



A HERITAGE OF GOOD LIVING

Financial Report  
with Supplementary Information  
June 30, 2023

Kelly Garrett, Mayor  
Bruce Kantor, Mayor Pro Tem  
Jalen Jennings, Council Member  
Karen Miller, Council Member  
Barbara Kenez, Council Member  
Pamela Bratschi, Interim City Administrator

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## Independent Auditor's Report

To the City Council  
City of Lathrup Village, Michigan

### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lathrup Village, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023 and the respective changes in its 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

To the City Council  
City of Lathrup Village, Michigan

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

November 20, 2023

Our discussion and analysis of the City of Lathrup Village, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements.

**Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2023:

- The FY 2022/2023 General Fund property tax and related revenue increased by \$116,408, or 3.79 percent, as compared to the 2021/2022 fiscal year.

Property Taxes			
FY 2021/2022	FY 2022/2023	Change	Percent
\$ 3,069,323	\$ 3,185,731	\$ 116,408	3.79%

- Total General Fund revenue was \$758,208, or 17.09 percent, higher than the prior year.

General Fund Revenue			
FY 2021/2022	FY 2022/2023	Change	Percent
\$ 4,437,433	\$ 5,195,641	\$ 758,208	17.09%

- Overall, General Fund expenditures were \$1,020,833, or 21.83 percent, higher than the prior year.

General Fund Expenditures			
FY 2021/2022	FY 2022/2023	Change	Percent
\$ 4,675,749	\$ 5,696,632	\$ 1,020,883	21.83%

- The ending fund balance of the General Fund decreased by \$658,915, or 53.04 percent, from fiscal year 2021/2022.

General Fund - Ending Fund Balance			
FY 2021/2022	FY 2022/2023	Change	Percent
\$ 1,242,202	\$ 583,287	\$ (658,915)	(53.04)%

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of 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 services during the current year and whether the taxpayers have funded the full cost of providing government services.

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

The following is an expanded discussion of the concept touched upon earlier in this analysis and includes this year's financial statement format and information about the government-wide financial statements and fund financial statements.

## City of Lathrup Village, Michigan

### Management's Discussion and Analysis (Continued)

#### The City as a Whole

The following table shows, in condensed format, the net position as of June 30, 2023 compared to the prior year:

#### The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 8,209,982	\$ 9,783,970	\$ 4,719,194	\$ 6,058,439	\$ 12,929,176	\$ 15,842,409
Capital assets	22,079,509	17,254,255	12,770,899	9,867,005	34,850,408	27,121,260
Total assets	30,289,491	27,038,225	17,490,093	15,925,444	47,779,584	42,963,669
<b>Deferred Outflows of Resources - Related to pension and OPEB</b>						
	667,787	143,591	92,253	23,290	760,040	166,881
<b>Liabilities</b>						
Current liabilities	2,288,549	996,258	465,719	395,210	2,754,268	1,391,468
Long-term liabilities	11,019,907	9,575,460	8,786,782	7,612,834	19,806,689	17,188,294
Total liabilities	13,308,456	10,571,718	9,252,501	8,008,044	22,560,957	18,579,762
<b>Deferred Inflows of Resources -</b>						
Deferred inflows from leases	2,345,435	2,898,347	-	63,202	2,345,435	2,961,549
<b>Net Position</b>						
Net investment in capital assets	17,123,759	15,389,513	5,572,827	8,041,444	22,696,586	23,430,957
Restricted	1,880,792	1,242,440	-	-	1,880,792	1,242,440
Unrestricted	(3,701,164)	(2,920,202)	2,757,018	(163,956)	(944,146)	(3,084,158)
Total net position	<b>\$ 15,303,387</b>	<b>\$ 13,711,751</b>	<b>\$ 8,329,845</b>	<b>\$ 7,877,488</b>	<b>\$ 23,633,232</b>	<b>\$ 21,589,239</b>

The City's combined net position is \$23.6 million compared to \$21.6 million for the prior year. This represents a 9.47 percent increase. The governmental activities portion of net position increased by \$1.6 million, or 11.6 percent, while the business-type activities increased by \$452k, or 5.74 percent.

# City of Lathrup Village, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 389,972	\$ 414,349	\$ 2,592,269	\$ 2,544,483	\$ 2,982,241	\$ 2,958,832
Operating grants and contributions	598,959	622,858	-	-	598,959	622,858
Capital grants and contributions	541,764	48,936	130,945	213,826	672,709	48,936
General revenue:						
Property taxes	3,869,756	3,675,092	-	-	3,869,756	3,675,092
State-shared revenue	526,916	512,936	-	-	526,916	512,936
Investment income	217,680	101,099	152,424	13,040	370,104	114,139
Other revenue:						
Cable franchise and cell tower fees	197,003	200,537	-	-	197,003	200,537
Other miscellaneous income	192,643	62,227	-	-	192,643	62,227
<b>Total revenue</b>	<b>6,534,693</b>	<b>5,638,034</b>	<b>2,875,638</b>	<b>2,771,349</b>	<b>9,410,331</b>	<b>8,409,383</b>
<b>Expenses</b>						
General government	1,787,321	1,492,497	-	-	1,787,321	1,492,497
Public safety	2,393,353	258,764	-	-	2,393,353	258,764
Public works	629,339	691,302	-	-	629,339	691,302
Recreation and culture	26,710	43,965	-	-	26,710	43,965
Debt service	106,334	84,252	-	-	106,334	84,252
Water and Sewer Fund	-	-	2,423,281	1,573,204	2,423,281	1,573,204
<b>Total expenses</b>	<b>4,943,057</b>	<b>2,570,780</b>	<b>2,423,281</b>	<b>1,573,204</b>	<b>7,366,338</b>	<b>4,143,984</b>
<b>Change in Net Position</b>	<b>1,591,636</b>	<b>3,067,254</b>	<b>452,357</b>	<b>1,198,145</b>	<b>2,043,993</b>	<b>4,265,399</b>
<b>Net Position - Beginning of year</b>	<b>13,711,751</b>	<b>10,644,497</b>	<b>7,877,488</b>	<b>6,679,343</b>	<b>21,589,239</b>	<b>17,323,840</b>
<b>Net Position - End of year</b>	<b>\$ 15,303,387</b>	<b>\$ 13,711,751</b>	<b>\$ 8,329,845</b>	<b>\$ 7,877,488</b>	<b>\$ 23,633,232</b>	<b>\$ 21,589,239</b>

### *Governmental Activities*

As you read through the next several paragraphs, it is important to remember that governmental activities include not only the General Fund, but also the Major Streets and Local Streets funds, the Street Improvement Bond Fund, and the Capital Acquisition Fund. The table shown above was generated by pulling data from pages 9 and 10 of the financial report. You will find specific breakout data for the General, Major Streets, Local Streets, Street Improvement Bond, and Capital Acquisition funds on pages 11 and 13 of the financial report.

The City's governmental revenue totaled \$6.5 million, with the largest revenue source being property taxes (\$3.9 million). Property tax revenue represents 59 percent of total governmental revenue. The percentage of total revenue increased significantly from last year, as did expenses.

Our next largest single source of revenue is operating grants and contributions revenue. This revenue totals approximately \$599,000 and reflect Act 51 funds for our major and local streets, as well as federal grants. Act 51 funding has been relatively stable over the past five fiscal years. We are unaware of any significant changes at the state level that will negatively affect this revenue in the near future, although the State has had discussions on different methods to fund roads.

The charges for services category, referred to as other revenue in our budget, is a listing of many other smaller revenue sources. Combined with the cable franchise and cell tower lease revenue, which is included in the other revenue category, the total for this revenue is \$0.4 million.

# City of Lathrup Village, Michigan

## Management's Discussion and Analysis (Continued)

Finally, the state-shared revenues total approximately \$527,000. The City continues to work to maximize the statutory portion of revenue sharing (formerly EVIP and now CVTRS) by meeting requirements such as posting a citizen's guide and dashboard on our website and complying with other CVTRS requirements, as mandated by the State. The city enhances transparency and accountability by making available information utilizing the Munetrix platform that provides citizens with an easy to comprehend guide to finances.

A heavier reliance on property taxes will continue to pressure our tax base. The flattening of our revenue, being nearly 100 percent developed, coupled with Headlee roll back, requires us to be cautious as we move forward. Encouraging a Headlee override would be helpful.

Total governmental expenses for the City totaled \$4.9 million. Revenue exceeded expenses by \$1.6 million. Over the course of the year, the City amended the budget to take into account events during the year. Programming and events are not back to normal since 2020, revenue for recreational programs and rentals remains reduced.

From an overall perspective, the City continues to remain in good financial standing. The budgetary reductions implemented over the last few years have aided us in this effort. Since we are a service provider, the majority of our expenditures are for personnel. Therefore, it is imperative that we maintain an open and cooperative spirit with our employee unions and continually review the cost of doing business in order to provide services in a cost effective manner. The City will need to look at increasing revenue sources or making more reductions in the budget to build its financial standing.

