



CITY OF WALKER, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



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	52
Nonmajor Governmental Funds	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54

CITY OF WALKER

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Ice and Fitness Program Fund	56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Vice Investigation Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Indigent Defense Fund	58
 Fiduciary Funds	
Combining Statement of Assets and Liabilities - Agency Funds	59
Combining Statement of Changes in Assets and Liabilities - Agency Funds	60-61
 Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	62
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA General Fund	64
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA Streetscape Maintenance Fund	65
 Brownfield Redevelopment 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 - Brownfield General Fund	68



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INDEPENDENT AUDITORS' REPORT

December 1, 2020

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2020

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, 2020. 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 85.6% of the total General Fund Revenues in the current fiscal year with Income Tax equaling 66.4%, State Revenue Sharing equaling 11.3% and Property Tax equaling 7.9%. The COVID-19 pandemic had a negative impact on the Income Tax and State Revenue Sharing revenues received during the fourth quarter of the fiscal year.
- The City's General Fund expenditures increased by 1.26% from the prior year. This increase was the result of various items including staffing adjustments, two separate elections (presidential primary and local school election), replacement of SCBA (Self Contained Breathing Apparatus) equipment for the Walker fire fighters and budgeted repairs and improvements to City owned buildings and property.
- General Fund revenues exceeded expenditures by \$270,698 in the current fiscal year.
- The General Fund's unassigned fund balance as of June 30, 2020 equals \$6,806,966, which represents 37.1% of the actual total General Fund expenditures for the current fiscal year. The City's General Fund Balance Policy requires a minimum unassigned fund balance of 15%.
- Development and construction activities remain strong in the City.
- Roads continue to be a priority for the City of Walker. In the current fiscal year:
 - The City received approximately \$2.78 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 \$968,000 on repaving projects for multiple major and local roads throughout the City.
 - The City spent approximately \$1.764 million on significant road projects including construction of dual left turn lanes at Three Mile and Walker Avenue, the connection of Northridge Drive NW, the removal of a road bridge and regrading of Walker Avenue near Waldorf Street, and design work for the widening of Kinney Avenue south of Three Mile Road.
 - The City spent approximately \$622,000 for winter road plowing.

- The City continues to closely monitor its debt and long-term liability obligations:
 - In May 2020, Walker's General Fund paid in full its last active bond and is therefore bond debt free. The Walker Downtown Development Authority (DDA) will pay off its last bond in May 2023.
 - Walker entered into an Installment Purchase Agreement (IPA) with a local bank in March 2020 in order to purchase a new aerial platform fire truck which replaced an existing truck that had been in service for 30 years. The IPA will be paid in full in September 2022.
 - The City once again contributed more than the actuarial required contribution to the Defined Benefit Pension Plan (DB). The additional contribution equaled \$150,000.
- The City has established multiple set-aside or sinking accounts designed to assist with the future purchase of equipment, large repair expenses, or long-term debt items.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This consists of this management discussion and analysis, major fund budgetary schedules and benefit plan schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Walker, assets exceeded liabilities by \$78,459,032 at the close of the most recent fiscal year. A summary of net position is as follows:

Summary of Net Position		
	Governmental Activities	
	2020	2019
Current and other assets	\$18,929,607	\$16,251,492
Capital assets	80,975,306	78,803,200
Total assets	99,904,913	95,054,692
 Deferred outflows of resources	 2,614,389	 3,825,961
 Long-term liabilities outstanding	 15,670,204	 16,155,538
Other liabilities	6,654,695	4,426,123
Total liabilities	22,324,899	20,581,661
 Deferred inflows of resources	 1,735,371	 2,232,278
 Net position		
Invested in capital assets, net		
of related debt	79,492,319	77,797,126
Restricted	3,410,031	1,839,355
Unrestricted (deficit)	(4,443,318)	(3,569,767)
Total net position	\$78,459,032	\$76,066,714

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 \$2,392,318, primarily due to state and federal contributed capital for street reconstruction projects. A summary of the changes in net position is as follows:

Summary of Activities		
	Governmental Activities	
	2020	2019
Revenue		
Program revenue		
Charges for services	\$ 3,104,106	\$ 3,329,164
Operating grants and contributions	3,405,086	3,920,388
Capital grants and contributions	2,526,974	903,846
General revenue		
Property taxes	1,602,884	1,529,650
Income taxes	12,309,696	13,254,063
Other governmental sources	2,101,020	2,114,998
Unrestricted investment earnings	83,136	93,419
Other	80,780	111,524
Total revenue	25,213,682	25,257,052
Expenses		
General government	5,382,434	5,366,607
Judicial	922,303	828,935
Public safety	8,190,715	7,342,144
Public works	6,330,699	5,519,115
Culture and recreation	1,969,635	2,274,474
Interest	25,578	35,524
Total expenses	22,821,364	21,366,799
Increase (decrease) in net position	2,392,318	3,890,253
Net position - beginning of year	76,066,714	72,176,461
Net position - end of year	\$78,459,032	\$76,066,714

Governmental Activities. During the year, the City invested \$6,330,699 or 27.7% of governmental activities expenses in public works. Public safety expenses amounted to \$8,190,715 or 35.9% of governmental activities while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 36.4% 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 \$12,890,063, an increase of \$1,741,009 from the prior year. Of the \$12,890,063, \$8,632,939 is reported in the General fund, \$3,135,466 is reported in the Major Streets fund, and \$98,680 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 \$8,632,939. Of that amount, \$31,582 was restricted for cemetery operations, \$29,779 was nonspendable, \$700,787 was committed for various purposes by the City Commission, \$1,063,825 is assigned to meet fiscal year 2021 expenditures, and the remaining \$6,806,966 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 37.1% of total general fund expenditures and transfers. The fund balance of the City's General fund increased by \$270,698 during the current fiscal year primarily due to a decrease in transfers to the major street fund for street improvement projects.

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 \$3,135,466, an increase of \$1,769,297 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 \$98,680, a decrease of \$31,329 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, 2020, amounted to \$80,975,306 (net of accumulated depreciation).

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

Capital Assets	
	Governmental Activities
Land	\$ 3,426,485
Construction in progress	1,362,319
Buildings, Equipment and Infrastructure (net)	<u>76,186,502</u>
Total	<u>\$80,975,306</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 \$1,482,987 summarized as follows:

Debt	Governmental Activities
Contractual agreement	\$ 158,987
Installment purchase agreement	1,189,000
Bonds payable	<u>1,324,000</u>
 Total	 <u>\$1,482,987</u>

The City did issue new debt in the current fiscal year for a fire truck and made debt payments totaling \$712,087. Additional information on the City's long-term debt can be found in the footnotes to these financial statements.

