\$3,111,948

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

Governmental Activities

General government	\$ 244,974
Public safety	232,028
Public works	2,819,114
Culture and recreation	653,920
Judicial	12,001
Capital assets held by the governments internal service fund are charged to the various functions based on their usage of the assets	<u>492,765</u>

Total depreciation expense - governmental activities

\$4,454,802

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 \$488,767 during the year ended June 30, 2019. In addition, employee contributions amounted to \$87,702 during the year ended June 30, 2019.

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, 2018):

Active plan members	23
Inactive employees entitled but not yet receiving benefits	3
Inactive employees or beneficiaries currently receiving benefits	59
Total	85

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$140,959 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 2% of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2018, 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, 2018 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.

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			<u>8.00%</u>

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, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$23,685,530	\$15,327,949	\$ 8,357,581
Changes for the Year:			
Service cost	187,282	-	187,282
Interest	1,842,166	-	1,842,166
Change in benefits	-	-	-
Differences between expected and actual experience	122,503	-	122,503
Change in assumptions	-	-	-
Contributions: employer	-	2,077,526	(2,077,526)
Contributions: employee	-	21,291	(21,291)
Net investment income (loss)	-	(636,975)	636,975
Benefit payments, including refunds	(1,504,183)	(1,504,183)	-
Administrative expense	-	(30,441)	30,441
Other changes	-	-	-
Net changes	647,768	(72,782)	720,550
Balance at December 31, 2018	<u>\$24,333,298</u>	<u>\$15,255,167</u>	<u>\$ 9,078,131</u>

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

The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, 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 higher (9.0%) than the current rate.

	Current		
	1% Decrease	Discount rate	1% Increase
Total pension liability	\$26,824,431	\$24,333,298	\$22,197,077
Fiduciary net position	<u>15,255,167</u>	<u>15,255,167</u>	<u>15,255,167</u>
Net pension liability	<u>\$11,569,264</u>	<u>\$ 9,078,131</u>	<u>\$ 6,941,910</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019 the employer recognized pension expense of \$1,391,740. 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	\$ 61,251	\$ -
Differences in assumptions	-	-
(Excess) deficit investment returns	1,130,965	-
Contributions subsequent to the measurement date*	1,345,754	-
Total	<u>\$2,537,970</u>	<u>\$ -</u>

* 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 2020.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

2020	\$ 429,697
2021	151,445
2022	233,917
2023	377,157
Thereafter	-
 Total	<u>\$1,192,216</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Offering Bonds					
2009 Special Assessment Bonds, due in annual installments of \$45,000 to \$55,000 through October 1, 2023; interest at 1.95% to 4.30%.	\$235,000	\$	-	\$50,000	\$185,000
Private Placement Bonds and Contracts					
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%.	105,000		-	105,000	-
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%	1,325,000		-	710,000	615,000
2017 Road Improvement Michigan Transportation Fund Refunding Bonds, due in annual installments of \$50,000 to \$60,000 through May 1, 2019; interest at .85% to 1.4%	50,000		-	50,000	-
Contractual agreement payable to another government, due in annual installments of \$47,088 to \$18,650 through November 2026; interest at 3.0%	253,162		-	47,088	206,074
Total Private Placement Bonds and Contracts	<u>1,733,162</u>		<u>-</u>	<u>912,088</u>	<u>821,074</u>
					<u>662,087</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Total Debt	\$1,968,162	\$	-	\$962,088	\$1,006,074
Accrued compensated absences	1,357,176		-	422	1,356,754
Total Governmental Activities	\$3,325,338	\$	-	\$962,510	\$2,362,828
					\$712,087
Component Units					
Private Placement Bonds					
2015 Refunding Bonds (DDA portion), due in annual installments of \$50,000 through May 1, 2020; interest at .6% to 1.9%	\$100,000	\$	-	\$ 50,000	\$ 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%	880,000		-	170,000	710,000
					175,000
Total Component Units	\$980,000	\$	-	\$220,000	\$760,000
					\$225,000

The annual requirements to amortize all debt outstanding (excluding other post-employment benefits and accrued compensated absences) as of June 30, 2019 are as follows:

Year Ending	Governmental Activities				Component Units	
	Public Offering Bonds		Private Placement Bonds and Contracts		Private Placement Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 50,000	\$ 8,445	\$662,087	\$17,160	\$225,000	\$14,544
2021	45,000	6,570	47,087	4,063	175,000	10,708
2022	45,000	4,747	18,650	3,077	180,000	7,470
2023	45,000	1,912	18,650	2,518	180,000	3,870
2024	-	-	18,650	1,958	-	-
2025-2027	-	-	55,950	2,518	-	-
Total	\$185,000	\$21,674	\$821,074	\$31,294	\$760,000	\$36,592

8. INTERFUND TRANSACTIONS

The general fund reports amounts due to the major streets fund of \$1,376 and other nonmajor funds of \$6,690, for a total of \$8,066.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Transfers in and out for the year ended June 30, 2019 are as follows:

	Transfers in			
	General fund	Major streets fund	Nonmajor governmental funds	Total
Transfers out				
General fund	\$ -	\$1,900,000	\$606,100	\$2,506,100
Nonmajor governmental funds	828	-	38,441	39,269
Total	\$828	\$1,900,000	\$644,541	\$2,545,369

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.

