



A HERITAGE OF GOOD LIVING

Financial Report  
with Supplemental Information  
June 30, 2021

Kelly Garrett, Mayor  
Bruce Kantor, Mayor Pro Tem  
Ian Ferguson, Council Member  
Dawn Medley, Council Member  
Saleem Siddiqi, Council Member  
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## **Independent Auditor's Report**

To the City Council  
City of Lathrup Village, Michigan

### **Report on the Financial Statements**

We have audited the accompanying 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, 2021 and the related notes to the financial statements, which collectively comprise the City of Lathrup Village, Michigan's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lathrup Village, Michigan as of June 30, 2021 and the respective changes in its financial position and, where applicable, cash flows for the then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements the City adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the City Council  
City of Lathrup Village, Michigan

***Other Matter***

***Required Supplemental Information***

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

*Plante & Moreau, PLLC*

October 18, 2021

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, 2021. 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, 2021:

- The FY 2020/2021 General Fund property tax and related revenue increased \$46,833, or 1.57 percent, as compared to the 2019/2020 fiscal year.

Property Taxes			
FY 2019/2020	FY 2020/2021	Change	Percent
\$ 2,975,803	\$ 3,022,636	\$ 46,833	1.57%

- Total General Fund revenue was \$383,793, or 9.65 percent, higher than the prior year.

General Fund Revenue			
FY 2019/2020	FY 2020/2021	Change	Percent
\$ 3,977,756	\$ 4,361,549	\$ 383,793	9.65%

- Overall, General Fund expenditures were \$293,034 higher than the prior year. Through the hard work of staff and the City Council, the General Fund expenditures for the fiscal year were \$119,647 lower than the amended budget.

General Fund Expenditures			
FY 2019/2020	FY 2020/2021	Change	Percent
\$ 3,867,313	\$ 4,160,347	\$ 293,034	7.58%

- The ending fund balance of the General Fund decreased \$42,405, or 2.60 percent, from fiscal year 2019/2020.

General Fund - Ending Fund Balance			
FY 2019/2020	FY 2020/2021	Change	Percent
\$ 1,633,373	\$ 1,590,968	\$ (42,405)	(2.60)%

### 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, 2021 compared to the prior year:

#### **The City's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 8,002,315	\$ 2,821,938	\$ 6,411,588	\$ 1,644,705	\$ 14,413,903	\$ 4,466,643
Capital assets	15,688,374	15,124,574	9,304,829	8,850,271	24,993,203	23,974,845
Total assets	23,690,689	17,946,512	15,716,417	10,494,976	39,407,106	28,441,488
<b>Deferred Outflows of Resources - Related to pension</b>	99,095	96,285	13,513	13,043	112,608	109,328
<b>Liabilities</b>						
Current liabilities	333,436	596,929	313,159	267,168	646,595	864,097
Long-term liabilities	12,565,971	6,694,411	8,702,195	3,473,884	21,268,166	10,168,295
Total liabilities	12,899,407	7,291,340	9,015,354	3,741,052	21,914,761	11,032,392
<b>Deferred Inflows of Resources - Related to pension and OPEB</b>	245,880	-	35,233	-	281,113	-
<b>Net Position</b>						
Net investment in capital assets	14,566,445	15,083,515	7,461,202	7,993,129	22,027,647	23,076,644
Restricted	925,376	538,091	-	-	925,376	538,091
Unrestricted	(4,847,324)	(4,870,149)	(781,859)	(1,226,162)	(5,629,183)	(6,096,311)
Total net position	<b>\$ 10,644,497</b>	<b>\$ 10,751,457</b>	<b>\$ 6,679,343</b>	<b>\$ 6,766,967</b>	<b>\$ 17,323,840</b>	<b>\$ 17,518,424</b>