### *Business-type Activities*

The City's business type activity consists of the Water and Sewer Fund. We provide water as a part of the Southeastern Oakland County Water Authority (SOCWA), which in turn purchases water from the Great Lakes Water Authority. Sewage treatment is provided through the Evergreen Farmington sewage disposal system through the water resource commissioner's office, formerly the Oakland County Drain Commission.

System revenue is provided primarily through the fees paid by consumers based on actual metered water usage. Also, within this fund is the debt for the retirement of capital improvement and SRF bonds for sanitary sewer system improvements.

The business-type activities revenue totaled \$2.9 million. Taking expenses totaling \$2.4 million into consideration, there was a net position increase of approximately \$452,000.

### **General Fund Budgetary Highlights**

The audited numbers included \$294,575 more revenue than the original budget and final amended budget. The audited numbers included \$581,607 more expenditures than the original budget and final amended budget.

	General Fund - FY Ended June 30, 2023			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Total revenue	\$ 4,901,066	\$ 4,901,066	\$ 5,195,641	\$ 294,575
Total expenditures	5,115,025	5,115,025	5,696,632	(581,607)
Excess of revenue over expenditures	<b>\$ 10,016,091</b>	<b>\$ 10,016,091</b>	<b>\$ 10,892,273</b>	<b>\$ (287,032)</b>

The beginning fund balance for fiscal year 2022/2023 was \$1,242,202. The audited numbers reflect an ending fund balance of \$870,319. This is an ending fund balance of \$287,032 less than the final amended and original budgets.



# City of Lathrup Village, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund - Fund Balance - FY Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Beginning fund balance	\$ 1,242,202	\$ 1,242,202	\$ 1,242,202	\$ -
Net change in fund balance	(371,883)	(371,883)	(658,915)	(287,032)
Ending fund balance	<b>\$ 870,319</b>	<b>\$ 870,319</b>	<b>\$ 583,287</b>	<b>\$ (287,032)</b>

### Capital Assets and Debt Administration

At the end of fiscal year 2022/2023, the City has \$35 million invested in a wide range of capital assets, including land, buildings, equipment, roads, and water and sewer lines. During the current year, the City added \$7,606,426 of governmental capital assets. In June 2021 citizens voted to approve a \$4.7 million general obligation bond for street improvements and a \$5.38 million limited tax obligation bond for capital improvements for the water and sewer system. The majority of the additions related to improvements to the city infrastructure. Great progress was made this year on street, water, and sewer projects. This is the 18th year that such reporting has occurred with such specificity, which is attributable to GASB Statement No. 34 requirements.

### Economic Factors and Next Year's Budgets and Rates

The City's budget for next year will require tough decisions by the City Council and the citizens of Lathrup Village. Being mindful of our long-term obligations.

There are several economic factors that will challenge the City. The challenges include potential cuts to personal property tax, health insurance increases, pension costs, potential prefunding of retiree health care (GASB Statement No. 45), our overall millage rate, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment (Headlee) and Proposal A passed in 1993 both limit growth to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation, and Proposal A limits increases in individual property tax assessments to the rate of inflation. Previously, city residents approved a Headlee rollback in May 2010; however, the rollback expired, and the continued shortfalls in revenue have required the City to rely on its fund balances. This practice is not financially or fiscally responsible. A Headlee rollback will need to be considered by the City Council and voted on by the citizens to maintain the same level of services.

### Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City's administrator at (248) 557-2600, ext. 225, or the City's treasurer at (248) 557-2600, ext. 227. This report, city budgets, and other financial information are available on the City website at [www.lathrupvillage.org](http://www.lathrupvillage.org).

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,988,015	\$ 3,527,503	\$ 5,515,518	\$ 1,100,023
Receivables:				
Property taxes	4,224	-	4,224	19,543
Special assessments	111,280	-	111,280	-
Customer receivables	-	666,199	666,199	-
Leases receivable (Note 13)	2,446,164	-	2,446,164	-
Other receivables	51,707	4,315	56,022	-
Due from other governmental units	191,211	-	191,211	-
Due from component units (Note 5)	267,604	-	267,604	-
Due from primary government (Note 5)	-	-	-	281,027
Internal balances	2,001,604	(298,165)	1,703,439	-
Prepaid expenses	121,540	-	121,540	-
Restricted assets - Cash on hand at the County	-	142,536	142,536	-
Capital assets: (Note 4)				
Assets not subject to depreciation	18,269,480	1,088,247	19,357,727	-
Assets subject to depreciation - Net	3,810,029	11,682,652	15,492,681	156,517
Cash restricted to pay incurred project costs	1,026,633	676,806	1,703,439	-
<b>Total assets</b>	<b>30,289,491</b>	<b>17,490,093</b>	<b>47,779,584</b>	<b>1,557,110</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 8)	660,005	90,002	750,007	-
Deferred OPEB costs (Note 10)	7,782	2,251	10,033	-
<b>Total deferred outflows of resources</b>	<b>667,787</b>	<b>92,253</b>	<b>760,040</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	1,316,302	249,755	1,566,057	5,813
Due to other governmental units	-	166,305	166,305	-
Due to component units (Note 5)	281,027	-	281,027	-
Due to primary government (Note 5)	-	-	-	267,604
Accrued liabilities and other	465,899	49,659	515,558	-
Unearned revenue	225,321	-	225,321	-
Noncurrent liabilities:				
Due within one year:				
Interfund payable from restricted assets	1,026,633	676,806	1,703,439	-
Compensated absences (Note 6)	78,573	8,041	86,614	-
Current portion of long-term debt (Note 6)	492,774	329,352	822,126	-
Due in more than one year:				
Compensated absences (Note 6)	105,418	-	105,418	-
Net pension liability (Note 8)	2,518,290	343,403	2,861,693	-
Net OPEB liability (Note 10)	2,335,243	726,765	3,062,008	-
Long-term debt - Net of current portion (Note 6)	4,462,976	6,702,415	11,165,391	-
<b>Total liabilities</b>	<b>13,308,456</b>	<b>9,252,501</b>	<b>22,560,957</b>	<b>273,417</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflow from leases (Note 13)	2,345,435	-	2,345,435	-
<b>Total deferred inflows of resources</b>	<b>2,345,435</b>	<b>-</b>	<b>2,345,435</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	17,123,759	5,572,827	22,696,586	156,517
Restricted for:				
Streets and highways	1,809,972	-	1,809,972	-
Police forfeitures	4,326	-	4,326	-
Rubbish	66,494	-	66,494	-
Unrestricted	(3,701,164)	2,757,018	(944,146)	1,127,176
<b>Total net position</b>	<b>\$ 15,303,387</b>	<b>\$ 8,329,845</b>	<b>\$ 23,633,232</b>	<b>\$ 1,283,693</b>

# City of Lathrup Village, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,787,321	\$ 284,692	\$ -	\$ 154,205
Public safety	2,393,353	97,695	14,632	-
Public works	629,339	4,917	584,327	387,559
Recreation and culture	26,710	2,668	-	-
Interest on long-term debt	106,334	-	-	-
Total governmental activities	4,943,057	389,972	598,959	541,764
Business-type activities - Water and Sewer Fund	2,423,281	2,592,269	-	130,945
Total primary government	<b>\$ 7,366,338</b>	<b>\$ 2,982,241</b>	<b>\$ 598,959</b>	<b>\$ 672,709</b>
Component units - Downtown Development Authority	<b>\$ 628,477</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise and cell tower fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

**Year Ended June 30, 2023**

Net Revenue (Expense) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,348,424)	\$ -	\$ (1,348,424)	\$ -
(2,281,026)	-	(2,281,026)	-
347,464	-	347,464	-
(24,042)	-	(24,042)	-
(106,334)	-	(106,334)	-
(3,412,362)	-	(3,412,362)	-
-	299,933	299,933	-
(3,412,362)	299,933	(3,112,429)	-
-	-	-	(628,477)
3,869,756	-	3,869,756	433,423
526,916	-	526,916	22,368
217,680	152,424	370,104	39,299
197,003	-	197,003	-
192,643	-	192,643	-
5,003,998	152,424	5,156,422	495,090
1,591,636	452,357	2,043,993	(133,387)
13,711,751	7,877,488	21,589,239	1,417,080
<b>\$ 15,303,387</b>	<b>\$ 8,329,845</b>	<b>\$ 23,633,232</b>	<b>\$ 1,283,693</b>