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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2019):

Active plan members	61
Retirees and beneficiaries receiving benefits	<u>30</u>
Total	<u><u>91</u></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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%

Salary Increases: 2.5%

Investment rate of return: 3.0%

Healthcare cost trend rates: 5% per year

20-year Aa Municipal bond yield: 3.0%

Mortality rates used general/public safety 2010 employee and healthy retiree, headcount weighted, 2018 improvement scale mortality tables.

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

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

Asset Class	Target Allocation	Expected Rate of Return
VT Vantagepoint Low Dur Bond	100%	1.0%

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Discount rate. The discount rate used to measure the total OPEB liability is 3.0%. 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, 2018, the discount rate used to value OPEB liabilities was 3.0%.

Changes in the Net OPEB Liability

	Increase (Decrease)	Plan	Net OPEB
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Liability (a)-(b)
Balance at June 30, 2018	\$7,831,992	\$1,428,189	\$6,403,803
Changes for the Year:			
Service cost	245,521	-	245,521
Interest	240,696	-	240,696
Change in benefits	(388,641)	-	(388,641)
Differences between expected and actual experience	(2,247,458)	-	(2,247,458)
Change in assumptions	631,179	-	631,179
Contributions: employer	-	-	-
Contributions: employee	-	108,635	(108,635)
Net investment income	-	61,886	(61,886)
Benefit payments, including refunds	(108,635)	(108,635)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(1,627,338)	61,886	(1,689,224)
Balance at June 30, 2019	<u>\$6,204,654</u>	<u>\$1,490,075</u>	<u>\$4,714,579</u>

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 3.0%, 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.

	Current		
	1% Decrease	Discount rate	1% Increase
Total OPEB liability	\$7,207,911	\$6,204,654	\$5,392,036
Fiduciary net position	1,490,075	1,490,075	1,490,075
Net OPEB liability	<u>\$5,717,836</u>	<u>\$4,714,579</u>	<u>\$3,901,961</u>
Plan fiduciary position as a percentage of the total OPEB liability		24.02%	

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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$5,277,993	\$6,204,654	\$7,375,109
Fiduciary net position	1,490,075	1,490,075	1,490,075
Net OPEB liability	<u>\$3,787,918</u>	<u>\$4,714,579</u>	<u>\$5,885,034</u>

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

For the year ended June 30, 2019 the employer recognized OPEB expense of \$(175,519). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$2,232,278
Changes in assumptions	1,274,332	-
Excess(deficit) investment returns	13,659	-
 Total	 <u>\$1,287,991</u>	 <u>\$2,232,278</u>

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

2020	\$ (244,848)
2021	(244,850)
2022	(250,293)
2023	(256,292)
2024	40,226
Thereafter	<u>11,770</u>
 Total	 <u>\$ 944,287</u>

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. COMMITMENTS

As of June 30, 2019, the City had outstanding construction commitments of approximately \$750,000 related to various street projects and approximately \$550,000 related to construction of a fire truck.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

13. CONSTRUCTION CODE FEES

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

Current year building permit revenues	<u>\$ 702,992</u>
Related Expenses	
Direct costs	514,918
Indirect Costs	<u>36,567</u>
Total construction code expenses	<u>551,485</u>
Net revenues (expenses)	151,507
Cumulative shortfall – July 1, 2019	<u>(946,565)</u>
Cumulative shortfall – June 30, 2019	<u>\$ (795,058)</u>

14. 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, 2019 the City abated property tax revenues of approximately \$22,000.

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

For the year ended June 30, 2019 the City abated property tax revenues of approximately \$12,400.