The City's combined net position is \$17.3 million compared to \$17.5 million for the prior year. This represents a 1.11 percent decrease. The governmental activities portion of net position increased \$0.11 million, or 1.0 percent while the business-type activities decreased by approximately \$0.09 million or 1.30 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	
	2021	2020	2021	2020	2021	2020
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 311,748	\$ 310,945	\$ 2,009,789	\$ 2,028,601	\$ 2,321,537	\$ 2,339,546
Operating grants and contributions	847,907	536,046	-	-	847,907	536,046
Capital grants and contributions	19,414	311,565	-	-	19,414	311,565
General revenue:						
Property taxes	3,005,007	2,983,190	-	-	3,005,007	2,983,190
State-shared revenue	445,949	385,762	-	-	445,949	385,762
Investment income	7,083	27,532	431	6,801	7,514	34,333
Other revenue:						
Cable franchise and cell tower fees	216,945	217,321	-	-	216,945	217,321
Other miscellaneous income	40,614	72,921	-	-	40,614	72,921
<b>Total revenue</b>	<b>4,894,667</b>	<b>4,845,282</b>	<b>2,010,220</b>	<b>2,035,402</b>	<b>6,904,887</b>	<b>6,880,684</b>
<b>Expenses</b>						
General government	1,570,417	1,544,246	-	-	1,570,417	1,544,246
Public safety	1,977,613	3,078,724	-	-	1,977,613	3,078,724
Public works	1,421,587	1,167,918	-	-	1,421,587	1,167,918
Recreation and culture	32,010	57,972	-	-	32,010	57,972
Water and Sewer Fund	-	-	2,097,844	2,295,334	2,097,844	2,295,334
<b>Total expenses</b>	<b>5,001,627</b>	<b>5,848,860</b>	<b>2,097,844</b>	<b>2,295,334</b>	<b>7,099,471</b>	<b>8,144,194</b>
<b>Change in Net Position</b>	<b>(106,960)</b>	<b>(1,003,578)</b>	<b>(87,624)</b>	<b>(259,932)</b>	<b>(194,584)</b>	<b>(1,263,510)</b>
<b>Net Position - Beginning of year</b>	<b>10,751,457</b>	<b>11,755,035</b>	<b>6,766,967</b>	<b>7,026,899</b>	<b>17,518,424</b>	<b>18,781,934</b>
<b>Net Position - End of year</b>	<b>\$ 10,644,497</b>	<b>\$ 10,751,457</b>	<b>\$ 6,679,343</b>	<b>\$ 6,766,967</b>	<b>\$ 17,323,840</b>	<b>\$ 17,518,424</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 10 and 11 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 12 and 14 of the financial report.

The City's governmental revenue totaled \$4.9 million, with the largest revenue source being property taxes (\$3.0 million). Property tax revenue represents 61 percent of total governmental revenue. This percentage of total revenue has been relatively consistent over the past several fiscal years.

Our next largest single source of revenue is state-shared revenue. This revenue totals \$0.45 million. 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.

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 \$0.25 million.

Finally, the operating grants and contributions total \$0.85 million 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.

As is typical of other communities in the area, 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 falling property values, requires us to be cautious as we move forward. Encouraging redevelopment will be helpful in the long run.

Total governmental expenses for the City totaled \$5.0 million. Expenses exceeded revenue by \$0.11 million. Over the course of the year, the City amended the budget to take into account events during the year. It was noted that, this being the second year of the pandemic, revenue for recreational programs and rentals was significantly reduced.

From an overall perspective, we continue 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.

#### *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 Detroit water and sewerage department. Sewage treatment is provided through the Evergreen-Farmington sewage disposal system through the water resource commissioner's office, formerly the Oakland County Drain Commission, which is a customer of the Great Lakes Water Authority.

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 approximately \$2.0 million. Taking expenses totaling \$2.1 million into consideration, there was a net position decrease of \$0.087 million.

#### **General Fund Budgetary Highlights**

The audited numbers included \$33,642 less revenue than the final amended budget, \$5,855 less revenue than the original budget, \$119,647 less expenditures than the final amended budget, and \$196,332 less expenditures than the original budget.