Governmental Funds  
Balance Sheet

June 30, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Street Improvement Bond Fund	Nonmajor Fund - Capital Acquisition Fund	Total
<b>Assets</b>						
Cash and investments (Note 3)	\$ 1,208,062	\$ 218,877	\$ 447,448	\$ -	\$ 113,628	\$ 1,988,015
Receivables:						
Property taxes	4,224	-	-	-	-	4,224
Special assessments	111,280	-	-	-	-	111,280
Leases receivable (Note 13)	2,446,164	-	-	-	-	2,446,164
Other receivables	51,707	-	-	-	-	51,707
Due from other governmental units	92,091	67,552	31,568	-	-	191,211
Due from component units (Note 5)	-	133,802	133,802	-	-	267,604
Due from other funds (Note 5)	1,005,101	1,336,475	613,412	60,206	-	3,015,194
Prepaid expenditures	121,540	-	-	-	-	121,540
Cash restricted to pay incurred project costs	-	-	-	1,026,633	-	1,026,633
<b>Total assets</b>	<b>\$ 5,040,169</b>	<b>\$ 1,756,706</b>	<b>\$ 1,226,230</b>	<b>\$ 1,086,839</b>	<b>\$ 113,628</b>	<b>\$ 9,223,572</b>
<b>Liabilities</b>						
Accounts payable	\$ 341,784	\$ 487,259	\$ 487,259	\$ -	\$ -	\$ 1,316,302
Due to component units (Note 5)	281,027	-	-	-	-	281,027
Due to other funds (Note 5)	631,145	-	198,446	60,206	73,027	962,824
Advances from other funds (Note 5)	50,766	-	-	-	-	50,766
Accrued liabilities and other	465,899	-	-	-	-	465,899
Unearned revenue	225,321	-	-	-	-	225,321
Interfund payable from restricted assets	-	-	-	1,026,633	-	1,026,633
<b>Total liabilities</b>	<b>1,995,942</b>	<b>487,259</b>	<b>685,705</b>	<b>1,086,839</b>	<b>73,027</b>	<b>4,328,772</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	115,505	-	-	-	-	115,505
Deferred inflow from leases (Note 13)	2,345,435	-	-	-	-	2,345,435
<b>Total deferred inflows of resources</b>	<b>2,460,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,460,940</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>4,456,882</b>	<b>487,259</b>	<b>685,705</b>	<b>1,086,839</b>	<b>73,027</b>	<b>6,789,712</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	121,540	-	-	-	-	121,540
Restricted:						
Roads and street improvements	-	1,269,447	540,525	-	-	1,809,972
Police forfeitures	4,326	-	-	-	-	4,326
Rubbish	66,494	-	-	-	-	66,494
Assigned:						
Capital expenditures	-	-	-	-	40,601	40,601
Unassigned	390,927	-	-	-	-	390,927
<b>Total fund balances</b>	<b>583,287</b>	<b>1,269,447</b>	<b>540,525</b>	<b>-</b>	<b>40,601</b>	<b>2,433,860</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,040,169</b>	<b>\$ 1,756,706</b>	<b>\$ 1,226,230</b>	<b>\$ 1,086,839</b>	<b>\$ 113,628</b>	<b>\$ 9,223,572</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2023**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 2,433,860
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	22,079,509
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	115,505
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(4,955,750)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(183,991)
Pension benefits	(2,518,290)
Other postemployment benefits	(2,335,243)
Deferred outflows of resources related to pension and other postemployment benefits	667,787
<b>Net Position of Governmental Activities</b>	<b><u>\$ 15,303,387</u></b>

# City of Lathrup Village, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2023**

	General Fund	Major Streets Fund	Local Streets Fund	Street Improvement Bond Fund	Nonmajor Fund - Capital Acquisition Fund	Total
<b>Revenue</b>						
Property taxes	\$ 3,185,731	\$ -	\$ -	\$ 618,956	\$ -	\$ 3,804,687
Intergovernmental:						
Federal grants	168,837	-	-	-	-	168,837
State-shared revenue and grants	526,916	398,304	211,393	-	-	1,136,613
Construction code fees	111,171	-	-	-	-	111,171
Fines and forfeitures	79,502	-	-	-	-	79,502
Licenses and permits	120,910	-	-	-	-	120,910
Interest and rentals:						
Investment income	103,290	10,949	7,008	93,095	3,338	217,680
Rental income	73,855	-	-	-	-	73,855
Special assessments	362,189	-	-	-	-	362,189
Other revenue:						
Michigan Broadband Authority	90,932	-	-	-	-	90,932
Other miscellaneous income	372,308	-	-	-	-	372,308
Total revenue	5,195,641	409,253	218,401	712,051	3,338	6,538,684
<b>Expenditures</b>						
Current services:						
General government:						
Government service	1,114,202	-	-	-	-	1,114,202
Buildings and grounds	153,245	-	-	-	-	153,245
Administration	766,349	-	-	-	-	766,349
Public safety	2,291,139	-	-	-	-	2,291,139
Public works	1,354,594	133,379	274,771	-	-	1,762,744
Recreation and culture	11,744	-	-	-	-	11,744
Capital outlay	-	1,577,073	1,726,466	-	217,691	3,521,230
Debt service	5,359	-	-	558,749	-	564,108
Total expenditures	5,696,632	1,710,452	2,001,237	558,749	217,691	10,184,761
<b>Excess of Revenue (Under) Over Expenditures</b>	(500,991)	(1,301,199)	(1,782,836)	153,302	(214,353)	(3,646,077)
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 5)	-	1,618,420	1,618,419	-	157,924	3,394,763
Transfers out (Note 5)	(157,924)	-	-	(3,236,839)	-	(3,394,763)
Total other financing (uses) sources	(157,924)	1,618,420	1,618,419	(3,236,839)	157,924	-
<b>Net Change in Fund Balances</b>	(658,915)	317,221	(164,417)	(3,083,537)	(56,429)	(3,646,077)
<b>Fund Balances - Beginning of year</b>	1,242,202	952,226	704,942	3,083,537	97,030	6,079,937
<b>Fund Balances - End of year</b>	<b>\$ 583,287</b>	<b>\$ 1,269,447</b>	<b>\$ 540,525</b>	<b>\$ -</b>	<b>\$ 40,601</b>	<b>\$ 2,433,860</b>

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2023**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (3,646,077)</b>
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	5,376,056
Depreciation expense	(485,742)
Net book value of assets disposed of	(65,060)
Total	4,825,254
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	65,069
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	457,774
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities does not provide current resources and, therefore, are not reported in the fund statements until they come due for payment	21,427
The change in the net OPEB liability and related deferrals does not require the use of current resources and is not reported in the governmental funds	668,499
The change in the net pension liability and related deferrals does not require the use of current resources and is not reported in the governmental funds	(800,310)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,591,636</b>



Proprietary Fund  
Statement of Net Position

June 30, 2023

	Major Enterprise Fund
	Water and Sewer Fund
	<u>                    </u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 3,527,503
Receivables	670,514
	<u>                    </u>
Total current assets	4,198,017
Noncurrent assets:	
Restricted assets:	
Cash on hand at the County	142,536
Advances to other funds (Note 5)	50,766
Capital assets - Net (Note 4)	12,770,899
Cash restricted to pay incurred project costs	676,806
	<u>                    </u>
Total noncurrent assets	13,641,007
	<u>                    </u>
Total assets	17,839,024
<b>Deferred Outflows of Resources</b>	
Deferred pension costs (Note 8)	90,002
Deferred OPEB costs (Note 10)	2,251
	<u>                    </u>
Total deferred outflows of resources	92,253
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	249,755
Due to other governmental units	166,305
Due to other funds (Note 5)	348,931
Accrued liabilities and other	49,659
Compensated absences (Note 6)	8,041
Current portion of long-term debt (Note 6)	329,352
	<u>                    </u>
Total current liabilities	1,152,043
Noncurrent liabilities:	
Interfund payable from restricted assets	676,806
Net pension liability (Note 8)	343,403
Net OPEB liability (Note 10)	726,765
Long-term debt - Net of current portion (Note 6)	6,702,415
	<u>                    </u>
Total noncurrent liabilities	8,449,389
	<u>                    </u>
Total liabilities	9,601,432
<b>Net Position</b>	
Net investment in capital assets	5,572,827
Unrestricted	2,757,018
	<u>                    </u>
Total net position	<u><u>\$ 8,329,845</u></u>

**Proprietary Fund**  
**Statement of Revenue, Expenses, and Changes in Net Position**

**Year Ended June 30, 2023**

	Major Enterprise Fund
	Water and Sewer Fund
<b>Operating Revenue</b>	
Sale of water	\$ 737,216
Sewage disposal charges	1,395,414
Meter charge revenue	113,198
Industrial surcharge	35,787
Penalties	81,749
Total operating revenue	2,363,364
<b>Operating Expenses</b>	
Cost of water	291,641
Cost of sewage treatment	1,044,422
Industrial surcharge	16,991
Other operating and maintenance costs - Net of OPEB gain	460,549
General and administrative	90,566
Depreciation	356,262
Total operating expenses	2,260,431
<b>Operating Income</b>	102,933
<b>Nonoperating Revenue (Expense)</b>	
Investment income	152,424
Interest expense	(162,850)
CIP debt service surcharge	228,905
Total nonoperating revenue	218,479
<b>Income (Loss) - Before capital contributions</b>	321,412
<b>Capital Contributions - Capital grants</b>	130,945
<b>Change in Net Position</b>	452,357
<b>Net Position - Beginning of year</b>	7,877,488
<b>Net Position - End of year</b>	\$ 8,329,845