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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Income taxes	\$ 12,200,000	\$ 12,200,000	\$ 13,254,063	\$ 1,054,063
Property taxes	1,909,750	1,889,253	1,930,335	41,082
Intergovernmental revenues				
State	2,005,000	2,100,000	2,114,998	14,998
Local	35,000	-	-	-
Cable franchise fees	385,000	362,000	359,628	(2,372)
Licenses and permits	534,600	649,600	797,154	147,554
Charges for services	86,000	107,900	124,932	17,032
Fines	675,000	675,000	657,719	(17,281)
Investment earnings	23,025	40,025	87,573	47,548
Miscellaneous	<u>107,250</u>	<u>163,150</u>	<u>181,325</u>	<u>18,175</u>
Total revenues	<u>17,960,625</u>	<u>18,186,928</u>	<u>19,507,727</u>	<u>1,320,799</u>
Expenditures				
Current				
Judicial	874,317	874,317	834,326	39,991
General government	2,810,106	2,841,951	2,713,312	128,639
Public safety	8,422,798	8,268,309	7,942,823	325,486
Public works	661,611	681,611	663,282	18,329
Culture and recreation	365,956	359,206	313,770	45,436
Planning and economic development	63,750	63,750	73,931	(10,181)
Other	2,334,850	2,987,350	2,536,064	451,286
Debt service				
Principal	595,000	595,000	595,000	-
Interest and fiscal charges	<u>22,100</u>	<u>22,100</u>	<u>22,098</u>	<u>2</u>
Total expenditures	<u>16,150,488</u>	<u>16,693,594</u>	<u>15,694,606</u>	<u>998,988</u>
Revenues over (under) expenditures	<u>1,810,137</u>	<u>1,493,334</u>	<u>3,813,121</u>	<u>2,319,787</u>
Other financing sources (uses)				
Use of fund balance	689,863	1,011,938	-	(1,011,938)
Transfers in	-	828	828	-
Transfers out	<u>(2,500,000)</u>	<u>(2,506,100)</u>	<u>(2,506,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,810,137)</u>	<u>(1,493,334)</u>	<u>(2,505,272)</u>	<u>(1,011,938)</u>
Net changes in fund balance	-	-	1,307,849	1,307,849
Fund balance, beginning of year	<u>7,054,392</u>	<u>7,054,392</u>	<u>7,054,392</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,054,392</u>	<u>\$ 7,054,392</u>	<u>\$ 8,362,241</u>	<u>\$ 1,307,849</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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 222,742	\$ 222,742	\$ -
State	1,994,000	2,279,008	2,313,768	34,760
Local	25,000	54,395	69,395	15,000
Investment earnings	2,500	6,500	12,674	6,174
Total revenues	<u>2,021,500</u>	<u>2,562,645</u>	<u>2,618,579</u>	<u>55,934</u>
Expenditures				
Current				
Public works	4,045,664	4,345,698	4,355,352	(9,654)
Debt service				
Principal	270,000	270,000	270,000	-
Interest	7,075	7,075	7,073	2
Total expenditures	<u>4,322,739</u>	<u>4,622,773</u>	<u>4,632,425</u>	<u>(9,652)</u>
Revenues over (under) expenditures	<u>(2,301,239)</u>	<u>(2,060,128)</u>	<u>(2,013,846)</u>	<u>46,282</u>
Other financing sources				
Use of fund balance	401,239	160,128	-	(160,128)
Transfers in	1,900,000	1,900,000	1,900,000	-
Total other financing sources (uses)	<u>2,301,239</u>	<u>2,060,128</u>	<u>1,900,000</u>	<u>(160,128)</u>
Net changes in fund balance	-	-	(113,846)	(113,846)
Fund balance, beginning of year	<u>1,480,015</u>	<u>1,480,015</u>	<u>1,480,015</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,480,015</u>	<u>\$ 1,480,015</u>	<u>\$ 1,366,169</u>	<u>\$ (113,846)</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, 2019

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

CITY OF WALKER

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2019

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

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
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, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 245,521	\$ 244,292	\$ 164,171
Interest	240,696	235,513	268,879
Changes in benefit terms	(388,641)	-	-
Difference between expected and actual experience	(2,247,458)	(58,072)	(609,575)
Changes in assumptions	631,179	115,153	1,082,232
Benefit payments including employee refunds	(108,635)	(115,560)	(105,671)
Other	-	-	-
Net change in total OPEB liability	(1,627,338)	421,326	800,036
Total OPEB liability, beginning of year	7,831,992	7,410,666	6,610,630
Total OPEB liability, end of year	\$ 6,204,654	\$ 7,831,992	\$ 7,410,666
 Plan Fiduciary Net Position			
Contributions-employer	\$ 108,635	\$ 415,560	\$ 405,671
Contributions-employee	-	-	-
Net investment income	61,886	7,083	8,055
Benefit payments including employee refunds	(108,635)	(115,560)	(105,671)
Administrative expense	-	-	(68)
Other	-	-	-
Net change in plan fiduciary net position	61,886	307,083	307,987
Plan fiduciary net position, beginning of year	1,428,189	1,121,106	813,119
Plan fiduciary net position, end of year	\$ 1,490,075	\$ 1,428,189	\$ 1,121,106
 Employer net OPEB liability	\$ 4,714,579	\$ 6,403,803	\$ 6,289,560
 Plan fiduciary net position as a percentage of the total OPEB liability	24%	18%	15%
 Covered employee payroll	\$ 4,689,938	\$ 4,588,570	\$ 4,649,196
 Employer's net OPEB liability as a percentage of covered employee payroll	101%	140%	135%