Budgetary Highlights

- The City's practice is to budget conservatively and to amend the budget throughout the fiscal year as needed.
- The City made a significant investment in our Fire Department, both in terms of vehicles and fire fighter safety equipment.
- The City continues its investment in road improvement projects.
- The City was able to make additional contributions towards reducing long-term liabilities.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2020-21 fiscal year:

- The Walker City Commission approved the fiscal year 2020-2021 budget in June 2020. This budget was developed using estimates by City staff concerning the financial impact of the COVID-19 pandemic as understood at that time. The financial impact of the pandemic continues to be very fluid in nature. Therefore, the Walker City commission and Walker staff continue to closely monitor revenues and expenditures for fiscal year 2020-2021. Budget amendments will be recommended and acted upon as needed throughout the fiscal year.
- The City of Walker recognizes that the financial impact of the COVID-19 pandemic may extend beyond the 2020-2021 fiscal year. Walker will develop future budgets accordingly.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF WALKER
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>	
		<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
Assets			
Cash and pooled investments	\$ 10,568,451	\$ 947,325	\$ 139,375
Accounts receivable	3,592,187	-	-
Special assessments receivable	3,406,252	18,564	-
Due from other governments	1,096,331	-	-
Prepaid items	54,107	-	-
Inventory	212,279	-	-
Capital assets			
Land	3,426,485	1,294,978	-
Construction in progress	1,362,319	-	-
Depreciable capital assets, net	<u>76,186,502</u>	<u>1,759,560</u>	<u>-</u>
Total assets	<u>99,904,913</u>	<u>4,020,427</u>	<u>139,375</u>
Deferred outflows of resources			
Deferred outflows of resources related to pension	1,406,647	-	-
Deferred outflows of resources related to OPEB	<u>1,207,742</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,614,389</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	880,272	12,068	-
Accrued liabilities	746,054	1,785	-
Unearned revenue	4,540,282	-	-
Debt due within one year	488,087	175,000	-
Noncurrent liabilities			
Compensated absences	1,910,419	-	-
Other post-employment benefits net OPEB liability	5,127,642	-	-
Net pension liability	7,637,243	-	-
Debt due in more than one year	<u>994,900</u>	<u>360,000</u>	<u>-</u>
Total liabilities	<u>22,324,899</u>	<u>548,853</u>	<u>-</u>
Deferred inflows of resources			
Deferred inflows of resources related to OPEB	<u>1,735,371</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	79,492,319	2,519,538	-
Restricted for:			
Streets	3,278,795	-	-
Public safety	131,236	-	-
Unrestricted (deficit)	<u>(4,443,318)</u>	<u>952,036</u>	<u>139,375</u>
Total net position	<u>\$ 78,459,032</u>	<u>\$ 3,471,574</u>	<u>\$ 139,375</u>

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

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 5,382,434	\$ 502,166	\$ 415,945	\$ -	\$ (4,464,323)	
Judicial	922,303	534,444	36,689	-	(351,170)	
Public safety	8,190,715	92,982	25,274	-	(8,072,459)	
Public works	6,330,699	881,041	2,927,178	2,526,974	4,494	
Culture and recreation	1,969,635	1,093,473	-	-	(876,162)	
Interest on long-term debt	25,578	-	-	-	(25,578)	
Total governmental activities	<u>22,821,364</u>	<u>3,104,106</u>	<u>3,405,086</u>	<u>2,526,974</u>	<u>(13,785,198)</u>	
Total primary government	<u>\$ 22,821,364</u>	<u>\$ 3,104,106</u>	<u>\$ 3,405,086</u>	<u>\$ 2,526,974</u>	<u>\$ (13,785,198)</u>	
Component units						
Downtown Development Authority	\$ 276,067	\$ 123,524	\$ 6,065	\$ -	\$ (146,478)	
Brownfield Redevelopment Authority	159,367	-	-	-	(159,367)	
Total component units	<u>\$ 435,434</u>	<u>\$ 123,524</u>	<u>\$ 6,065</u>	<u>\$ -</u>	<u>\$ (305,845)</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, 2020

	Primary Government Governmental Activities	Component Units	
		Downtown Development Authority	Brownfield Redevelopment Authority
Changes in net position			
Net (expense) revenue	\$ (13,785,198)	\$ (146,478)	\$ (159,367)
General revenues			
Income taxes	12,309,696	-	-
Property taxes	1,602,884	417,038	198,879
State shared revenues	2,101,020	-	-
Unrestricted investment earnings	83,136	5,097	738
Other general revenues	80,780	-	-
Total general revenues	<u>16,177,516</u>	<u>422,135</u>	<u>199,617</u>
Change in net position	2,392,318	275,657	40,250
Net position, beginning of year	76,066,714	3,195,917	99,125
Net position, end of year	\$ 78,459,032	\$ 3,471,574	\$ 139,375

(Concluded)

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

CITY OF WALKER

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 6,211,697	\$ 2,948,099	\$ 61,031	\$ 852,763	\$ 10,073,590
Accounts receivable	2,413,010	1,169,157	4,491	-	3,586,658
Special assessment receivable	-	-	3,371,125	35,127	3,406,252
Due from other governments	324,048	292,926	385,066	94,291	1,096,331
Due from other funds	1,000,471	31,217	-	536	1,032,224
Prepaid items	29,779	1,719	-	21,737	53,235
Inventory	-	81,107	-	107,164	188,271
Total assets	\$ 9,979,005	\$ 4,524,225	\$ 3,821,713	\$ 1,111,618	\$ 19,436,561
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 610,200	\$ 202,453	\$ 1,908	\$ 39,317	\$ 853,878
Accrued liabilities	704,113	17,149	-	13,725	734,987
Due to other funds	31,753	-	350,000	471	382,224
Unearned revenue	-	-	3,371,125	-	3,371,125
Total liabilities	1,346,066	219,602	3,723,033	53,513	5,342,214
Deferred inflows					
Unavailable revenue	-	1,169,157	-	35,127	1,204,284
Fund balances					
Nonspendable					
Prepaid items	29,779	1,719	-	21,737	53,235
Inventory	-	81,107	-	107,164	188,271
Restricted					
Cemetery	31,582	-	-	-	31,582
Judicial	-	-	-	85,414	85,414
Streets	-	3,052,640	-	226,155	3,278,795
Public safety	-	-	-	131,236	131,236
Committed					
Building sinking fund	400,464	-	-	-	400,464
Long-term liabilities	300,323	-	-	-	300,323
Ice and fitness capital	-	-	-	263,052	263,052
Assigned					
Subsequent year expenditures	1,063,825	-	-	-	1,063,825
Ice and fitness program	-	-	-	125,198	125,198
Debt service	-	-	-	63,022	63,022
Capital projects	-	-	98,680	-	98,680
Unassigned	6,806,966	-	-	-	6,806,966
Total fund balances	8,632,939	3,135,466	98,680	1,022,978	12,890,063
Total liabilities, deferred inflows and fund balances					
	\$ 9,979,005	\$ 4,524,225	\$ 3,821,713	\$ 1,111,618	\$ 19,436,561

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, 2020

Fund balances - total governmental funds	\$ 12,890,063
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Amounts reported for *governmental activities* in the statement of net position are different because

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

Add - land	3,426,485
Add - construction in progress	1,362,319
Add - capital assets (net of accumulated depreciation)	71,576,506

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	35,127
--------------------------------------	--------

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	3,240,935
--	-----------

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

Deduct - compensated absences payable	(1,887,091)
Deduct - other post-employment benefits liability	(5,127,642)
Deduct - net pension liability	(7,637,243)
Add - deferred outflows related to net pension liability	1,406,647
Add - deferred outflows related to other post-employment benefits liability	1,207,742
Deduct - deferred inflows related to other post-employment benefits liability	(1,735,371)
Deduct - bonds and notes payable	(293,987)
Deduct - accrued interest on bonds payable	<u>(5,458)</u>