Proprietary Fund  
Statement of Cash Flows

Year Ended June 30, 2023

	Major Enterprise Fund
	Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,282,738
Receipts from other funds	(676,806)
Payments to suppliers	(1,858,793)
Payments to employees	(215,280)
	<hr/>
Net cash used in operating activities	(468,141)
<b>Cash Flows Provided by Noncapital Financing Activities</b>	
Receipts from other funds	721,503
Loans received from other funds	676,806
Repayment of loan made to the General Fund	50,764
	<hr/>
Net cash provided by noncapital financing activities	1,449,073
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from issuance of debt	921,942
Receipt of capital grants	130,945
Purchase of capital assets	(3,289,138)
Principal and interest paid on capital debt	(479,402)
CIP debt service charge	228,905
	<hr/>
Net cash used in capital and related financing activities	(2,486,748)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	149,134
	<hr/>
<b>Net Decrease in Cash</b>	(1,356,682)
<b>Cash</b> - Beginning of year	5,348,132
	<hr/>
<b>Cash</b> - End of year	<b>\$ 3,991,450</b>
	<hr/> <hr/>
<b>Classification of Cash</b>	
Cash and investments	\$ 3,527,503
Cash restricted to pay incurred project costs	676,806
Less amounts classified as investments	(212,859)
	<hr/>
Total cash	<b>\$ 3,991,450</b>
	<hr/> <hr/>

Proprietary Fund  
Statement of Cash Flows (Continued)

Year Ended June 30, 2023

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 102,933
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	356,262
Changes in assets and liabilities:	
Receivables	(211,571)
Due to and from other funds	(676,806)
Net pension and OPEB liability and related deferrals	(237,896)
Accounts payable	67,709
Compensated absences	283
Total adjustments	<u>(702,019)</u>
Net cash used in operating activities	<u>\$ (599,086)</u>

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2023

	OPEB Trust Fund	Custodial Fund Tax Collection Fund
<b>Assets</b> - Interest in pooled investments	\$ 411,017	\$ -
<b>Net Position</b> - Restricted for postemployment benefits other than pension	<u>\$ 411,017</u>	<u>\$ -</u>

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**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

**Year Ended June 30, 2023**

	OPEB Trust Fund	Custodial Fund Tax Collection Fund
<b>Additions</b>		
Investment income - Net increase in fair value of investments	\$ 25,334	\$ -
Employer contributions	239,703	-
Property tax collections	-	8,039,162
Total additions	265,037	8,039,162
<b>Deductions</b>		
Benefit payments	189,703	-
Administrative expenses	637	-
Tax distributions to other governments	-	8,039,162
Total deductions	190,340	8,039,162
<b>Net Increase in Fiduciary Net Position</b>	74,697	-
<b>Net Position - Beginning of year</b>	336,320	-
<b>Net Position - End of year</b>	<b>\$ 411,017</b>	<b>\$ -</b>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The City of Lathrup Village, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City:

***Reporting Entity***

The City is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

***Blended Component Unit***

The Lathrup Village Building Authority is governed by a commission appointed by the City Council. Although it is legally separate from the City, the Lathrup Village Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

***Discretely Presented Component Unit***

The Downtown Development Authority (the "DDA") is reported within the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the mayor with the City Council's approval. In addition, the Authority's budget is subject to approval by the City Council. The DDA does not issue separate financial statements.

***Fiduciary Component Unit***

The City of Lathrup Village OPEB plan is governed by the City Council. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the board, and the plan imposes a financial burden to the City.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

**Note 1 - Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.
- The Major Streets Fund accounts for maintenance and improvement activities for streets designated as major within the City.
- The Local Streets Fund accounts for maintenance and improvement activities for streets designated as local within the City. Funding is provided primarily through state-shared gas and weight taxes. State law requires that these taxes be used for local street maintenance and construction.
- The Street Improvement Bond Fund is used to record the street improvement bond proceeds, the proceeds from the voter-approved bond millage, and payment of debt service interest and principal.

**Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports only the Water and Sewer Fund as a major enterprise fund. The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to citizens that are financed primarily by a user charge for the provision of those services.



**Note 1 - Significant Accounting Policies (Continued)**

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

- The OPEB Trust Fund accumulates resources for future retiree health care payments to retirees.
- The custodial fund, the Tax Collection Fund, collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).

**Interfund Activity**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, property taxes will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Specific Balances and Transactions**

**Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

**Note 1 - Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Infrastructure	10-50
Buildings and building improvements	80
Machinery, equipment, and vehicles	1-25
Utility system	50

**Unearned Revenue**

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided. The City has one item related to funds received from the American Rescue Plan Act, which qualified for reporting in this category.

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund, Street Improvement Bond Fund, and Water and Sewer Fund are generally used to liquidate long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, which are the deferred outflows of resources related to the defined benefit pension plan and OPEB plans. The deferred outflows of resources related to the defined benefit pension plan and OPEB plan are reported in the government-wide financial statements and the Water and Sewer Fund. The details can be found in Notes 8 and 10.

**Note 1 - Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category: unavailable revenue, deferred inflows of resources related to the defined benefit pension plan, and deferred inflows from leases. Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The deferred inflows of resources related to leases are reported in the government-wide financial statements and the General Fund. The details can be found in Note 13.

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Note 1 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the city administrator to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

Properties are assessed as of December 31. Property taxes are levied the following July 1 and become a lien on December 1. The taxes are due on February 28, after which point they are added to the county tax rolls.

The City's 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City totaled \$163.7 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 17.5618 mills for operating purposes, 2.6341 mills for refuse services, 3.9307 mills for debt service, and 1.8823 for DDA operations. This resulted in \$2,647,000 for operating and approximately \$397,000 for refuse services recognized in the General Fund as tax revenue, approximately \$619,000 for debt service recognized in the Street Improvement Bond Fund, and approximately \$37,000 for the DDA.

**Pension**

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Other Postemployment Benefit Costs**

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Note 1 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for unpaid accumulated sick leave since the City has a policy to pay out 50 percent of accumulated sick time when employees separate from services with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and the Water and Sewer Fund.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses, and may also include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Leases**

The City is a lessor for noncancelable leases of cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Note 1 - Significant Accounting Policies (Continued)**

**Upcoming Accounting Pronouncements**

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

**Note 2 - Stewardship, Compliance, and Accountability**

**Construction Code Fees**

The City oversees building construction, in accordance with the State's 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 the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2022		\$ (316,776)
Current year building permit revenue		111,171
Related expenses:		
Direct costs	\$ 98,127	
Estimated indirect costs	59,872	157,999
		<u>(46,828)</u>
Current year shortfall		<u>(46,828)</u>
Cumulative shortfall June 30, 2023		<u>\$ (363,604)</u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Note 3 - Deposits and Investments (Continued)**

The City Council has designated three banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits, investments, and investment policies are in accordance with statutory authority.

The OPEB Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The OPEB Trust has designated one bank for deposit of its funds. The Trust's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of \$7,630,824 (certificates of deposit and checking and savings accounts), of which \$712,959 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Downtown Development Authority had bank deposits of \$1,100,023 (savings accounts), of which \$250,000 was covered by federal deposit insurance, and the remainder was uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the OPEB Trust had no bank deposits (cash and money market accounts) that were uninsured and uncollateralized.

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			

**Fair Value Measurements**

The City categorizes its fair value measurements 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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City had no investments that were valued at fair value as of June 30, 2023.

**Investments in Entities that Calculate Net Asset Value per Share**

The OPEB Trust fund holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

June 30, 2023

**Note 3 - Deposits and Investments (Continued)**

At June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS ISP Total Market Portfolio	\$ 411,017	\$ -	No restrictions	None

The MERS ISP Total Market Portfolio is a fully diversified portfolio combining stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages asset allocation and monitors the underlying investment managers of the MERS ISP Total Market Portfolio.

**Note 4 - Capital Assets**

Capital asset activity of the City's governmental and business-type activities was as follows:

**Governmental Activities**

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 364,738	\$ -	\$ -	\$ (65,060)	\$ 299,678
Construction in progress	2,746,032	(2,230,370)	5,051,420	-	5,567,082
Right of ways	12,402,720	-	-	-	12,402,720
Subtotal	15,513,490	(2,230,370)	5,051,420	(65,060)	18,269,480
Capital assets being depreciated:					
Buildings and improvements	1,309,023	-	-	-	1,309,023
Machinery and equipment	1,872,031	-	324,636	(70,510)	2,126,157
Infrastructure	7,502,782	2,230,370	-	-	9,733,152
Subtotal	10,683,836	2,230,370	324,636	(70,510)	13,168,332
Accumulated depreciation:					
Buildings and improvements	932,669	-	30,233	-	962,902
Machinery and equipment	1,638,555	-	100,987	(70,510)	1,669,032
Infrastructure	6,371,847	-	354,522	-	6,726,369
Subtotal	8,943,071	-	485,742	(70,510)	9,358,303
Net capital assets being depreciated	1,740,765	2,230,370	(161,106)	-	3,810,029
Net governmental activities capital assets	\$ 17,254,255	\$ -	\$ 4,890,314	\$ (65,060)	\$ 22,079,509