CITY OF WALKER

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
Actuarial determined contributions	\$ 941,811	\$ 873,491	\$ 814,831
Contributions in relation to the actuarially determined contribution	108,635	415,560	405,671
Contribution excess (deficiency)	<u>\$ (833,176)</u>	<u>\$ (457,931)</u>	<u>\$ (409,160)</u>
Covered employee payroll	\$ 4,689,938	\$ 4,588,570	\$ 4,649,196
Contributions as a percentage of covered employee payroll	2.3%	9.1%	8.7%

SCHEDULE OF INVESTMENT RATE OF RETURN

Investment rate of return	1.0%	0.5%	0.8%
---------------------------	------	------	------

Notes to schedule

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

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 941,811
Minimum required contribution under PA 202	108,635
Actual contribution	108,635
Contribution for employees hired after June 30, 2018	-

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

Mortality - PRH 2014 at 2006 with improvement scale MP-2018
Salary scale - 3.5%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

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

Pension and OPEB data

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

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

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF WALKER

GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Income taxes	\$ 12,200,000	\$ 12,200,000	\$ 13,254,063	\$ 1,054,063
Real and personal property taxes	1,490,800	1,460,303	1,501,135	40,832
Payments in lieu of tax	950	950	971	21
Collection fees	418,000	428,000	428,229	229
Total taxes	<u>14,109,750</u>	<u>14,089,253</u>	<u>15,184,398</u>	<u>1,095,145</u>
Licenses and permits				
Business	36,000	36,000	39,200	3,200
Nonbusiness	478,600	593,600	735,755	142,155
Liquor license fees	20,000	20,000	22,199	2,199
Total licenses and permits	<u>534,600</u>	<u>649,600</u>	<u>797,154</u>	<u>147,554</u>
Intergovernmental - state				
State-shared revenue	<u>2,005,000</u>	<u>2,100,000</u>	<u>2,114,998</u>	<u>14,998</u>
Cable franchise fees	<u>385,000</u>	<u>362,000</u>	<u>359,628</u>	<u>(2,372)</u>
Charges for services				
Planning and zoning fees	31,000	36,000	37,456	1,456
Overtime event reimbursement	25,000	41,900	57,476	15,576
Administrative fees	30,000	30,000	30,000	-
Total charges for services	<u>86,000</u>	<u>107,900</u>	<u>124,932</u>	<u>17,032</u>
Fines				
Ordinance fines	<u>675,000</u>	<u>675,000</u>	<u>657,719</u>	<u>(17,281)</u>
Interest and rentals	<u>23,025</u>	<u>40,025</u>	<u>87,573</u>	<u>47,548</u>
Other revenue	<u>107,250</u>	<u>163,150</u>	<u>181,325</u>	<u>18,175</u>
Total revenues	<u>\$ 17,960,625</u>	<u>\$ 18,186,928</u>	<u>\$ 19,507,727</u>	<u>\$ 1,320,799</u>

(This page left intentionally blank)

CITY OF WALKER

**GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Judicial				
District court	\$ 874,317	\$ 874,317	\$ 834,326	\$ 39,991
General government				
City Commission	79,575	79,575	74,722	4,853
City managers office	540,670	545,970	516,122	29,848
Elections	63,992	63,992	49,522	14,470
Finance/treasurer department	267,047	267,047	257,822	9,225
Information technology	91,000	91,000	81,137	9,863
Income tax	499,093	510,093	489,349	20,744
City assessor	321,834	321,834	301,067	20,767
City clerk	216,790	216,790	203,899	12,891
Buildings and grounds	617,700	628,700	628,202	498
Human resources	112,405	116,950	111,470	5,480
	2,810,106	2,841,951	2,713,312	128,639
Public safety				
Police department	5,413,919	5,276,919	5,297,868	(20,949)
Fire department	2,354,261	2,312,935	1,946,232	366,703
Building inspections	654,618	678,455	698,723	(20,268)
	8,422,798	8,268,309	7,942,823	325,486
Public works				
City engineer	409,697	409,697	384,701	24,996
Drains	31,914	31,914	32,198	(284)
Street lighting	220,000	240,000	246,383	(6,383)
	661,611	681,611	663,282	18,329
Culture and recreation				
Parks	365,356	358,606	313,770	44,836
Museum	600	600	-	600
	365,956	359,206	313,770	45,436
Planning and economic development				
Zoning	63,750	63,750	73,931	(10,181)
Other				
Retiree insurance/pension	1,405,000	2,117,000	1,799,117	317,883
Property and liability insurance	138,000	139,000	138,869	131
Other unclassified expenses	791,850	731,350	598,078	133,272
	2,334,850	2,987,350	2,536,064	451,286
Debt service				
Principal	595,000	595,000	595,000	-
Interest	22,100	22,100	22,098	2
	617,100	617,100	617,098	2
Total expenditures		16,150,488	16,693,594	15,694,606
Other financing uses				
Transfers out		2,500,000	2,506,100	2,506,100
Total expenditures and other financing uses		\$ 18,650,488	\$ 19,199,694	\$ 18,200,706
				\$ 998,988