Net position of governmental activities	<u>\$ 78,459,032</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 14,331,560	\$ -	\$ -	\$ -	\$ 14,331,560
Intergovernmental revenues					
Federal	2,355	320,000	-	-	322,355
State	2,127,865	3,934,700	-	740,924	6,803,489
Local	18,676	216,136	-	22,119	256,931
Cable franchise fees	353,200	-	-	-	353,200
Licenses and permits	906,260	-	-	-	906,260
Charges for services	109,462	-	-	1,087,660	1,197,122
Fines	513,764	-	-	-	513,764
Special assessments	-	-	679	15,002	15,681
Investment earnings	79,067	16,296	337	14,852	110,552
Miscellaneous	170,775	-	-	2,521	173,296
Total revenues	18,612,984	4,487,132	1,016	1,883,078	24,984,210
Expenditures					
Current					
Judicial	824,875	-	-	63,820	888,695
General government	2,949,070	-	-	-	2,949,070
Public safety	8,406,603	-	-	26,202	8,432,805
Public works	719,859	3,717,835	32,345	1,251,688	5,721,727
Culture and recreation	312,320	-	-	1,308,004	1,620,324
Planning and economic development	40,290	-	-	-	40,290
Other	2,853,782	-	-	-	2,853,782
Debt service					
Principal	662,087	-	-	50,000	712,087
Interest	17,161	-	-	7,260	24,421
Total expenditures	16,786,047	3,717,835	32,345	2,706,974	23,243,201
Revenues over (under) expenditures	1,826,937	769,297	(31,329)	(823,896)	1,741,009
Other financing sources (uses)					
Transfers in	-	1,000,000	-	556,239	1,556,239
Transfers out	(1,556,239)	-	-	-	(1,556,239)
Total other financing sources (uses)	(1,556,239)	1,000,000	-	556,239	-
Net changes in fund balances	270,698	1,769,297	(31,329)	(267,657)	1,741,009
Fund balances, beginning of year	8,362,241	1,366,169	130,009	1,290,635	11,149,054
Fund balances, end of year	\$ 8,632,939	\$ 3,135,466	\$ 98,680	\$ 1,022,978	\$ 12,890,063

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, 2020

Net changes in fund balances - total governmental funds	\$ 1,741,009
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Amounts reported for *governmental activities* in the statement of activities are different because

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

Add - capital contributions	244,474
Deduct - net book value of capital asset disposals	(12,171)
Add - capital outlay	3,918,028
Deduct - depreciation expense	(4,086,226)

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	(15,002)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	665,000
Add - principal portion of contractual payments	47,087

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

Deduct - increase in compensated absences	(548,597)
Add - decrease in net pension liability	1,440,888
Deduct - increase in other post-employments benefits liability	(413,063)
Deduct - decrease in deferred outflows related to pensions	(1,131,323)
Deduct - decrease in deferred outflows related to other post-employment benefits	(80,249)
Add - decrease in deferred inflows related to other post-employment benefits	496,907
Deduct - increase in accrued interest	(1,157)

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

Add - increase in net position of the internal service fund	<u>126,713</u>
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Change in net position of governmental activities	<u>\$ 2,392,318</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF NET POSITION

JUNE 30, 2020

Assets

Current assets	
Cash and pooled investments	\$ 494,861
Accounts receivable	5,529
Prepaid items	872
Inventory	<u>24,008</u>
 Total current assets	 <u>525,270</u>
Non-current assets	
Capital assets	
Vehicles	9,515,093
Less accumulated depreciation	<u>(4,905,097)</u>
 Total non-current assets	 <u>4,609,996</u>
 Total assets	 <u>5,135,266</u>

Liabilities

Current liabilities	
Accounts payable	26,394
Accrued liabilities	5,609
Due to other funds	650,000
Current portion of notes payable	<u>396,000</u>
 Total current liabilities	 <u>1,078,003</u>
Long-term liabilities	
Compensated absences	23,328
Notes payable, net of current portion	<u>793,000</u>
 Total long-term liabilities	 <u>816,328</u>
 Total liabilities	 <u>1,894,331</u>

Net position

Net investment in capital assets	3,420,996
Unrestricted	<u>(180,061)</u>
 Total net position	 <u>\$ 3,240,935</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, 2020

Operating revenue

Charges for services	\$ 1,441,829
Other	1,272

Total operating revenue

1,443,101

Operating expense

Personnel costs	314,060
Operating supplies and expenses	66,063
Repair and maintenance	200,556
Gas and oil	143,946
Other expenses	2,472
Depreciation	<u>653,249</u>

Total operating expense

1,380,346

Operating income (loss)

62,755

Non-operating revenue (expense)

Interest income	6,447
Loss on sale of capital assets	(9,116)
Capital contributions	<u>66,627</u>

Total non-operating revenue (expense)

63,958

Changes in net position

126,713

Net position, beginning of year

3,114,222

Net position, end of year

\$ 3,240,935

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, 2020

Cash flows from operating activities

Receipts from internal services provided	\$ 1,439,051
Payments to employees	(307,611)
Payments to suppliers	<u>(391,409)</u>

Net cash provided by (used in) operating activities

740,031

Cash flows from capital and related financing activities

Proceeds from sale of capital assets	96,736
Issuance of debt	1,189,000
Acquisitions of capital assets	<u>(2,150,475)</u>

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

(864,739)

Cash flows from investing activities

Interest income	<u>6,447</u>
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Net increase (decrease) in cash and pooled investments

(118,261)

Cash and pooled investments, beginning of year

613,122

Cash and pooled investments, end of year

\$ 494,861

Cash flows from operating activities

Operating income (loss)	\$ 62,755
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	653,249
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(4,050)
Prepaid items	(159)
Inventory	11,281
Accounts payable	10,506
Accrued liabilities	1,381
Compensated absences	<u>5,068</u>

Net cash provided by (used in) operating activities

\$ 740,031

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

CITY OF WALKER

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	<u>Other Post-employment Benefits Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments	\$ -	\$ 1,218,683
Investments	1,555,099	-
Due from other governments	-	6,412
 Total assets	 1,555,099	 \$ 1,225,095
 Liabilities		
Accounts payable	- \$ 37,632	
Deposits	- 1,158,233	
Due to other governmental units	- 29,230	
 Total liabilities	 - \$ 1,225,095	
 Net position		
Net position held in trust for OPEB	 \$ 1,555,099	

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, 2020

	<u>Other Post-employment Benefits Trust Fund</u>
Additions	
Contributions	
City contributions	\$ -
Investment earnings	
Interest	<u>65,024</u>
Total additions	65,024
Deductions	
Health insurance premiums paid	- -
Changes in net position	65,024
Net position, beginning of year	<u>1,490,075</u>
Net position, end of year	<u><u>\$ 1,555,099</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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:

	<i>Years</i>
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, 2020

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	\$3,371,125
Special assessment unearned revenue	1,169,157
Special assessments unavailable revenue	<u>35,127</u>
	<u>4,575,409</u>
Less earned portion of special assessments	<u>35,127</u>
Unearned revenue – government-wide statements	<u><u>\$4,540,282</u></u>

Long-Term Obligations

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

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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, 2020, 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, 2020, the City reported a deficit unrestricted net position in its internal service fund of \$180,061 and in the governmental activities of \$4,443,318.

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, 2020

During the year ended June 30, 2020, 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			
Transfers out	\$1,556,234	\$1,556,239	\$ 5
Local streets fund			
Public works	1,228,720	1,251,680	22,960

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	\$10,568,451	\$1,086,700	\$1,218,683	\$12,873,834
Investments	-	-	1,555,099	1,555,099
	<u>\$10,568,451</u>	<u>\$1,086,700</u>	<u>\$2,773,782</u>	<u>\$14,428,933</u>

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

Deposits	\$ 8,313,348
Investments	6,112,885
Petty cash	2,700
Total	<u>\$14,428,933</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, \$6,489,646 of the City's bank balance of \$8,443,521 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Kent County Investment Pool	N/A	\$2,462,747	Unrated	N/A
Stable NAV Government Investment Pool	N/A	2,095,039	AAAm	S&P
Vantagepoint Low Duration Bond Fund	N/A	1,555,099	3 star	Morningstar

CITY OF WALKER

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

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

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

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, 2020 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	13%	0-3
Certificates of deposits	53%	0-3
Deposits, money markets and other pools	34%	Not applicable