June 30, 2023

**Note 4 - Capital Assets (Continued)**

**Business-type Activities**

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated - Construction in progress	\$ -	\$ -	\$ 1,088,247	\$ -	\$ 1,088,247
Capital assets being depreciated:					
Utility system	17,458,824	-	2,171,909	-	19,630,733
Machinery and equipment	564,704	-	-	-	564,704
Vehicles	69,487	-	-	-	69,487
Subtotal	18,093,015	-	2,171,909	-	20,264,924
Accumulated depreciation:					
Utility system	7,677,647	-	347,670	-	8,025,317
Machinery and equipment	478,876	-	8,592	-	487,468
Vehicles	69,487	-	-	-	69,487
Subtotal	8,226,010	-	356,262	-	8,582,272
Net capital assets being depreciated	9,867,005	-	1,815,647	-	11,682,652
Net business-type activities capital assets	\$ 9,867,005	\$ -	\$ 2,903,894	\$ -	\$ 12,770,899

**Component Unit**

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets being depreciated:					
Infrastructure	\$ 360,290	\$ -	\$ -	\$ -	\$ 360,290
Furniture and equipment	25,243	-	-	-	25,243
Subtotal	385,533	-	-	-	385,533
Accumulated depreciation:					
Infrastructure	181,719	-	27,106	-	208,825
Buildings and improvements	17,583	-	2,608	-	20,191
Subtotal	199,302	-	29,714	-	229,016
Net capital assets	\$ 186,231	\$ -	\$ (29,714)	\$ -	\$ 156,517

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

Governmental activities:	
General government	\$ 44,479
Public safety	109,933
Public works	310,603
Recreation and culture	20,727
Total governmental activities	\$ 485,742
Business-type activities - Water and Sewer Fund	\$ 356,262

June 30, 2023

**Note 4 - Capital Assets (Continued)**

Component unit activities - Downtown Development Authority \$ 29,714

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 945,177
	Local Streets Fund	49,963
	Nonmajor governmental fund - Capital Acquisition Fund	9,961
	Total General Fund	1,005,101
Major Streets Fund	General Fund	570,939
	Water and Sewer Fund	40,280
	Street Improvement Bond Fund	543,420
	Local Streets Fund	148,483
	Nonmajor governmental fund - Capital Acquisition Fund	33,353
	Total Major Streets Fund	1,336,475
Local Streets Fund	Water and Sewer Fund	40,280
	Street Improvement Bond Fund	543,419
	Nonmajor governmental fund - Capital Acquisition Fund	29,713
	Total Local Streets Fund	613,412
Street Improvement Bond Fund	General Fund	60,206
	Total	\$ <u>3,015,194</u>

The Water and Sewer Fund and Street Improvement Bond Fund have cash restricted for incurred project costs that will be used to repay a portion of these interfund balances.

The City has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	General Fund	\$ 50,766

The balance of amounts loaned from the discretely presented component unit is as follows:

Receivable	Payable	Amount
Component unit - Downtown Development Authority	General Fund	\$ 281,027

The discretely presented component unit also has amounts due to the Major Streets Fund and Local Streets Fund of \$133,802 each, totaling \$267,604.

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The long-term advance between the General Fund and Water and Sewer Fund resulted from a contribution to fund the City's unfunded pension liability. The Water and Sewer Fund paid more than its related portion and will be reimbursed by the General Fund over a period of 10 years.

June 30, 2023

**Note 5 - Interfund Receivables, Payables, and Transfers (Continued)**

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental fund - Capital Acquisition Fund	\$ 157,924
Street Improvement Bond Fund	Major Streets Fund	1,618,420
	Local Streets Fund	1,618,419
	Total Street Improvement Bond Fund	3,236,839
	Total	\$ 3,394,763

The transfers from the General Fund to the nonmajor governmental fund - Capital Acquisition Fund represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations. The transfer between the Street Improvement Bond Fund and the Major Streets and Local Streets funds represents a distribution of bond proceeds for major and local street projects.

**Note 6 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:							
Michigan Suburbs Alliance loan - Energy efficiency and renewable energy projects - Amount of issue: \$80,380, maturing in 2027	N/A	\$5,359	\$ 26,790	\$ -	\$ (5,359)	\$ 21,431	\$ 5,359
Other Debt: Unlimited General Obligation Bond - Amount of issue: \$4,720,000, maturing in 2031	5.00%	\$345,000 - \$655,000	4,375,000	-	(340,000)	4,035,000	375,000
Unamortized bond premiums	N/A	N/A	1,011,734	-	(112,415)	899,319	112,415
Total bonds and contracts payable			5,413,524	-	(457,774)	4,955,750	492,774
Other long-term obligations - Compensated absences			205,418	121,519	(142,946)	183,991	78,573
Total governmental activities long-term debt			\$ 5,618,942	\$ 121,519	\$ (600,720)	\$ 5,139,741	\$ 571,347

June 30, 2023

**Note 6 - Long-term Debt (Continued)**

**Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements:							
State Revolving Fund Obligation - Amount of issue: \$626,570, maturing in 2028	2.50%	\$17,142 - \$45,000	\$ 307,142	\$ -	\$ (35,000)	\$ 272,142	\$ 35,000
Evergreen-Farmington Sanitary Drain Drainage District Bond Series 2023 - CWSRF #5834- 01	1.875%	\$146,118 - \$208,717	-	921,942	-	921,942	-
Total direct borrowings and direct placements principal outstanding			307,142	921,942	(35,000)	1,194,084	35,000
Other debt:							
General obligations bonds - Amount of issue: \$995,000, maturing in 2027	4.25% - 4.75%	\$70,000 - \$75,000	355,000	-	(65,000)	290,000	70,000
2021 Capital Improvement Bonds - Amount of issue: \$5,380,000, maturing in 2042	2.00% - 5.00%	\$205,000 - \$350,000	5,380,000	-	(200,000)	5,180,000	205,000
Total other debt principal outstanding			5,735,000	-	(265,000)	5,470,000	275,000
Unamortized bond premiums	N/A	\$19,352	387,035	-	(19,352)	367,683	19,352
Total bonds and contracts payable			6,429,177	921,942	(319,352)	7,031,767	329,352
Other long-term obligations - Compensated absences			7,758	4,066	(3,783)	8,041	8,041
Total business-type activities long- term debt			<u>\$ 6,436,935</u>	<u>\$ 926,008</u>	<u>\$ (323,135)</u>	<u>\$ 7,039,808</u>	<u>\$ 337,393</u>

**Note 6 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities					Business-type Activities				
	Other Debt	Direct Borrowings and Direct Placements				Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2024	\$ 375,000	\$ 201,750	\$ 5,359	\$ -	\$ 582,109	\$ 35,000	\$ 28,671	\$ 275,000	\$ 158,425	\$ 497,096
2025	405,000	183,000	5,359	-	593,359	35,000	26,795	285,000	144,600	491,395
2026	440,000	162,750	5,359	-	608,109	40,000	25,795	295,000	130,281	491,076
2027	480,000	140,750	5,354	-	626,104	40,000	24,795	300,000	115,594	480,389
2028	515,000	166,750	-	-	681,750	186,118	22,425	230,000	102,438	540,981
2029-2033 Thereafter	1,820,000	186,750	-	-	2,006,750	857,966	56,081	1,270,000	363,313	2,547,360
	-	-	-	-	-	-	-	2,815,000	267,669	3,082,669
<b>Total</b>	<b>\$ 4,035,000</b>	<b>\$ 1,041,750</b>	<b>\$ 21,431</b>	<b>\$ -</b>	<b>\$ 5,098,181</b>	<b>\$ 1,194,084</b>	<b>\$ 184,562</b>	<b>\$ 5,470,000</b>	<b>\$ 1,282,320</b>	<b>\$ 8,130,966</b>

**Evergreen-Farmington Sanitary Drainage District Bonds, Series 2023**

The City entered into an agreement with the Drainage Board for the Evergreen Farmington Sanitary Drain Drainage district to allow for the issuance of bonds to finance increasing outlet capacity as part of a corrective action plan submitted to the State of Michigan on behalf of the fifteen Oakland County municipalities served by the Evergreen-Farmington Sewage Disposal System. The Evergreen-Farmington Sanitary Drain Bonds, Series 2023, were issued in the amount of \$121,070,000, with \$12,107,000 of the bonds anticipated to be forgiven. The City will be responsible for 3.22343 percent of the debt service payments associated with this issuance. As of June 30, 2023, the total balance drawn on these bonds is \$28,601,271, of which \$921,942 will be the responsibility of the City. The bonds bear interest at 1.875 percent, and principal payments commence in October 2027.

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees. The City participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League 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.

**Note 8 - Defined Benefit Pension Plan**

**Plan Description**

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers certain general, nonunion, police, and patrol employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Note 8 - Defined Benefit Pension Plan (Continued)**

**Benefits Provided**

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers general employees, police employees, and department heads. The plan is closed to new hired employees.