CITY OF WALKER

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2019

	Special Revenue			
	Local Streets	Ice and Fitness Program	Special Vice Investigation	Indigent Defense
Assets				
Cash and pooled investments	\$ 317,927	\$ 441,858	\$ 133,045	\$ 100,482
Accounts receivable	-	8,140	-	-
Special assessment receivable	-	-	-	-
Due from other governments	112,455	-	-	-
Due from other funds	590	-	-	6,100
Prepaid items	1,427	19,839	-	-
Inventory	<u>37,408</u>	<u>84,829</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 469,807</u></u>	<u><u>\$ 554,666</u></u>	<u><u>\$ 133,045</u></u>	<u><u>\$ 106,582</u></u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 3,864	\$ 52,689	\$ -	\$ -
Accrued liabilities	<u>5,465</u>	<u>13,003</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>9,329</u></u>	<u><u>65,692</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Deferred inflows				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable				
Prepaid items	1,427	19,839	-	-
Inventory	<u>37,408</u>	<u>84,829</u>	<u>-</u>	<u>-</u>
Restricted				
Judicial	-	-	-	106,582
Streets	<u>421,643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety	-	-	133,045	-
Committed				
Ice and fitness capital	-	208,267	-	-
Assigned				
Ice and fitness	-	176,039	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>460,478</u></u>	<u><u>488,974</u></u>	<u><u>133,045</u></u>	<u><u>106,582</u></u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 469,807</u></u>	<u><u>\$ 554,666</u></u>	<u><u>\$ 133,045</u></u>	<u><u>\$ 106,582</u></u>

Debt Service

1998/2006	2008	2009 Bonds	Total
\$ -	\$ -	\$ 101,556	\$ 1,094,868
-	-	-	8,140
-	-	50,129	50,129
-	-	-	112,455
-	-	-	6,690
-	-	-	21,266
-	-	-	<u>122,237</u>
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,685</u>	<u>\$ 1,415,785</u>

\$ -	\$ -	\$ -	\$ 56,553
-	-	-	<u>18,468</u>
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	<u>75,021</u>
<hr/>	<hr/>	<hr/>	<hr/>
-	-	<u>50,129</u>	<u>50,129</u>

-	-	-	21,266
-	-	-	<u>122,237</u>
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	106,582
-	-	-	421,643
-	-	-	133,045
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	208,267
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	176,039
-	-	<u>101,556</u>	<u>101,556</u>
<hr/>	<hr/>	<hr/>	<hr/>
-	-	<u>101,556</u>	<u>1,290,635</u>
<hr/>	<hr/>	<hr/>	<hr/>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,685</u>	<u>\$ 1,415,785</u>
-------------	-------------	-------------------	---------------------

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue			
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Indigent Defense</u>
Revenues				
Intergovernmental revenues				
State	\$ 766,658	\$ -	\$ -	\$ 108,539
Local	6,497	-	41,718	
Charges for services	-	1,277,283		
Special assessments	-	-		
Investment earnings	2,375	6,836	2,815	26
Miscellaneous	-	5,104		
Total revenues	775,530	1,289,223	44,533	108,565
Expenditures				
Current				
Judicial	-	-	-	8,083
Public safety	-	-	82,036	
Public works	1,150,098	-	-	
Culture and recreation	-	1,429,998	-	
Debt service				
Principal	-	-	-	
Interest	-	-	-	
Total expenditures	1,150,098	1,429,998	82,036	8,083
Revenues over (under) expenditures	(374,568)	(140,775)	(37,503)	100,482
Other financing sources (uses)				
Transfers in	500,000	100,000	-	6,100
Transfers out	-	-	-	
Total other financing sources (uses)	500,000	100,000	-	6,100
Net changes in fund balances	125,432	(40,775)	(37,503)	106,582
Fund balances, beginning of year	335,046	529,749	170,548	-
Fund balances, end of year	\$ 460,478	\$ 488,974	\$ 133,045	\$ 106,582

Debt Service

<u>1998/2006</u>	<u>2008</u>	<u>2009 Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 875,197
-	-	-	48,215
-	-	-	1,277,283
-	-	16,368	16,368
-	7	5,273	17,332
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	5,104
<hr/>	<hr/>	<hr/>	<hr/>
-	7	21,641	2,239,499
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	8,083
-	-	-	82,036
-	-	8	1,150,106
-	-	-	1,429,998
<hr/>	<hr/>	<hr/>	<hr/>
-	-	50,000	50,000
-	-	9,173	9,173
<hr/>	<hr/>	<hr/>	<hr/>
-	-	59,181	2,729,396
<hr/>	<hr/>	<hr/>	<hr/>
-	7	(37,540)	(489,897)
<hr/>	<hr/>	<hr/>	<hr/>
-	-	38,441	644,541
(828)	(38,441)	<hr/>	(39,269)
<hr/>	<hr/>	<hr/>	<hr/>
(828)	(38,441)	38,441	605,272
<hr/>	<hr/>	<hr/>	<hr/>
(828)	(38,434)	901	115,375
<hr/>	<hr/>	<hr/>	<hr/>
828	38,434	100,655	1,175,260
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 101,556	\$ 1,290,635