General Fund - FY Ended June 30, 2021			
	Original Budget	Amended Budget	Variance with Amended Budget
Total revenue	\$ 4,367,404	\$ 4,395,191	\$ (33,642)
Total expenditures	(4,356,679)	(4,279,994)	119,647
Excess of revenue over expenditures	<u>\$ 10,725</u>	<u>\$ 115,197</u>	<u>\$ 86,005</u>

The beginning fund balance for fiscal year 2020/2021 was \$1,633,373. The audited numbers reflect an ending fund balance of \$1,590,968. This is an ending fund balance of \$158,984 more than the final amended budget and \$192,691 more than the original budget.



## City of Lathrup Village, Michigan

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

General Fund - Fund Balance - FY Ended June 30, 2021				
	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Beginning fund balance	\$ 1,633,373	\$ 1,633,373	\$ 1,633,373	\$ -
Net change in fund balance	(235,096)	(201,389)	(42,405)	158,984
Ending fund balance	<b>\$ 1,398,277</b>	<b>\$ 1,431,984</b>	<b>\$ 1,590,968</b>	<b>\$ 158,984</b>

#### **Capital Assets and Debt Administration**

At the end of fiscal year 2020-2021, the City has \$25 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 \$1,007,811 of governmental capital assets, including \$118,688 for tasers for the police department and park improvements. The 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. Several of these projects were initiated before the close of the fiscal year end. This is the 16th 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 is anticipated to be similar the current year. The City is committed to closely monitoring its expenditures and the effects the COVID-19 pandemic will have on its revenue sources. While an assessment of the complete impact of the pandemic is unknown at the present time, the City is committed to closely monitoring information as it becomes available in order to make the appropriate determinations relative to adjustments that may be necessary. Being mindful of our long-term obligations, the fund balance has assigned \$150,000 to be applied towards the OPEB obligation.

There are several economic factors that will continue to both challenge and provide new opportunities for the City. The City Council is considering approving issuing cannabis licenses for recreational, medicinal, and testing facilities starting in 2022. The continuing 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. While we are very fortunate that our residents approved a Headlee rollback in May 2010, these factors will still come into play at some point.

An unanticipated factor was the COVID-19 public health crisis. Oakland County, Michigan, including the City of Southfield, Michigan, and the City of Lathrup Village, Michigan, was heavily impacted during the outbreak, especially during the initial months in 2020. The governor of the State of Michigan issued executive orders requiring all nonessential employees to stay home for their own safety. The City of Lathrup Village, Michigan made every effort to keep employees, residents, and operations in compliance with all safety measures and protocols. This also meant that many operations, such as the use of City Hall and parks for events, were curtailed starting in March 2020. There was an associated loss of revenue. Additional expenses were incurred to provide appropriate equipment and implement safety protocols once the administrative team was back on site. The City of Lathrup, Michigan, Village has demonstrated exceptional commitment to the residents by maintaining open and accessible access for residents and businesses seeking to conduct business, being open every day since April 2020. The appropriate protocols were put into place, along with safety features to ensure the health, safety, and well-being of both our visitors and team members. The administration has actively sought grant funding to address reimbursements for any eligible activities. Fortunately, continuity of city operations has been established, including remote electronic public meetings of the City Council, the Planning Commission, and Downtown Development Authority.