At June 30, 2020 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	66%	Not applicable
Collateralized bank deposits	1%	Not applicable
Money market funds	30%	Not applicable
Repurchase agreements	2%	Not applicable
Treasury Securities	1%	Not Applicable

CITY OF WALKER

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

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</u> <u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,829,471	\$ 606,714	\$ 9,700	\$ 3,426,485
Construction in progress	795,294	1,196,274	629,249	1,362,319
Total capital assets, not being depreciated	<u>3,624,765</u>	<u>1,802,988</u>	<u>638,949</u>	<u>4,788,804</u>
Capital assets, being depreciated				
Land improvements	2,765,464	136,127	-	2,901,591
Buildings and improvements	21,505,475	228,803	93,806	21,640,472
Vehicles	6,259,628	2,662,970	585,173	8,337,425
Other tools and equipment	4,903,535	694,150	1,351,682	4,246,003
Office furnishings	1,223,901	11,720	23,848	1,211,773
Infrastructure	110,102,637	2,122,094	-	112,224,731
Total capital assets, being depreciated	<u>146,760,640</u>	<u>5,855,864</u>	<u>2,054,509</u>	<u>150,561,995</u>
Less accumulated depreciation for				
Land improvements	2,000,969	135,184	-	2,136,153
Buildings and improvements	12,662,476	530,750	93,806	13,099,420
Vehicles	4,108,012	542,088	410,793	4,239,307
Other tools and equipment	4,099,843	311,873	1,417,740	2,993,976
Office furnishings	1,083,785	55,491	23,848	1,115,428
Infrastructure	47,627,120	3,164,089	-	50,791,209
Total accumulated depreciation	<u>71,582,205</u>	<u>4,739,475</u>	<u>1,946,187</u>	<u>74,375,493</u>
Net capital assets, being depreciated	<u>75,178,435</u>	<u>1,116,389</u>	<u>108,322</u>	<u>76,186,502</u>
Governmental Activities capital assets, net	<u>\$78,803,200</u>	<u>\$2,919,377</u>	<u>\$ 747,271</u>	<u>\$80,975,306</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance</u>			<u>Balance</u>
	<u>July 1,</u>			<u>June 30,</u>
	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Component units				
Capital assets not being depreciated				
Land	\$1,294,978	\$	-	\$1,294,978
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,294,978</u>	<u>-</u>	<u>-</u>	<u>1,294,978</u>
Capital assets being depreciated				
Land improvements	192,298	-	-	192,298
Infrastructure	282,699	36,776	13,518	305,957
Buildings	2,516,680	-	-	2,516,680
Office furnishings	73,392	-	-	73,392
Total capital assets being depreciated	<u>3,065,069</u>	<u>36,776</u>	<u>13,518</u>	<u>3,088,327</u>
Less accumulated depreciation for				
Land improvements	147,595	19,616	-	167,211
Infrastructure	230,214	8,618	13,518	225,314
Buildings	817,921	62,917	-	880,838
Office furnishings	52,369	3,035	-	55,404
Total accumulated depreciation	<u>1,248,099</u>	<u>94,186</u>	<u>13,518</u>	<u>1,328,767</u>
Net capital assets, being depreciated	1,816,970	(57,410)	-	1,759,560
Component Units capital assets, net	<u>\$3,111,948</u>	<u>\$(57,410)</u>	<u>\$</u>	<u>\$3,054,538</u>

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

Governmental Activities

General government	\$ 266,571
Public safety	220,201
Public works	3,203,814
Culture and recreation	383,861
Judicial	11,779
Capital assets held by the governments internal service fund are charged to the various functions based on their usage of the assets	<u>653,249</u>
Total depreciation expense - governmental activities	<u>\$4,739,475</u>

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 \$510,610 during the year ended June 30, 2020. In addition, employee contributions amounted to \$98,770 during the year ended June 30, 2020.

CITY OF WALKER

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

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, 2019):

Active plan members	20
Inactive employees entitled but not yet receiving benefits	3
Inactive employees or beneficiaries currently receiving benefits	62
Total	85

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$148,603 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 2% of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

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

Inflation: 2.5%

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

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

CITY OF WALKER

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2018	\$24,333,298	\$15,255,167	\$ 9,078,131
Changes for the Year:			
Service cost	167,849	-	167,849
Interest	1,887,943	-	1,887,943
Change in benefits	-	-	-
Differences between expected and actual experience	259,676	-	259,676
Change in assumptions	755,654	-	755,654
Contributions: employer	-	2,397,265	(2,397,265)
Contributions: employee	-	19,987	(19,987)
Net investment income (loss)	-	2,131,627	(2,131,627)
Benefit payments, including refunds	(1,635,871)	(1,635,871)	-
Administrative expense	-	(36,869)	36,869
Other changes	-	-	-
Net changes	1,435,251	2,876,139	(1,440,888)
Balance at December 31, 2019	<u>\$25,768,549</u>	<u>\$18,131,306</u>	<u>\$ 7,637,243</u>

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

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

	Current		
	1% Decrease	Discount rate	1% Increase
Total pension liability	\$28,413,675	\$25,768,549	\$23,506,602
Fiduciary net position	18,131,306	18,131,306	18,131,306
Net pension liability	<u>\$10,282,369</u>	<u>\$ 7,637,243</u>	<u>\$ 5,375,296</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020 the employer recognized pension expense of \$1,633,563. 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	\$ 129,839	\$ -
Differences in assumptions	377,827	-
(Excess) deficit investment returns	7,363	-
Contributions subsequent to the measurement date*	891,618	-
Total	<u>\$1,406,647</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 2021.

CITY OF WALKER

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

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:

2021	\$ 470,321
2022	45,128
2023	188,367
2024	(188,787)
Thereafter	<hr/>
	-
Total	<u>\$ 515,029</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>	<u>Due</u> <u>Within</u> <u>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%.	\$185,000	\$	-	\$50,000	\$135,000
					<hr/>
Private Placement Bonds and Contracts					
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%	615,000			615,000	
					<hr/>
Contractual agreement payable to another government, due in annual installments of \$47,088 to \$18,650 through November 2026; interest at 3.0%	206,074			47,087	158,987
					<hr/>
2020 fire truck installment purchase, due in annual installments of \$396,000 to \$397,000 through September 1, 2022; interest at 2.14%		- 1,189,000		- 1,189,000	396,000
					<hr/>
Total Private Placement Bonds and Contracts	821,074	1,189,000	662,087	1,347,987	443,087

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Total Debt	\$1,006,074	\$1,189,000	\$712,087	\$1,482,987	\$488,087
Accrued compensated absences	1,356,754	553,665	-	1,910,419	-
Total Governmental Activities	\$2,362,828	\$1,742,665	\$712,087	\$3,393,406	\$488,087
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%	\$ 50,000	\$	-	\$ 50,000	\$
	710,000	-	175,000	535,000	175,000
Total Component Units	\$760,000	\$	-	\$225,000	\$535,000
	\$175,000				

The annual requirements to amortize all debt outstanding (excluding other post-employment benefits and accrued compensated absences) as of June 30, 2020 are as follows:

<u>Year Ending June 30</u>	Governmental Activities				Component Units	
	Public Offering Bonds		Private Placement Bonds and Contracts		Private Placement Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 45,000	\$ 6,570	\$443,087	\$13,039	\$175,000	\$10,708
2022	45,000	4,747	414,650	20,047	180,000	7,470
2023	45,000	1,912	415,650	11,014	180,000	3,870
2024	-	-	18,650	1,958	-	-
2025	-	-	18,650	1,399	-	-
2026-2027	-	-	37,300	1,119	-	-
Total	\$135,000	\$13,229	\$1,347,987	\$48,576	\$535,000	\$22,048