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 645,000	\$ 778,554	\$ 766,658	\$ (11,896)
Local	-	-	6,497	6,497
Investment earnings	600	1,500	2,375	875
Total revenues	645,600	780,054	775,530	(4,524)
Expenditures				
Current				
Public works	1,150,274	1,165,624	1,150,098	15,526
Revenues over (under) expenditures	(504,674)	(385,570)	(374,568)	11,002
Other financing source (uses)				
Use of fund balance	4,674	(114,430)	-	114,430
Transfers in	500,000	500,000	500,000	-
Total other financing sources (uses)	504,674	385,570	500,000	114,430
Net changes in fund balance	-	-	125,432	125,432
Fund balance, beginning of year	335,046	335,046	335,046	-
Fund balance, end of year	<u>\$ 335,046</u>	<u>\$ 335,046</u>	<u>\$ 460,478</u>	<u>\$ 125,432</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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,299,700	\$ 1,273,500	\$ 1,277,283	\$ 3,783
Investment earnings	3,000	5,000	6,836	1,836
Miscellaneous	1,125	4,802	5,104	302
Total revenues	1,303,825	1,283,302	1,289,223	5,921
Expenditures				
Current				
Culture and recreation	1,505,523	1,532,848	1,429,998	102,850
Revenues over (under) expenditures	(201,698)	(249,546)	(140,775)	108,771
Other financing source (uses)				
Use of fund balance	101,698	149,546	-	(149,546)
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	201,698	249,546	100,000	(149,546)
Net changes in fund balance	-	-	(40,775)	(40,775)
Fund balance, beginning of year	529,749	529,749	529,749	-
Fund balance, end of year	\$ 529,749	\$ 529,749	\$ 488,974	\$ (40,775)

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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Local	\$ 75,500	\$ 75,500	\$ 41,718	\$ (33,782)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,815</u>	<u>1,815</u>
Total Revenues	76,500	76,500	44,533	(31,967)
Expenditures				
Current				
Public safety	<u>79,000</u>	<u>79,000</u>	<u>82,036</u>	<u>(3,036)</u>
Revenues over (under) expenditures	(2,500)	(2,500)	(37,503)	(35,003)
Other financing source (uses)				
Use of fund balance	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Net changes in fund balance	-	-	(37,503)	(37,503)
Fund balance, beginning of year	170,548	170,548	170,548	-
Fund balance, end of year	\$ 170,548	\$ 170,548	\$ 133,045	\$ (37,503)

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$	-	\$ 145,279	\$ 108,539
Investment earnings		-		\$ (36,740)
Total revenues		-	145,279	108,565
				(36,714)
Expenditures				
Current				
Judicial		-	151,381	8,083
				143,298
Revenues over (under) expenditures		-	(6,102)	100,482
				106,584
Other financing source (uses)				
Transfers in		-	6,102	6,100
				(2)
Net changes in fund balance		-		106,582
				106,582
Fund balance, beginning of year		-	-	-
Fund balance, end of year	\$	-	\$ 106,582	\$ 106,582

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2019

	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Flexible Spending</u>
Assets				
Cash and pooled investments	\$ 77,828	\$ 165	\$ 1,090,164	\$ 3,850
Total assets	<u>\$ 77,828</u>	<u>\$ 165</u>	<u>\$ 1,090,164</u>	<u>\$ 3,850</u>
 Liabilities				
Accounts payable	\$ 42,631	\$ -	\$ -	\$ 3,850
Deposits	9,959	-	1,090,164	-
Due to other governmental units	<u>25,238</u>	<u>165</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 77,828</u>	<u>\$ 165</u>	<u>\$ 1,090,164</u>	<u>\$ 3,850</u>

<u>Other Agency</u>	<u>Total</u>
\$ 124,563	\$ 1,296,570
<u>\$ 124,563</u>	<u>\$ 1,296,570</u>
\$ 6,778	\$ 53,259
117,785	1,217,908
<u>-</u>	<u>25,403</u>
<u>\$ 124,563</u>	<u>\$ 1,296,570</u>