Retirement benefits for general employees and nonunion employees hired before January 1, 2008 are calculated as 2.5 percent (80 percent max) of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for police employees are calculated as 2.5 percent (80 percent max) of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for nonunion employees hired after January 1, 2008 are calculated as 2.0 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for patrol employees are calculated as 2.8 percent (80 percent max) of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>3</u>
Total employees covered by the plan	<u><u>25</u></u>

**Contributions**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee services rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2023, the average active employee contribution rate was 6.32 percent of gross wages, and the City's minimum monthly required contribution was \$24,806.

**Note 8 - Defined Benefit Pension Plan (Continued)**

**Net Pension Liability**

The City has chosen to use the December 31, 2022 measurement date as its measurement date for the net pension liability. The June 30, 2023 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2021</b>	\$ 8,728,960	\$ 7,303,392	\$ 1,425,568
Changes for the year:			
Service cost	58,960	-	58,960
Interest	610,178	-	610,178
Differences between expected and actual experience	272,856	-	272,856
Contributions - Employer	-	294,918	(294,918)
Contributions - Employee	-	26,948	(26,948)
Net investment loss	-	(802,841)	802,841
Benefit payments, including refunds	(684,405)	(684,405)	-
Administrative expenses	-	(13,156)	13,156
Net changes	257,589	(1,178,536)	1,436,125
<b>Balance at December 31, 2022</b>	<u>\$ 8,986,549</u>	<u>\$ 6,124,856</u>	<u>\$ 2,861,693</u>

The plan's fiduciary net position represents 68.2 percent of the total pension liability.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the City recognized pension expense of \$603,190.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 601,171	\$ -
Employer contributions to the plan subsequent to the measurement date	148,836	-
Total	<u>\$ 750,007</u>	<u>\$ -</u>

**Note 8 - Defined Benefit Pension Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2024	\$ 43,192
2025	108,815
2026	185,419
2027	263,745
Total	<u>\$ 601,171</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses but gross of administrative expenses) of 7.25 percent, and the Pub-2010 mortality tables using scale MP-2019. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted from January 1, 2014 through December 31, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Projected Cash Flows**

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make 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.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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. Best estimates of arithmetic real rates of return net of inflation as of the December 31, 2022 measurement date for each major asset class included in the pension plan’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00



**Note 8 - Defined Benefit Pension Plan (Continued)**

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 3,738,181	\$ 2,861,693	\$ 2,111,395

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 9 - Defined Contribution Pension Plan**

The City provides additional pension benefits to all full-time employees hired after July 1, 2013 through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Under the plan, all employees contribute 5 percent of gross earnings to the plan, and the City matches their contributions at a rate of 8 percent for police employees and 5 percent for all other employees. In accordance with these provisions, the City contributed \$59,863 and employees contributed \$73,017 for the year ended June 30, 2023.

**Note 10 - Other Postemployment Benefit Plan**

***Plan Description***

The City provides retiree health care benefits to eligible employees and their spouses. The benefits are provided through the City of Lathrup Village Retiree Healthcare Plan, a single-employer plan administered by the City of Lathrup Village, Michigan.

Management of the plan is vested in the OPEB board, which consists of the City Council.

The plan assets are reported in the City's financial statements as a fiduciary fund.

***Benefits Provided***

The City of Lathrup Village Retiree Healthcare Plan provides medical and pharmacy benefits for eligible retirees and their spouses. Benefits are provided through fully insured plans administered by Blue Cross Blue Shield of Michigan. The plan is closed to new employees hired after January 1, 2008.

June 30, 2023

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	<u>City of Lathrup Village Retiree Healthcare Plan</u>
Date of member count	July 1, 2021
Inactive plan members or beneficiaries currently receiving benefits	21
Active plan members	<u>3</u>
Total plan members	<u><u>24</u></u>

**Contributions**

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2023, the City made payments for postemployment health benefit premiums of \$189,703.

**Net OPEB Liability**

The City has chosen to use the June 30, 2023 measurement date as its measurement date for the net OPEB liability. The June 30, 2023 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2023 measurement date. The June 30, 2023 measurement date total OPEB liability was determined by an actuarial valuation performed as of July 1, 2021 and was rolled forward to the measurement dated as of June 30, 2023.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2022</b>	\$ 3,820,697	\$ 336,320	\$ 3,484,377
Changes for the year:			
Service cost	7,977	-	7,977
Interest	183,331	-	183,331
Differences between expected and actual experience	(9,780)	-	(9,780)
Changes in assumptions	(339,497)	-	(339,497)
Contributions - Employer	-	239,703	(239,703)
Net investment income	-	25,334	(25,334)
Benefit payments, including refunds	(189,703)	(189,703)	-
Administrative expenses	-	(637)	637
Net changes	<u>(347,672)</u>	<u>74,697</u>	<u>(422,369)</u>
<b>Balance at June 30, 2023</b>	<u><u>\$ 3,473,025</u></u>	<u><u>\$ 411,017</u></u>	<u><u>\$ 3,062,008</u></u>

The plan's fiduciary net position represents 11.8 percent of the total OPEB liability.

**Note 10 - Other Postemployment Benefit Plan (Continued)**

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

For the year ended June 30, 2023, the City recognized OPEB gain of \$171,900.

At June 30, 2023, the City reported deferred outflows of resources totaling \$10,033 related to OPEB from the net difference between projected and actual earnings on OPEB plan investments.

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

Years Ending June 30	Amount
2024	\$ 3,157
2025	3,157
2026	5,241
2027	(1,522)
Total	<u>\$ 10,033</u>

***Actuarial Assumptions***

The total OPEB liability as of the June 30, 2023 measurement date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; a discount rate of 5.81 percent; a health care cost trend rate of 7.75 percent for 2022, decreasing 0.25 percentage points per year to an ultimate rate of 4.5 percent for 2034 and later years; and the Pub-2010 mortality tables using scale MP-2021. These assumptions were applied to all periods included in the measurement.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 5.81 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees through the year 2046. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments of 7.00 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds of 4.13 percent based on the S&P Municipal Bond 20-Year High-Grade Rate Index.

June 30, 2023

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2023 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment section below, are summarized in the following tables:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.00
Private investments	7.00

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, calculated using the discount rate of 5.81 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.81%)	Current Discount Rate (5.81%)	1 Percentage Point Increase (6.81%)
Net OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 3,482,585	\$ 3,062,008	\$ 2,715,439

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.75 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.75%)	Current Health Care Cost Trend Rate (7.75%)	1 Percentage Point Increase (8.75%)
Net OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 2,649,374	\$ 3,062,008	\$ 3,559,089

**Assumption Changes**

There was an assumption change from the June 30, 2022 to the June 30, 2023 measurement related to a discount rate increase from 4.91 percent to 5.81 percent.

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Investment Policy**

The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board’s adopted asset allocation policy as of June 30, 2023:

**City of Lathrup Village Retiree Healthcare Plan**

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	100.00 %

**Rate of Return**

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.45 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 11 - Retirement Health Care Savings Plan**

The City provides additional other postemployment benefits to all full-time employees hired after July 1, 2008 through a retiree health care savings plan administered by ICMA - Meritain Health. Under the plan, there are no employee contributions, and the City contributes 2 percent of employees' base salaries into eligible employees' health savings accounts for retirement health care. Contributions to the health savings accounts by the City were \$19,301 for the year ended June 30, 2023.

**Note 12 - Joint Venture**

The City is a member of Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of 12 municipalities in Oakland County. The Authority provides refuse disposal services for the benefit of member municipalities. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provided annual funding for its operations. During the current year, the City expensed approximately \$370,000 related to payments to the Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

The City is a member of Southeastern Oakland County Water Authority (the "Water Authority"), which consists of 11 municipalities in Oakland County, Michigan. The City purchases water from the Water Authority. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provide annual funding for its operations. During the current year, the City expensed approximately \$292,000 related to payments to the Water Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Water Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

June 30, 2023

**Note 13 - Leases**

The City leases certain assets to various third parties. The assets leased include cell towers. Payments are generally fixed monthly. The City has long-term receivables and deferred inflows of resources related to these leases totaling \$2,446,164 and \$2,345,435, respectively, at June 30, 2023.