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. INTERFUND TRANSACTIONS

Amounts due to and from other funds at June 30, 2020 are as follows:

<u>Due from</u>	<u>Due to</u>				<u>Total</u>
	<u>General fund</u>	<u>Improvement Revolving fund</u>	<u>Internal Service fund</u>	<u>Nonmajor governmental funds</u>	
General fund	\$ -	\$350,000	\$650,000	\$471	\$1,000,471
Major streets fund	31,217	-	-	-	31,217
Nonmajor governmental funds	536	-	-	-	536
Total	\$31,753	\$350,000	\$650,000	\$471	\$1,032,224

Transfers in and out for the year ended June 30, 2020 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>		
	<u>Major streets fund</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
General fund	\$1,000,000	\$556,239	\$1,556,239

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

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); medical benefits provided to employees; and natural disasters. The City has purchased commercial insurance to cover risks of losses for all of these areas except workers compensation. The City participates in the Michigan Municipal League (MML) risk pool program for claims relating to workers' compensation. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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

CITY OF WALKER

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

10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits provided

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Active plan members	61
Retirees and beneficiaries receiving benefits	30
Total	91

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, rolled forward to June 30, 2020, 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: 2.66%

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.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

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, 2020, the discount rate used to value OPEB liabilities was 3.0%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2019	\$6,204,654	\$1,490,075	\$4,714,579
Changes for the Year:			
Service cost	133,505	-	133,505
Interest	188,571	-	188,571
Change in benefits	-	-	-
Differences between expected and actual experience	(24,898)	-	(24,898)
Change in assumptions	285,859	-	285,859
Contributions: employer	-	104,950	(104,950)
Contributions: employee	-	-	-
Net investment Income	-	65,024	(65,024)
Benefit payments, including refunds	(104,950)	(104,950)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	478,087	65,024	413,063
Balance at June 30, 2020	\$6,682,741	\$1,555,099	\$5,127,642

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.

CITY OF WALKER

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

	Current		
	1% Decrease	Discount rate	1% Increase
Total OPEB liability	\$7,755,602	\$6,682,741	\$5,814,554
Fiduciary net position	1,555,099	1,555,099	1,555,099
Net OPEB liability	<u>\$6,200,503</u>	<u>\$5,127,642</u>	<u>\$4,259,455</u>
Plan fiduciary position as a percentage of the total OPEB liability		23.27%	

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.

	Current healthcare cost		
	1% Decrease	trend rate	1% Increase
Total OPEB liability	\$5,642,194	\$6,682,741	\$8,002,395
Fiduciary net position	1,555,099	1,555,099	1,555,099
Net OPEB liability	<u>\$4,087,095</u>	<u>\$5,127,642</u>	<u>\$6,447,296</u>

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

For the year ended June 30, 2020 the employer recognized OPEB expense of \$101,356. 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	\$ -	\$1,725,135
Changes in assumptions	1,207,742	-
Excess(deficit) investment returns	-	10,236
 Total	 <u>\$1,207,742</u>	 <u>\$1,735,371</u>

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

2021	\$(176,020)
2022	(181,461)
2023	(218,077)
2024	36,160
2025	11,769
Thereafter	-
 Total	 <u>\$(527,629)</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.

CITY OF WALKER

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

12. COMMITMENTS

As of June 30, 2020, the City had outstanding construction commitments of approximately \$2,756,000 related to various street projects.

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>\$ 826,171</u>
Related Expenses	
Direct costs	450,362
Indirect Costs	<u>33,949</u>
Total construction code expenses	<u>484,311</u>
Net revenues (expenses)	341,860
Cumulative shortfall – July 1, 2019	<u>(795,058)</u>
Cumulative shortfall – June 30, 2020	<u><u>\$ (453,198)</u></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 which 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, 2020 the City abated property tax revenues of approximately \$21,000.

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, 2020 the City abated property tax revenues of approximately \$12,500.

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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Income taxes	\$ 12,000,000	\$ 12,000,000	\$ 12,309,696	\$ 309,696
Property taxes	1,917,150	1,952,150	2,021,864	69,714
Intergovernmental revenues				
Federal	-	-	2,355	2,355
State	2,200,000	2,085,000	2,127,865	42,865
Local	-	7,500	18,676	11,176
Cable franchise fees	360,000	360,000	353,200	(6,800)
Licenses and permits	452,600	809,600	906,260	96,660
Charges for services	104,500	104,500	109,462	4,962
Fines	675,000	567,000	513,764	(53,236)
Investment earnings	35,040	58,040	79,067	21,027
Miscellaneous	121,100	141,600	170,775	29,175
Total revenues	<u>17,865,390</u>	<u>18,085,390</u>	<u>18,612,984</u>	<u>527,594</u>
Expenditures				
Current				
Judicial	891,044	884,325	824,875	59,450
General government	2,963,065	3,103,708	2,949,070	154,638
Public safety	8,655,134	8,933,140	8,406,603	526,537
Public works	830,253	837,417	719,859	117,558
Culture and recreation	381,376	387,351	312,320	75,031
Planning and economic development	64,250	64,250	40,290	23,960
Other	3,206,500	3,097,000	2,853,782	243,218
Debt service				
Principal	662,090	662,090	662,087	3
Interest and fiscal charges	17,295	17,295	17,161	134
Total expenditures	<u>17,671,007</u>	<u>17,986,576</u>	<u>16,786,047</u>	<u>1,200,529</u>
Revenues over (under) expenditures	<u>194,383</u>	<u>98,814</u>	<u>1,826,937</u>	<u>1,728,123</u>
Other financing sources (uses)				
Use of fund balance	1,311,851	1,532,420	-	(1,532,420)
Transfers out	(1,506,234)	(1,556,234)	(1,556,239)	(5)
Total other financing sources (uses)	<u>(194,383)</u>	<u>(23,814)</u>	<u>(1,556,239)</u>	<u>(1,532,425)</u>
Net changes in fund balance	-	75,000	270,698	195,698
Fund balance, beginning of year	<u>8,362,241</u>	<u>8,362,241</u>	<u>8,362,241</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,362,241</u>	<u>\$ 8,437,241</u>	<u>\$ 8,632,939</u>	<u>\$ 195,698</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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 320,000	\$ 320,000	\$ -
State	2,112,000	3,919,677	3,934,700	15,023
Local	42,500	232,500	216,136	(16,364)
Investment earnings	4,500	11,000	16,296	5,296
Total revenues	2,159,000	4,483,177	4,487,132	3,955
Expenditures				
Current				
Public works	3,429,318	4,005,068	3,717,835	287,233
Revenues over (under) expenditures	(1,270,318)	478,109	769,297	291,188
Other financing sources				
Use of fund balance	270,318	(1,478,109)	-	1,478,109
Transfers in	1,000,000	1,000,000	1,000,000	-
Total other financing sources (uses)	1,270,318	(478,109)	1,000,000	1,478,109
Net changes in fund balance	-	-	1,769,297	1,769,297
Fund balance, beginning of year	1,366,169	1,366,169	1,366,169	-
Fund balance, end of year	\$ 1,366,169	\$ 1,366,169	\$ 3,135,466	\$ 1,769,297

CITY OF WALKER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

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

CITY OF WALKER
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

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

Notes to schedule

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

The above schedule is being accumulated prospectively until 10 years of information is presented.