***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).

# City of Lathrup Village, Michigan

## Statement of Net Position

June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and investments (Note 3)	\$ 2,101,198	\$ 1,803,345	\$ 3,904,543	\$ 1,358,955
Receivables:				
Property taxes	8,307	-	8,307	25,491
Special assessments	-	-	-	12,600
Customer receivables	-	504,960	504,960	-
Other receivables	30,667	-	30,667	16,462
Due from other governmental units	364,843	-	364,843	-
Due from component units (Note 5)	5,219	-	5,219	-
Internal balances	674,660	(674,660)	-	-
Prepaid expenses	62,070	6,500	68,570	-
Restricted assets:				
Unspent bond proceeds	4,755,351	4,704,902	9,460,253	-
Cash on hand at the County	-	66,541	66,541	-
Capital assets: (Note 4)				
Assets not subject to depreciation	13,638,889	-	13,638,889	-
Assets subject to depreciation - Net	2,049,485	9,304,829	11,354,314	215,949
<b>Total assets</b>	<b>23,690,689</b>	<b>15,716,417</b>	<b>39,407,106</b>	<b>1,629,457</b>
<b>Deferred Outflows of Resources - Pension (Note 8)</b>	<b>99,095</b>	<b>13,513</b>	<b>112,608</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	162,945	302,248	465,193	11,930
Due to primary government (Note 5)	-	-	-	5,219
Accrued liabilities and other	170,491	10,911	181,402	1,096
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	408,400	-	408,400	-
Compensated absences (Note 6)	100,000	6,980	106,980	-
Current portion of long-term debt (Note 6)	463,756	119,352	583,108	-
Due in more than one year:				
Compensated absences (Note 6)	130,316	-	130,316	-
Net pension liability (Note 8)	1,431,348	197,075	1,628,423	-
Net OPEB liability (Note 10)	4,618,627	1,949,611	6,568,238	-
Long-term debt - Net of current portion (Note 6)	5,413,524	6,429,177	11,842,701	-
<b>Total liabilities</b>	<b>12,899,407</b>	<b>9,015,354</b>	<b>21,914,761</b>	<b>18,245</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 8)	239,966	32,809	272,775	-
Deferred OPEB cost reductions (Note 10)	5,914	2,424	8,338	-
<b>Total deferred inflows of resources</b>	<b>245,880</b>	<b>35,233</b>	<b>281,113</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	14,566,445	7,461,202	22,027,647	215,949
Restricted for:				
Streets and highways	856,970	-	856,970	-
Police forfeitures	4,326	-	4,326	-
Rubbish	64,080	-	64,080	-
Unrestricted	(4,847,324)	(781,859)	(5,629,183)	1,395,263
<b>Total net position</b>	<b>\$ 10,644,497</b>	<b>\$ 6,679,343</b>	<b>\$ 17,323,840</b>	<b>\$ 1,611,212</b>

## City of Lathrup Village, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,570,417	\$ 183,936	\$ 50,731	\$ -
Public safety	1,977,613	114,388	218,582	-
Public works	1,421,587	4,917	531,847	19,414
Recreation and culture	32,010	8,507	46,747	-
Total governmental activities	5,001,627	311,748	847,907	19,414
Business-type activities - Water and Sewer Fund	2,097,844	2,009,789	-	-
Total primary government	<u>\$ 7,099,471</u>	<u>\$ 2,321,537</u>	<u>\$ 847,907</u>	<u>\$ 19,414</u>
Component units - Downtown Development Authority	<u>\$ 371,329</u>	<u>\$ -</u>	<u>\$ 34,623</u>	<u>\$ -</u>
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, 2021

Net Revenue (Expense) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,335,750)	\$ -	\$ (1,335,750)	\$ -
(1,644,643)	-	(1,644,643)	-
(865,409)	-	(865,409)	-
23,244	-	23,244	-
(3,822,558)	-	(3,822,558)	-
-	(88,055)	(88,055)	-
(3,822,558)	(88,055)	(3,910,613)	-
-	-	-	(336,706)
3,005,007	-	3,005,007	389,496
445,949	-	445,949	36,643
7,083	431	7,514	3,367
216,945	-	216,945	-
40,614	-	40,614	-
3,715,598	431	3,716,029	429,506
(106,960)	(87,624)	(194,584)	92,800
10,751,457	6,766,967	17,518,424	1,518,412
<b>\$ 10,644,497</b>	<b>\$ 6,679,343</b>	<b>\$ 17,323,840</b>	<b>\$ 1,611,212</b>