During the year ended June 30, 2023, the City recognized the following related to its lessor agreements:

Lease revenue	\$	90,932
Interest income related to its leases		80,284

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## Required Supplementary Information

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Required Supplementary Information  
Schedule of Changes in the Net Pension Liability and Related Ratios

Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 58,960	\$ 56,707	\$ 58,205	\$ 59,127	\$ 61,401	\$ 65,460	\$ 82,950	\$ 84,814	\$ 102,340
Interest	610,178	615,604	610,908	623,086	623,735	637,504	612,822	588,230	576,312
Miscellaneous other charges	-	-	-	-	-	(93,953)	-	-	-
Differences between expected and actual experience	272,856	22,665	(263,611)	(83,540)	(73,176)	(211,835)	252,035	29,891	-
Changes in assumptions	-	270,517	267,386	264,344	-	-	-	377,460	-
Benefit payments, including refunds	(684,405)	(616,440)	(604,252)	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
<b>Net Change in Total Pension Liability</b>	<b>257,589</b>	<b>349,053</b>	<b>68,636</b>	<b>241,536</b>	<b>(4,421)</b>	<b>(214,976)</b>	<b>392,855</b>	<b>536,824</b>	<b>171,415</b>
<b>Total Pension Liability - Beginning of year</b>	<b>8,728,960</b>	<b>8,379,907</b>	<b>8,311,271</b>	<b>8,069,735</b>	<b>8,074,156</b>	<b>8,289,132</b>	<b>7,896,277</b>	<b>7,359,453</b>	<b>7,188,038</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 8,986,549</b>	<b>\$ 8,728,960</b>	<b>\$ 8,379,907</b>	<b>\$ 8,311,271</b>	<b>\$ 8,069,735</b>	<b>\$ 8,074,156</b>	<b>\$ 8,289,132</b>	<b>\$ 7,896,277</b>	<b>\$ 7,359,453</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 294,918	\$ 258,690	\$ 211,512	\$ 199,230	\$ 157,170	\$ 100,914	\$ 74,706	\$ 64,182	\$ 53,795
Contributions - Member	26,948	28,427	29,489	30,089	31,517	38,023	135,489	49,191	61,176
Net investment income (loss)	(802,841)	891,818	846,102	784,097	(244,887)	809,627	671,396	(94,420)	409,055
Administrative expenses	(13,156)	(10,587)	(12,378)	(13,498)	(12,458)	(12,866)	(13,283)	(14,080)	(14,946)
Benefit payments, including refunds	(684,405)	(616,440)	(604,252)	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
Miscellaneous other charges	-	-	-	-	-	(93,953)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,178,536)</b>	<b>551,908</b>	<b>470,473</b>	<b>378,437</b>	<b>(685,039)</b>	<b>229,593</b>	<b>313,356</b>	<b>(538,698)</b>	<b>1,843</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>7,303,392</b>	<b>6,751,484</b>	<b>6,281,011</b>	<b>5,902,574</b>	<b>6,587,613</b>	<b>6,358,020</b>	<b>6,044,664</b>	<b>6,583,362</b>	<b>6,581,519</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 6,124,856</b>	<b>\$ 7,303,392</b>	<b>\$ 6,751,484</b>	<b>\$ 6,281,011</b>	<b>\$ 5,902,574</b>	<b>\$ 6,587,613</b>	<b>\$ 6,358,020</b>	<b>\$ 6,044,664</b>	<b>\$ 6,583,362</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 2,861,693</b>	<b>\$ 1,425,568</b>	<b>\$ 1,628,423</b>	<b>\$ 2,030,260</b>	<b>\$ 2,167,161</b>	<b>\$ 1,486,543</b>	<b>\$ 1,931,112</b>	<b>\$ 1,851,613</b>	<b>\$ 776,091</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	68.16 %	83.67 %	80.57 %	75.57 %	73.14 %	81.59 %	76.70 %	76.55 %	89.45 %
<b>Covered Payroll</b>	\$ 366,011	\$ 385,192	\$ 447,808	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381	\$ 877,424
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	781.86 %	370.09 %	363.64 %	443.48 %	454.13 %	294.57 %	298.43 %	255.97 %	88.45 %



Required Supplementary Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 297,672	\$ 292,164	\$ 225,216	\$ 197,808	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182	\$ 67,092	\$ 81,305
Contributions in relation to the actuarially determined contribution	297,672	292,164	225,216	197,808	200,652	113,688	88,140	64,182	67,082	1,225,013
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10)</b>	<b>\$ 1,143,708</b>
<b>Covered Payroll</b>	<b>\$ 322,968</b>	<b>\$ 321,064</b>	<b>\$ 461,803</b>	<b>\$ 457,801</b>	<b>\$ 477,215</b>	<b>\$ 504,653</b>	<b>\$ 647,096</b>	<b>\$ 723,381</b>	<b>\$ 877,424</b>	<b>\$ 840,997</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>92.17 %</b>	<b>91.00 %</b>	<b>48.77 %</b>	<b>43.21 %</b>	<b>42.05 %</b>	<b>22.53 %</b>	<b>13.62 %</b>	<b>8.87 %</b>	<b>7.65 %</b>	<b>145.66 %</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2023 were determined based on the actuarial valuation as of December 31, 2020. The most recent valuation is as of December 31, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	16 years
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increase	3.0 percent
Investment rate of return	7.60 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	Pub-2010 mortality tables
Other information	None

# City of Lathrup Village, Michigan

## Required Supplementary Information Schedule of Changes in the Net OPEB Liability and Related Ratios

**Fiscal Years Ended June 30**

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 7,977	\$ 16,282	\$ 80,712	\$ 64,528	\$ 53,004	\$ 58,875
Interest	183,331	135,804	184,803	205,246	194,817	180,037
Differences between expected and actual experience	(9,780)	(141,665)	(48,359)	123,103	-	-
Changes in assumptions	(339,497)	2,809,918)	(299,252)	688,405	307,745	(280,471)
Benefit payments, including refunds	<u>(189,703)</u>	<u>(161,023)</u>	<u>(136,024)</u>	<u>(147,716)</u>	<u>(167,338)</u>	<u>(177,091)</u>
<b>Net Change in Total OPEB Liability</b>	(347,672)	2,960,520)	(218,120)	933,566	388,228	(218,650)
<b>Total OPEB Liability - Beginning of year</b>	<u>3,820,697</u>	<u>6,781,217</u>	<u>6,999,337</u>	<u>6,065,771</u>	<u>5,677,543</u>	<u>5,896,193</u>
<b>Total OPEB Liability - End of year</b>	<u><b>\$3,473,025</b></u>	<u><b>\$3,820,697</b></u>	<u><b>\$6,781,217</b></u>	<u><b>\$6,999,337</b></u>	<u><b>\$6,065,771</b></u>	<u><b>\$5,677,543</b></u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 239,703	\$ 311,023	\$ 336,024	\$ -	\$ -	\$ -
Net investment (loss) income	25,334	(26,190)	13,080	-	-	-
Administrative expenses	(637)	(469)	(101)	-	-	-
Benefit payments, including refunds	<u>(189,703)</u>	<u>(161,023)</u>	<u>(136,024)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	74,697	123,341	212,979	-	-	-
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>336,320</u>	<u>212,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Plan Fiduciary Net Position - End of year</b>	<u><b>\$ 411,017</b></u>	<u><b>\$ 336,320</b></u>	<u><b>\$ 212,979</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
<b>Net OPEB Liability - Ending</b>	<u><b>\$3,062,008</b></u>	<u><b>\$3,484,377</b></u>	<u><b>\$6,568,238</b></u>	<u><b>\$6,999,337</b></u>	<u><b>\$6,065,771</b></u>	<u><b>\$5,677,543</b></u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	11.83 %	8.80 %	3.14 %	- %	- %	- %
<b>Covered-employee Payroll</b>	\$ 204,228	\$ 264,171	\$ 340,772	\$ 340,935	\$ 311,227	\$ 316,913
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	1,499.31 %	1,318.99 %	1,927.46 %	2,052.98 %	1,948.99 %	1,791.51 %

Required Supplementary Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 238,079	\$ 240,805	\$ 409,275	\$ 407,962	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836	\$ 259,097	\$ 422,732
Contributions in relation to the actuarially determined contribution	239,703	311,023	336,024	147,716	167,338	177,091	143,679	138,020	165,208	183,783
<b>Contribution Excess (Deficiency)</b>	<b>\$ 1,624</b>	<b>\$ 70,218</b>	<b>\$ (73,251)</b>	<b>\$ (260,246)</b>	<b>\$ (33,088)</b>	<b>\$ (4,749)</b>	<b>\$ (145,157)</b>	<b>\$ (150,816)</b>	<b>\$ (93,889)</b>	<b>\$ (238,949)</b>
<b>Covered-employee Payroll</b>	<b>\$ 204,228</b>	<b>\$ 264,171</b>	<b>\$ 340,772</b>	<b>\$ 340,935</b>	<b>\$ 311,227</b>	<b>\$ 316,913</b>	<b>\$ 723,381</b>	<b>\$ 723,381</b>	<b>\$ 877,424</b>	<b>\$ 840,997</b>
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>117.37 %</b>	<b>117.74 %</b>	<b>98.61 %</b>	<b>43.33 %</b>	<b>53.77 %</b>	<b>55.88 %</b>	<b>19.86 %</b>	<b>19.08 %</b>	<b>18.83 %</b>	<b>- %</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of July 1, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal as a percentage of payroll
Amortization method	Level dollar over a closed 26 years
Remaining amortization period	24
Asset valuation method	N/A
Inflation	2.5 percent
Health care cost trend rates	7.5 percent for 2023, decreasing 0.25 percent per year ultimately decreasing to 4.5 percent for 2036 and years later
Salary increase	2.0 percent
Investment rate of return	7.0 percent
Retirement age	Age 60 with 10 years of service; or age 55 with 15 years of service; or age 50 with 25 years of service
Mortality	For current employees, Pub-2010 General Employees Mortality Table without adjustment; For healthy retirees, Pub-2010 General Retiree Mortality Table (scaled by a factor of 106%); For disabled retirees, PubNS-2010 Disabled Retiree Mortality table without adjustment
Other information	None

Required Supplementary Information  
Schedule of OPEB Investment Returns

	Last Three Fiscal Years		
	Years Ended June 30		
	2023	2022	2021
Annual money-weighted rate of return - Net of investment expense	7.45 %	(9.90)%	25.11 %

Note: The OPEB Trust fund was established during the fiscal year ended June 30, 2021. As a result, full 10-year information is not available. This schedule is being built prospectively.