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
<u>District Court</u>				
Assets				
Cash and pooled investments	\$ 96,688	\$ 1,004,298	\$ 1,023,158	\$ 77,828
Liabilities				
Accounts payable	\$ 61,814	\$ 578,827	\$ 598,010	\$ 42,631
Deposits	9,022	120,969	120,032	9,959
Due to other governmental units	25,852	304,501	305,115	25,238
Total liabilities	\$ 96,688	\$ 1,004,297	\$ 1,023,157	\$ 77,828
<u>Current Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ 1,897	\$ 40,647,338	\$ 40,649,070	\$ 165
Due from other governments	8,257	-	8,257	-
Total Assets	\$ 10,154	\$ 40,647,338	\$ 40,657,327	\$ 165
Liabilities				
Due to other governmental units	\$ 10,154	\$ 40,647,338	\$ 40,657,327	\$ 165
<u>Trust and Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 625,245	\$ 708,258	\$ 243,339	\$ 1,090,164
Accounts receivable	100	-	100	-
Total assets	\$ 625,345	\$ 708,258	\$ 243,439	\$ 1,090,164
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	625,345	708,258	243,439	1,090,164
Total liabilities	\$ 625,345	\$ 708,258	\$ 243,439	\$ 1,090,164

(continued)

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Flexible Spending</u>				
Assets				
Cash and pooled investments	\$ 12,332	\$ 31,657	\$ 40,139	\$ 3,850
<u>Liabilities</u>				
Accounts payable	\$ 12,332	\$ 31,657	\$ 40,139	\$ 3,850
<u>Other Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 115,241	\$ 16,721,346	\$ 16,712,024	\$ 124,563
Liabilities				
Accounts payable	\$ 6,691	\$ 9,458,935	\$ 9,458,848	\$ 6,778
Deposits	108,550	7,262,411	7,253,176	117,785
	<u>\$ 115,241</u>	<u>\$ 16,721,346</u>	<u>\$ 16,712,024</u>	<u>\$ 124,563</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 851,403	\$ 59,112,897	\$ 58,667,730	\$ 1,296,570
Due from other governments	8,257	-	8,257	-
Accounts receivable	100	-	100	-
Total assets	<u>\$ 859,760</u>	<u>\$ 59,112,897</u>	<u>\$ 58,676,087</u>	<u>\$ 1,296,570</u>
Liabilities				
Accounts payable	\$ 80,837	\$ 10,069,419	\$ 10,096,997	\$ 53,259
Deposits	742,917	8,091,638	7,616,647	1,217,908
Due to other governmental units	36,006	40,951,839	40,962,442	25,403
Total liabilities	<u>\$ 859,760</u>	<u>\$ 59,112,896</u>	<u>\$ 58,676,086</u>	<u>\$ 1,296,570</u>

(concluded)

CITY OF WALKER
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Fund Type					Statement of Net Position
	General Fund	Streetscape Maintenance	Totals	Adjustments		
Assets						
Cash and pooled investments	\$ 675,872	\$ 171,161	\$ 847,033	\$ -	\$ 847,033	
Special assessment receivable	-	9,586	9,586	-	9,586	
Capital assets						
Land	-	-	-	1,294,978	1,294,978	
Depreciable capital assets, net	-	-	-	1,816,970	1,816,970	
Total assets	<u>\$ 675,872</u>	<u>\$ 180,747</u>	<u>\$ 856,619</u>	<u>3,111,948</u>	<u>3,968,567</u>	
Liabilities, deferred inflows and fund balances						
Liabilities						
Accounts payable	\$ 806	\$ 9,421	\$ 10,227	-	10,227	
Accrued liabilities	-	-	-	2,423	2,423	
Noncurrent liabilities						
Due within one year	-	-	-	225,000	225,000	
Due in more than one year	-	-	-	535,000	535,000	
Total liabilities	<u>806</u>	<u>9,421</u>	<u>10,227</u>	<u>762,423</u>	<u>772,650</u>	
Deferred inflows						
Unavailable revenue	-	9,586	9,586	(9,586)	-	
Fund balances						
Unassigned	<u>675,066</u>	<u>161,740</u>	<u>836,806</u>	<u>(836,806)</u>	<u></u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 675,872</u>	<u>\$ 180,747</u>	<u>\$ 856,619</u>			
Net position						
Net investment in capital assets				2,351,948	2,351,948	
Unrestricted				843,969	843,969	
Total net position				<u>\$ 3,195,917</u>	<u>\$ 3,195,917</u>	
Reconciliation of fund balances to net position						
Fund balances of governmental funds					\$ 836,806	
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:						
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds						
Add - land				1,294,978		
Add - capital assets (net of accumulated depreciation)				1,816,970		
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds						
Add - unavailable revenue				9,586		
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds						
Deduct - debt payable				(760,000)		
Deduct - accrued interest on debt payable				(2,423)		
Net position of governmental activities				<u>\$ 3,195,917</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, 2019