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, 2020

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

CITY OF WALKER

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

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

SCHEDULE OF INVESTMENT RATE OF RETURN

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

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

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 809,132
Minimum required contribution under PA 202	104,950
Actual contribution	104,950
Contribution for employees hired after June 30, 2019	-

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

Discount rate - 3.47%
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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Income taxes	\$ 12,000,000	\$ 12,000,000	\$ 12,309,696	\$ 309,696
Real and personal property taxes	1,486,200	1,513,200	1,570,653	57,453
Payments in lieu of tax	950	950	843	(107)
Collection fees	<u>430,000</u>	<u>438,000</u>	<u>450,368</u>	<u>12,368</u>
Total taxes	<u>13,917,150</u>	<u>13,952,150</u>	<u>14,331,560</u>	<u>379,410</u>
Licenses and permits				
Business	37,000	37,000	32,540	(4,460)
Nonbusiness	395,600	752,600	852,428	99,828
Liquor license fees	<u>20,000</u>	<u>20,000</u>	<u>21,292</u>	<u>1,292</u>
Total licenses and permits	<u>452,600</u>	<u>809,600</u>	<u>906,260</u>	<u>96,660</u>
Intergovernmental - federal	-	-	2,355	2,355
Intergovernmental - state				
State-shared revenue	<u>2,200,000</u>	<u>2,085,000</u>	<u>2,127,865</u>	<u>42,865</u>
Intergovernmental - local	-	7,500	18,676	11,176
Cable franchise fees	<u>360,000</u>	<u>360,000</u>	<u>353,200</u>	<u>(6,800)</u>
Charges for services				
Planning and zoning fees	34,500	34,500	35,540	1,040
Overtime event reimbursement	40,000	40,000	43,922	3,922
Administrative fees	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total charges for services	<u>104,500</u>	<u>104,500</u>	<u>109,462</u>	<u>4,962</u>
Fines				
Ordinance fines	<u>675,000</u>	<u>567,000</u>	<u>513,764</u>	<u>(53,236)</u>
Interest and rentals	<u>35,040</u>	<u>58,040</u>	<u>79,067</u>	<u>21,027</u>
Other revenue	<u>121,100</u>	<u>141,600</u>	<u>170,775</u>	<u>29,175</u>
Total revenues	<u>\$ 17,865,390</u>	<u>\$ 18,085,390</u>	<u>\$ 18,612,984</u>	<u>\$ 527,594</u>

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Expenditures				
Current				
Judicial				
District court	\$ 891,044	\$ 884,325	\$ 824,875	\$ 59,450
General government				
City Commission	84,660	84,660	81,597	3,063
City managers office	570,000	580,325	570,260	10,065
Elections	52,000	58,900	57,521	1,379
Finance/treasurer department	273,741	254,675	228,113	26,562
Information technology	165,000	233,975	225,429	8,546
Income tax	516,018	527,018	511,775	15,243
City assessor	325,473	326,625	316,707	9,918
City clerk	228,277	246,605	229,843	16,762
Buildings and grounds	610,807	637,775	587,742	50,033
Human resources	137,089	153,150	140,083	13,067
	<u>2,963,065</u>	<u>3,103,708</u>	<u>2,949,070</u>	<u>154,638</u>
Public safety				
Police department	5,437,095	5,534,650	5,362,669	171,981
Fire department	2,562,194	2,667,790	2,399,494	268,296
Building inspections	655,845	730,700	644,440	86,260
	<u>8,655,134</u>	<u>8,933,140</u>	<u>8,406,603</u>	<u>526,537</u>
Public works				
Sidewalks	70,000	70,000	20,156	49,844
City engineer	414,036	416,200	411,135	5,065
Drains	96,217	96,217	36,207	60,010
Street lighting	250,000	255,000	252,361	2,639
	<u>830,253</u>	<u>837,417</u>	<u>719,859</u>	<u>117,558</u>
Culture and recreation				
Parks	381,101	386,601	311,853	74,748
Museum	275	750	467	283
	<u>381,376</u>	<u>387,351</u>	<u>312,320</u>	<u>75,031</u>
Planning and economic development				
Zoning	64,250	64,250	40,290	23,960
	<u>64,250</u>	<u>64,250</u>	<u>40,290</u>	<u>23,960</u>
Other				
Retiree insurance/pension	1,758,900	1,583,900	1,536,067	47,833
Property and liability insurance	135,000	142,000	141,669	331
Other unclassified expenses	1,312,600	1,371,100	1,176,046	195,054
	<u>3,206,500</u>	<u>3,097,000</u>	<u>2,853,782</u>	<u>243,218</u>
Debt service				
Principal	662,090	662,090	662,087	3
Interest	17,295	17,295	17,161	134
	<u>679,385</u>	<u>679,385</u>	<u>679,248</u>	<u>137</u>
Total expenditures	17,671,007	17,986,576	16,786,047	1,200,529
Other financing uses				
Transfers out	1,506,234	1,556,234	1,556,239	(5)
Total expenditures and other financing uses	\$ 19,177,241	\$ 19,542,810	\$ 18,342,286	\$ 1,200,524

CITY OF WALKER

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2020

	<u>Special Revenue</u>				<u>Debt Service</u>		
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Indigent Defense</u>	<u>2009 Bonds</u>		<u>Total</u>
					<u> </u>	<u> </u>	
Assets							
Cash and pooled investments	\$ 144,895	\$ 422,962	\$ 130,700	\$ 91,184	\$ 63,022	\$ 852,763	
Special assessment receivable	-	-	-	-	35,127	35,127	
Due from other governments	94,291	-	-	-	-	-	94,291
Due from other funds	-	-	536	-	-	-	536
Prepaid items	737	21,000	-	-	-	-	21,737
Inventory	39,450	67,714	-	-	-	-	107,164
Total assets	\$ 279,373	\$ 511,676	\$ 131,236	\$ 91,184	\$ 98,149	\$ 1,111,618	
Liabilities, deferred inflows and fund balances							
Liabilities							
Accounts payable	\$ 4,594	\$ 29,424	\$ -	\$ 5,299	\$ -	\$ 39,317	
Accrued liabilities	8,437	5,288	-	-	-	-	13,725
Due to other funds	-	-	-	471	-	-	471
Total liabilities	13,031	34,712	-	5,770	-	-	53,513
Deferred inflows							
Unavailable revenue	-	-	-	-	35,127	35,127	
Fund balances							
Nonspendable							
Prepaid items	737	21,000	-	-	-	-	21,737
Inventory	39,450	67,714	-	-	-	-	107,164
Restricted							
Judicial	-	-	-	85,414	-	-	85,414
Streets	226,155	-	-	-	-	-	226,155
Public safety	-	-	131,236	-	-	-	131,236
Committed							
Ice and fitness capital	-	263,052	-	-	-	-	263,052
Assigned							
Ice and fitness	-	125,198	-	-	-	-	125,198
Debt service	-	-	-	-	63,022	63,022	
Total fund balances	266,342	476,964	131,236	85,414	63,022	1,022,978	
Total liabilities, deferred inflows and fund balances	\$ 279,373	\$ 511,676	\$ 131,236	\$ 91,184	\$ 98,149	\$ 1,111,618	

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

	<u>Special Revenue</u>				<u>Debt Service</u>	
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Indigent Defense</u>	<u>2009 Bonds</u>	<u>Total</u>
Revenues						
Intergovernmental revenues						
State	\$ 704,604	\$ -	\$ -	\$ 36,320	\$ -	\$ 740,924
Local	-	-	22,119	-	-	22,119
Charges for services	-	1,087,660	-	-	-	1,087,660
Special assessments	-	-	-	-	15,002	15,002
Investment earnings	2,940	5,813	2,274	93	3,732	14,852
Miscellaneous	-	2,521	-	-	-	2,521
Total revenues	707,544	1,095,994	24,393	36,413	18,734	1,883,078
Expenditures						
Current						
Judicial	-	-	-	63,820	-	63,820
Public safety	-	-	26,202	-	-	26,202
Public works	1,251,680	-	-	-	8	1,251,688
Culture and recreation	-	1,308,004	-	-	-	1,308,004
Debt service						
Principal	-	-	-	-	50,000	50,000
Interest	-	-	-	-	7,260	7,260
Total expenditures	1,251,680	1,308,004	26,202	63,820	57,268	2,706,974
Revenues over (under) expenditures	(544,136)	(212,010)	(1,809)	(27,407)	(38,534)	(823,896)
Other financing sources (uses)						
Transfers in	350,000	200,000	-	6,239	-	556,239
Net changes in fund balances	(194,136)	(12,010)	(1,809)	(21,168)	(38,534)	(267,657)
Fund balances, beginning of year	460,478	488,974	133,045	106,582	101,556	1,290,635
Fund balances, end of year	\$ 266,342	\$ 476,964	\$ 131,236	\$ 85,414	\$ 63,022	\$ 1,022,978