Draft

**City of Lathrup Village, Michigan**

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund**

**Year Ended June 30, 2023**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget - (Unfavorable) Favorable
<b>Revenue</b>				
Property taxes	\$ 3,397,736	\$ 3,397,736	\$ 3,185,731	\$ (212,005)
Special assessments	200,000	200,000	362,189	162,189
Intergovernmental:				
Federal grants	8,000	8,000	168,837	160,837
State-shared revenue and grants	478,151	478,151	526,916	48,765
Local grants and contributions	9,685	9,685	-	(9,685)
Construction code fees	123,500	123,500	111,171	(12,329)
Fines and forfeitures	70,000	70,000	79,502	9,502
Licenses and permits	136,700	136,700	120,910	(15,790)
Interest and rentals	84,917	84,917	177,145	92,228
Other revenue:				
Michigan Broadband Authority	108,889	108,889	90,932	(17,957)
Other miscellaneous income	283,488	283,488	372,308	88,820
<b>Total revenue</b>	<b>4,901,066</b>	<b>4,901,066</b>	<b>5,195,641</b>	<b>294,575</b>
<b>Expenditures</b>				
Current services:				
General government:				
Government service	781,690	781,690	1,114,202	(332,512)
Buildings and grounds	122,500	122,500	153,245	(30,745)
Administration	864,858	864,858	766,349	98,509
Public safety	2,400,256	2,400,256	2,291,139	109,117
Public works	889,720	889,720	1,354,594	(464,874)
Recreation and culture	50,642	50,642	11,744	38,898
Debt service	5,359	5,359	5,359	-
<b>Total expenditures</b>	<b>5,115,025</b>	<b>5,115,025</b>	<b>5,696,632</b>	<b>(581,607)</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(213,959)</b>	<b>(213,959)</b>	<b>(500,991)</b>	<b>(287,032)</b>
<b>Other Financing Uses - Transfers out</b>	<b>(157,924)</b>	<b>(157,924)</b>	<b>(157,924)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(371,883)</b>	<b>(371,883)</b>	<b>(658,915)</b>	<b>(287,032)</b>
<b>Fund Balance - Beginning of year</b>	<b>1,242,202</b>	<b>1,242,202</b>	<b>1,242,202</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 870,319</b>	<b>\$ 870,319</b>	<b>\$ 583,287</b>	<b>\$ (287,032)</b>

**City of Lathrup Village, Michigan**

Required Supplementary Information  
 Budgetary Comparison Schedules - Major Special Revenue Funds  
 Major Streets Fund

**Year Ended June 30, 2023**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget - (Unfavorable) Favorable
<b>Revenue</b>				
Intergovernmental - State-shared revenue and grants	\$ 373,671	\$ 373,671	\$ 398,304	\$ 24,633
Interest and rentals - Investment income	600	600	10,949	10,349
Total revenue	374,271	374,271	409,253	34,982
<b>Expenditures</b>				
Current services - Public works	169,762	169,762	133,379	36,383
Capital outlay	1,058,196	1,058,196	1,577,073	(518,877)
Debt service	98,333	98,333	-	98,333
Total expenditures	1,326,291	1,326,291	1,710,452	(384,161)
<b>Excess of Expenditures Over Revenue</b>	(952,020)	(952,020)	(1,301,199)	(349,179)
<b>Other Financing Sources - Transfers in</b>	952,207	952,207	1,618,420	666,213
<b>Net Change in Fund Balance</b>	187	187	317,221	317,034
<b>Fund Balance - Beginning of year</b>	952,226	952,226	952,226	-
<b>Fund Balance - End of year</b>	<u>\$ 952,413</u>	<u>\$ 952,413</u>	<u>\$ 1,269,447</u>	<u>\$ 317,034</u>

**City of Lathrup Village, Michigan**

Required Supplementary Information  
 Budgetary Comparison Schedules - Major Special Revenue Funds  
 (Continued)  
 Local Streets Fund

**Year Ended June 30, 2023**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget - (Unfavorable) Favorable
<b>Revenue</b>				
Intergovernmental - State-shared revenue and grants	\$ 189,446	\$ 189,446	\$ 211,393	\$ 21,947
Interest and rentals - Investment income	600	600	7,008	6,408
Total revenue	190,046	190,046	218,401	28,355
<b>Expenditures</b>				
Current services - Public works	410,037	410,037	274,771	135,266
Capital outlay	1,058,196	1,058,196	1,726,466	(668,270)
Debt service	98,333	98,333	-	98,333
Total expenditures	1,566,566	1,566,566	2,001,237	(434,671)
<b>Excess of Expenditures Over Revenue</b>	(1,376,520)	(1,376,520)	(1,782,836)	(406,316)
<b>Other Financing Sources</b> - Transfers in	1,376,707	1,376,707	1,618,419	241,712
<b>Net Change in Fund Balance</b>	187	187	(164,417)	(164,604)
<b>Fund Balance</b> - Beginning of year	704,942	704,942	704,942	-
<b>Fund Balance</b> - End of year	<u>\$ 705,129</u>	<u>\$ 705,129</u>	<u>\$ 540,525</u>	<u>\$ (164,604)</u>

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the revenue and expenditures categories, rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end; encumbrances are not included in expenditures. During the year, the budget was amended in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level (i.e., the level at which expenditures may not legally exceed appropriations). The preceding schedules show the activity in more detail than the legal level of control. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once goods are delivered or the services rendered.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the third Monday in April, the City shall submit to the City Council a recommended budget covering the next fiscal year.
2. A public hearing on the proposed budget shall be held before its final adoption at such time and place as the City Council shall direct.
3. The budget shall be adopted no later than the third Monday in May of each year.
4. The budget is adopted by department on an activity basis in the General Fund and in total in the special revenue funds. Subsequent amendments thereto shall be submitted from time to time by the city administrator for the consideration of the City Council.

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund - General government - Government service	\$ 781,690	\$ 1,114,202	\$ (332,512)
General Fund - General government - Buildings and grounds	122,500	153,245	(30,745)
General Fund - Public works	889,720	1,354,594	(464,874)
Major Streets Fund - Capital outlay	1,058,196	1,577,073	(518,877)
Local Streets Fund - Capital outlay	1,058,196	1,726,466	(668,270)

The budget overruns relate to unanticipated expenditures for which the budgets were not subsequently adjusted.

***Pension Information***

**Changes in Assumptions**

December 31, 2015 - The beginning of year total pension liability was based on a single discount rate of 8.25 percent, and the end of year total pension liability was based on a single discount rate of 8.0 percent.

December 31, 2019 - The beginning of year total pension liability was based on a single discount rate of 8.0 percent, and the end of year total pension liability was based on a single discount rate of 7.6 percent.

December 31, 2020 - The beginning of year total pension liability was based on the RP-2014 mortality tables, and the end of year total pension liability was based on the Pub-2010 mortality tables.



**June 30, 2023**

December 31, 2021 - The beginning of year total pension liability was based on a single discount rate of 7.6 percent, and the end of year total pension liability was based on a single discount rate of 7.25 percent.

***OPEB Information***

**Changes in Assumptions**

June 30, 2019 - The beginning of year total OPEB liability was based on a single discount rate of 3.45 percent, and the end of year total OPEB liability was based on a single discount rate of 3.36 percent.

June 30, 2020 - The beginning of year total OPEB liability was based on a single discount rate of 3.36 percent, and the end of year total OPEB liability was based on a single discount rate of 2.66 percent.

June 30, 2021 - The beginning of year total OPEB liability was based on a single discount rate of 2.66 percent, health care cost trend rates of 8.0 percent for pre-65 and 6.25 percent for post-65, and the MP-2019 mortality improvement scale. The end of year total OPEB liability was based on a single discount rate of 2.65 percent, health care cost trend rates of 7.5 percent for pre-65 and 5.75 percent for post-65, and the MP-2020 mortality improvement scale. Additionally, during the June 30, 2021 measurement year, the OPEB Trust Fund was established with an assumed long-term rate of return of 7.35 percent.

June 30, 2022 - The beginning of year total OPEB liability was based on a single discount rate of 2.65 percent, rate of return of 7.35 percent, and the MP-2020 mortality improvement scale. The end of year total OPEB liability was based on a single discount rate of 4.91 percent, investment rate of return of 7 percent, and the MP-2021 mortality improvement scale. Additionally, per capita costs were updated to reflect experience since the previous valuation.

June 30, 2023 - The beginning of year total OPEB liability was based on a single discount rate of 4.91 percent. The end of the year total OPEB liability was based on a single discount rate of 5.81%.