	Governmental Fund Type			Statement of Activities	
	General Fund	Streetscape Maintenance	Totals		
				Adjustments	
Revenues					
Taxes	\$ 402,451	\$ -	\$ 402,451	\$ -	\$ 402,451
Special assessments	-	129,336	129,336	(5,813)	123,523
Investment earnings	4,407	1,405	5,812	-	5,812
Miscellaneous	1,120	-	1,120	-	1,120
	<u>407,978</u>	<u>130,741</u>	<u>538,719</u>	<u>(5,813)</u>	<u>532,906</u>
Expenditures/expenses					
Current					
Community development	10,703	124,429	135,132	92,080	227,212
Debt Service					
Principal	220,000	-	220,000	(220,000)	-
Interest	18,050	-	18,050	(543)	17,507
Total expenditures/expenses	<u>248,753</u>	<u>124,429</u>	<u>373,182</u>	<u>(128,463)</u>	<u>244,719</u>
Net changes in fund balances	159,225	6,312	165,537	(165,537)	
Change in net position				288,187	288,187
Fund balances/net position					
Beginning of year	<u>515,841</u>	<u>155,428</u>	<u>671,269</u>		<u>2,907,730</u>
End of year	<u>\$ 675,066</u>	<u>\$ 161,740</u>	<u>\$ 836,806</u>		<u>\$ 3,195,917</u>
Reconciliation of change in fund balances to change in net position					
Net change in fund balances of governmental funds					\$ 165,537
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.					
Deduct - depreciation expense					(92,080)
Business loan receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.					
Add - addition to special assessment receivable					(5,813)
Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position.					
Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.					
Add - principal payments on debt					220,000
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					543
Change in net position of governmental activities					<u>\$ 288,187</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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 400,000	\$ 400,000	\$ 402,451	\$ 2,451
Investment earnings	1,200	1,200	4,407	3,207
Miscellaneous	100	100	1,120	1,020
Total revenues	401,300	401,300	407,978	6,678
Expenditures				
Current				
Community development	108,100	108,100	10,703	97,397
Debt service				
Principal	220,000	220,000	220,000	-
Interest	18,050	18,050	18,050	-
Total expenditures	346,150	346,150	248,753	97,397
Revenues over (under) expenditures	55,150	55,150	159,225	104,075
Other financing source (uses)				
Use of fund balance	(55,150)	(55,150)	-	55,150
Net changes in fund balance	-	-	159,225	159,225
Fund balance, beginning of year	515,841	515,841	515,841	-
Fund balance, end of year	\$ 515,841	\$ 515,841	\$ 675,066	\$ 159,225

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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 124,000	\$ 124,000	\$ 129,336	\$ 5,336
Investment earnings	1,100	1,100	1,405	305
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	126,100	126,100	130,741	4,641
Expenditures				
Current				
Community development	121,000	121,000	124,429	(3,429)
Revenues over (under) expenditures	5,100	5,100	6,312	1,212
Other financing source (uses)				
Use of fund balance	(5,100)	(5,100)	-	5,100
Net changes in fund balance	-	-	6,312	6,312
Fund balance, beginning of year	155,428	155,428	155,428	-
Fund balance, end of year	<u>\$ 155,428</u>	<u>\$ 155,428</u>	<u>\$ 161,740</u>	<u>\$ 6,312</u>

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 99,125	\$ -	\$ 99,125
Total assets	<u>\$ 99,125</u>	- -	99,125
Liabilities and fund balances			
Liabilities			
Total liabilities	\$ - -	- -	- -
Fund balances			
Unassigned	99,125	(99,125)	(99,125)
Total liabilities and fund balances	<u>\$ 99,125</u>		
Net positon			
Unrestricted	\$ 99,125	\$ 99,125	\$ 99,125

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 196,782	\$ -	\$ 196,782
Investment earnings	<u>616</u>	<u>-</u>	<u>616</u>
	197,398	-	197,398
Expenditures/expenses			
Current			
Public works			
Return of tax increment	<u>173,888</u>	<u>-</u>	<u>173,888</u>
Net changes in fund balances	23,510	(23,510)	
Change in net position		23,510	23,510
Fund balances/net position, beginning of year	<u>75,615</u>		<u>75,615</u>
Fund balances/net position, end of year	<u>\$ 99,125</u>		<u>\$ 99,125</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, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 194,900	\$ 194,900	\$ 196,782	\$ 1,882
Investment earnings	<u>155</u>	<u>155</u>	<u>616</u>	<u>461</u>
Total revenues	195,055	195,055	197,398	2,343
Expenditures				
Current				
Return of tax increment	193,900	193,900	173,888	20,012
Revenues over (under) expenditures	1,155	1,155	23,510	22,355
Other financing source (uses)				
Use of fund balance	(1,155)	(1,155)	-	1,155
Net changes in fund balance	1,155	1,155	23,510	22,355
Fund balance, beginning of year	75,615	75,615	75,615	-
Fund balance, end of year	\$ 76,770	\$ 76,770	\$ 99,125	\$ 22,355