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$ 901,500	\$ 699,500	\$ 704,604	\$ 5,104
Local	6,000	6,000	-	(6,000)
Investment earnings	<u>1,100</u>	<u>2,500</u>	<u>2,940</u>	<u>440</u>
Total revenues	908,600	708,000	707,544	(456)
Expenditures				
Current				
Public works	<u>1,324,920</u>	<u>1,228,720</u>	<u>1,251,680</u>	<u>(22,960)</u>
Revenues over (under) expenditures	<u>(416,320)</u>	<u>(520,720)</u>	<u>(544,136)</u>	<u>(23,416)</u>
Other financing source (uses)				
Use of fund balance	66,320	170,720	-	(170,720)
Transfers in	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total other financing sources (uses)	416,320	520,720	350,000	(170,720)
Net changes in fund balance	-	-	(194,136)	(194,136)
Fund balance, beginning of year	460,478	460,478	460,478	-
Fund balance, end of year	\$ 460,478	\$ 460,478	\$ 266,342	\$ (194,136)

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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,290,400	\$ 1,130,637	\$ 1,087,660	\$ (42,977)
Investment earnings	4,000	4,000	5,813	1,813
Miscellaneous	3,300	3,300	2,521	(779)
Total revenues	1,297,700	1,137,937	1,095,994	(41,943)
Expenditures				
Current				
Culture and recreation	1,517,372	1,460,816	1,308,004	152,812
Revenues over (under) expenditures	(219,672)	(322,879)	(212,010)	110,869
Other financing source (uses)				
Use of fund balance	119,672	122,879	-	(122,879)
Transfers in	100,000	200,000	200,000	-
Total other financing sources (uses)	219,672	322,879	200,000	(122,879)
Net changes in fund balance	-	-	(12,010)	(12,010)
Fund balance, beginning of year	488,974	488,974	488,974	-
Fund balance, end of year	\$ 488,974	\$ 488,974	\$ 476,964	\$ (12,010)

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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Local	\$ 75,500	\$ 21,708	\$ 22,119	\$ 411
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>2,274</u>	<u>274</u>
Total Revenues	77,500	23,708	24,393	685
Expenditures				
Current				
Public safety	79,000	32,000	26,202	5,798
Revenues over (under) expenditures	(1,500)	(8,292)	(1,809)	6,483
Other financing source (uses)				
Use of fund balance	1,500	8,292	-	(8,292)
Net changes in fund balance	-	-	(1,809)	(1,809)
Fund balance, beginning of year	133,045	133,045	133,045	-
Fund balance, end of year	<u>\$ 133,045</u>	<u>\$ 133,045</u>	<u>\$ 131,236</u>	<u>\$ (1,809)</u>

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$ 88,740	\$ 88,740	\$ 36,320	\$ (52,420)
Investment earnings	30	30	93	63
Total revenues	88,770	88,770	36,413	(52,357)
Expenditures				
Current				
Judicial	94,975	94,975	63,820	31,155
Revenues over (under) expenditures	(6,205)	(6,205)	(27,407)	(21,202)
Other financing source (uses)				
Use of fund balance	(30)	(30)	-	30
Transfers in	6,235	6,235	6,239	4
Total other financing sources (uses)	6,205	6,205	6,239	34
Net changes in fund balance	-	-	(21,168)	(21,168)
Fund balance, beginning of year	106,582	106,582	106,582	-
Fund balance, end of year	\$ 106,582	\$ 106,582	\$ 85,414	\$ (21,168)

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2020

	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Flexible Spending</u>	<u>Other Agency</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 51,930	\$ 4,302	\$ 1,028,408	\$ 3,768	\$ 130,275	\$ 1,218,683
Due from other government:	_____ -	6,412	_____ -	_____ -	_____ -	6,412
Total assets	\$ 51,930	\$ 10,714	\$ 1,028,408	\$ 3,768	\$ 130,275	\$ 1,225,095
Liabilities						
Accounts payable	\$ 27,945	\$ -	\$ -	\$ 3,768	\$ 5,919	\$ 37,632
Deposits	5,469	-	1,028,408	-	124,356	1,158,233
Due to other governmental unit	18,516	10,714	_____ -	_____ -	_____ -	29,230
Total liabilities	\$ 51,930	\$ 10,714	\$ 1,028,408	\$ 3,768	\$ 130,275	\$ 1,225,095

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>District Court</u>				
Assets				
Cash and pooled investments	\$ 77,828	\$ 802,098	\$ 827,996	\$ 51,930
Liabilities				
Accounts payable	\$ 42,631	\$ 455,489	\$ 470,175	\$ 27,945
Deposits	9,959	110,413	114,903	5,469
Due to other governmental units	25,238	236,196	242,918	18,516
Total liabilities	\$ 77,828	\$ 802,098	\$ 827,996	\$ 51,930
<u>Current Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ 165	\$ 42,376,382	\$ 42,372,245	\$ 4,302
Due from other governments	-	6,412	-	6,412
Total Assets	\$ 165	\$ 42,382,794	\$ 42,372,245	\$ 10,714
Liabilities				
Due to other governmental units	\$ 165	\$ 42,382,794	\$ 42,372,245	\$ 10,714
<u>Trust and Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 1,090,164	\$ 532,983	\$ 594,739	\$ 1,028,408
Liabilities				
Deposits	\$ 1,090,164	\$ 532,983	\$ 594,739	\$ 1,028,408

(continued)

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>Flexible Spending</u>				
Assets				
Cash and pooled investments	\$ 3,850	\$ 17,982	\$ 18,064	\$ 3,768
<u>Liabilities</u>				
Accounts payable	\$ 3,850	\$ 17,982	\$ 18,064	\$ 3,768
<u>Other Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 124,563	\$ 18,522,404	\$ 18,516,692	\$ 130,275
Liabilities				
Accounts payable	\$ 6,778	\$ 9,247,281	\$ 9,248,140	\$ 5,919
Deposits	117,785	9,275,123	9,268,552	124,356
	<u>\$ 124,563</u>	<u>\$ 18,522,404</u>	<u>\$ 18,516,692</u>	<u>\$ 130,275</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 1,296,570	\$ 62,251,849	\$ 62,329,736	\$ 1,218,683
Due from other governments	- 6,412	6,412	-	6,412
Total assets	<u>\$ 1,296,570</u>	<u>\$ 62,258,261</u>	<u>\$ 62,329,736</u>	<u>\$ 1,225,095</u>
Liabilities				
Accounts payable	\$ 53,259	\$ 9,720,752	\$ 9,736,379	\$ 37,632
Deposits	1,217,908	9,918,519	9,978,194	1,158,233
Due to other governmental units	25,403	42,618,990	42,615,163	29,230
Total liabilities	<u>\$ 1,296,570</u>	<u>\$ 62,258,261</u>	<u>\$ 62,329,736</u>	<u>\$ 1,225,095</u>

(concluded)

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

JUNE 30, 2020

	Governmental Fund Type				Statement of Net Position		
	General Fund	Streetscape Maintenance	Totals	Adjustments	Net Position		
Assets							
Cash and pooled investments	\$ 801,593	\$ 145,732	\$ 947,325	\$ -	\$ 947,325		
Special assessment receivable	-	18,564	18,564	-	18,564		
Capital assets							
Land	-	-	-	1,294,978	1,294,978		
Depreciable capital assets, net	-	-	-	1,759,560	1,759,560		
Total assets	<u>\$ 801,593</u>	<u>\$ 164,296</u>	<u>\$ 965,889</u>	<u>3,054,538</u>	<u>4,020,427</u>		
Liabilities, deferred inflows and fund balances							
Liabilities							
Accounts payable	\$ 814	\$ 11,254	\$ 12,068	-	12,068		
Accrued liabilities	-	-	-	1,785	1,785		
Debt due within one year	-	-	-	175,000	175,000		
Noncurrent liabilities							
Debt due in more than one year	-	-	-	360,000	360,000		
Total liabilities	<u>814</u>	<u>11,254</u>	<u>12,068</u>	<u>536,785</u>	<u>548,853</u>		
Deferred inflows							
Unavailable revenue	-	18,564	18,564	(18,564)	-		
Fund balances							
Unassigned	800,779	134,478	935,257	(935,257)	-		
Total liabilities, deferred inflows and fund balances	<u>\$ 801,593</u>	<u>\$ 164,296</u>	<u>\$ 965,889</u>				
Net position							
Net investment in capital assets				2,519,538	2,519,538		
Unrestricted				952,036	952,036		
Total net position	<u>\$ 3,471,574</u>	<u>\$ 3,471,574</u>					
Reconciliation of fund balances to net position							
Fund balances of governmental funds				\$ 935,257			
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)				1,759,560			
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds							
Add - unavailable revenue				18,564			
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.							
Deduct - debt payable				(535,000)			
Deduct - accrued interest on debt payable				(1,785)			
Net position of governmental activities	<u>\$ 3,471,574</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, 2020

	Governmental Fund Type			Statement of Activities	
	General Fund	Streetscape Maintenance	Totals	Adjustments	
Revenues					
Taxes	\$ 417,038	\$ -	\$ 417,038	\$ -	\$ 417,038
Special assessments	-	114,546	114,546	8,978	123,524
Investment earnings	4,161	936	5,097	-	5,097
Miscellaneous	-	6,065	6,065	-	6,065
	<u>421,199</u>	<u>121,547</u>	<u>542,746</u>	<u>8,978</u>	<u>551,724</u>
Expenditures/expenses					
Current					
Community development	55,441	148,809	204,250	57,410	261,660
Debt Service					
Principal	225,000	-	225,000	(225,000)	-
Interest	15,045	-	15,045	(638)	14,407
Total expenditures/expenses	<u>295,486</u>	<u>148,809</u>	<u>444,295</u>	<u>(168,228)</u>	<u>276,067</u>
Revenues over (under) expenditures/expenses	<u>125,713</u>	<u>(27,262)</u>	<u>98,451</u>	<u>177,206</u>	<u>275,657</u>
Net changes in fund balances	125,713	(27,262)	98,451	(98,451)	
Change in net position				275,657	275,657
Fund balances/net position					
Beginning of year	<u>675,066</u>	<u>161,740</u>	<u>836,806</u>		<u>3,195,917</u>
End of year	<u>\$ 800,779</u>	<u>\$ 134,478</u>	<u>\$ 935,257</u>		<u>\$ 3,471,574</u>
Reconciliation of change in fund balances to change in net position					
Net change in fund balances of governmental funds					\$ 98,451
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.					
Add - capital outlay					36,766
Deduct - depreciation expense					(94,176)
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					8,978
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					225,000
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					638
Change in net position of governmental activities					<u>\$ 275,657</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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 409,000	\$ 409,000	\$ 417,038	\$ 8,038
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>4,161</u>	<u>1,161</u>
Total revenues	<u>412,000</u>	<u>412,000</u>	<u>421,199</u>	<u>9,199</u>
Expenditures				
Current				
Community development	109,550	109,550	55,441	54,109
Debt service				
Principal	225,000	225,000	225,000	-
Interest	<u>15,045</u>	<u>15,045</u>	<u>15,045</u>	<u>-</u>
Total expenditures	<u>349,595</u>	<u>349,595</u>	<u>295,486</u>	<u>54,109</u>
Revenues over (under) expenditures	62,405	62,405	125,713	63,308
Other financing source (uses)				
Use of fund balance	<u>(62,405)</u>	<u>(62,405)</u>	-	<u>62,405</u>
Net changes in fund balance	-	-	125,713	125,713
Fund balance, beginning of year	<u>675,066</u>	<u>675,066</u>	<u>675,066</u>	<u>-</u>
Fund balance, end of year	<u>\$ 675,066</u>	<u>\$ 675,066</u>	<u>\$ 800,779</u>	<u>\$ 125,713</u>

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 124,000	\$ 124,000	\$ 114,546	\$ (9,454)
Investment earnings	1,125	1,125	936	(189)
Miscellaneous	500	500	6,065	5,565
Total revenues	125,625	125,625	121,547	(4,078)
Expenditures				
Current				
Community development	<u>208,350</u>	<u>208,350</u>	<u>148,809</u>	<u>59,541</u>
Revenues over (under) expenditures	(82,725)	(82,725)	(27,262)	55,463
Other financing source (uses)				
Use of fund balance	<u>82,725</u>	<u>82,725</u>	<u>-</u>	<u>(82,725)</u>
Net changes in fund balance	-	-	(27,262)	(27,262)
Fund balance, beginning of year	161,740	161,740	161,740	-
Fund balance, end of year	\$ 161,740	\$ 161,740	\$ 134,478	\$ (27,262)

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	Statement of Net Position
Assets			
Cash and pooled investments	\$ 139,375	\$ -	\$ 139,375
Total assets	<u>\$ 139,375</u>	- -	139,375
Liabilities and fund balances			
Liabilities			
Total liabilities	\$ - - -	- - -	- - -
Fund balances			
Unassigned	139,375	(139,375)	(139,375)
Total liabilities and fund balances	<u>\$ 139,375</u>		
Net position			
Unrestricted	\$ 139,375	\$ 139,375	\$ 139,375

CITY OF WALKER

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	Statement of Activities	
Revenues				
Taxes	\$ 198,879	\$ -	\$ 198,879	
Investment earnings	<u>738</u>	<u>-</u>	<u>738</u>	
	199,617			199,617
 Expenditures/expenses				
Current				
Public works				
Return of tax increment	<u>159,367</u>		-	159,367
Net changes in fund balances	40,250	(40,250)		
Change in net position			40,250	40,250
Fund balances/net position, beginning of year	<u>99,125</u>			<u>99,125</u>
Fund balances/net position, end of year	<u>\$ 139,375</u>			<u>\$ 139,375</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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 201,600	\$ 201,600	\$ 198,879	\$ (2,721)
Investment earnings	<u>255</u>	<u>255</u>	<u>738</u>	<u>483</u>
Total revenues	201,855	201,855	199,617	(2,238)
Expenditures				
Current				
Return of tax increment	200,600	200,600	159,367	41,233
Revenues over (under) expenditures	1,255	1,255	40,250	38,995
Other financing source (uses)				
Use of fund balance	(1,255)	(1,255)	-	1,255
Net changes in fund balance	-	-	40,250	40,250
Fund balance, beginning of year	99,125	99,125	99,125	-
Fund balance, end of year	\$ 99,125	\$ 99,125	\$ 139,375	\$ 40,250