# City of Lathrup Village, Michigan

## Governmental Funds Balance Sheet

June 30, 2021

	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)	\$ 1,431,636	\$ 236,362	\$ 305,631	\$ -	\$ 127,569	\$ 2,101,198
Receivables:						
Property taxes	8,307	-	-	-	-	8,307
Other receivables	30,667	-	-	-	-	30,667
Due from other governmental units	277,759	59,339	27,745	-	-	364,843
Due from component units (Note 5)	5,219	-	-	-	-	5,219
Due from other funds (Note 5)	885,847	350,225	331,720	-	-	1,567,792
Prepaid expenditures	62,070	-	-	-	-	62,070
Restricted assets - Unspent bond proceeds	-	515,960	437,033	3,802,358	-	4,755,351
<b>Total assets</b>	<b>\$ 2,701,505</b>	<b>\$ 1,161,886</b>	<b>\$ 1,102,129</b>	<b>\$ 3,802,358</b>	<b>\$ 127,569</b>	<b>\$ 8,895,447</b>
<b>Liabilities</b>						
Accounts payable	\$ 113,306	\$ 19,580	\$ 26,072	\$ -	\$ 3,987	\$ 162,945
Due to other funds (Note 5)	666,139	-	-	-	74,699	740,838
Advances from other funds (Note 5)	152,294	-	-	-	-	152,294
Accrued liabilities and other	170,491	-	-	-	-	170,491
Payable from restricted assets	-	204,200	204,200	-	-	408,400
<b>Total liabilities</b>	<b>1,102,230</b>	<b>223,780</b>	<b>230,272</b>	<b>-</b>	<b>78,686</b>	<b>1,634,968</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	8,307	-	-	-	-	8,307
<b>Total liabilities and deferred inflows of resources</b>	<b>1,110,537</b>	<b>223,780</b>	<b>230,272</b>	<b>-</b>	<b>78,686</b>	<b>1,643,275</b>
<b>Fund Balances</b>						
Nonspendable - Prepaids	62,070	-	-	-	-	62,070
Restricted:						
Roads and street improvements	-	938,106	871,857	3,802,358	-	5,612,321
Police forfeitures	4,326	-	-	-	-	4,326
Rubbish	64,080	-	-	-	-	64,080
Assigned:						
Subsequent year's budget	225,775	-	-	-	-	225,775
Road construction	252,648	-	-	-	-	252,648
Capital expenditures	-	-	-	-	48,883	48,883
OPEB liability	150,000	-	-	-	-	150,000
Unassigned	832,069	-	-	-	-	832,069
<b>Total fund balances</b>	<b>1,590,968</b>	<b>938,106</b>	<b>871,857</b>	<b>3,802,358</b>	<b>48,883</b>	<b>7,252,172</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,701,505</b>	<b>\$ 1,161,886</b>	<b>\$ 1,102,129</b>	<b>\$ 3,802,358</b>	<b>\$ 127,569</b>	<b>\$ 8,895,447</b>

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**Governmental Funds**

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

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**June 30, 2021**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 7,252,172</b>
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	15,688,374
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	8,307
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(5,877,280)
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	(230,316)
Pension benefits	(1,431,348)
Other postemployment benefits	(4,618,627)
Deferred outflows of resources related to pension	99,095
Deferred inflows of resources related to pension and other postemployment benefits	(245,880)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,644,497</u></b>

# City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

	General Fund	Major Streets Fund	Local Streets Fund	Street Improvement Bond Fund	Nonmajor Fund - Capital Acquisition Fund	Total
<b>Revenue</b>						
Property taxes	\$ 3,022,636	\$ -	\$ -	\$ -	\$ -	\$ 3,022,636
Intergovernmental:						
Federal grants	289,223	-	-	-	-	289,223
State-shared revenue and grants	447,176	362,404	188,857	-	-	998,437
Local grants and contributions	25,610	-	-	-	-	25,610
Construction code fees	117,230	-	-	-	-	117,230
Fines and forfeitures	96,385	-	-	-	-	96,385
Licenses and permits	136,229	-	-	-	-	136,229
Interest and rentals:						
Investment income	5,958	86	812	128	99	7,083
Rental income	14,385	-	-	-	-	14,385
Other revenue:						
Michigan Broadband Authority	102,258	-	-	-	-	102,258
Other miscellaneous income	104,459	-	-	-	-	104,459
Total revenue	4,361,549	362,490	189,669	128	99	4,913,935
<b>Expenditures</b>						
Current services:						
General government:						
Government service	648,488	-	-	-	-	648,488
Buildings and grounds	130,469	-	-	-	-	130,469
Administration	720,526	-	-	-	-	720,526
Public safety	2,058,392	-	-	-	-	2,058,392
Public works	528,907	122,180	217,057	41,919	-	910,063
Recreation and culture	65,637	-	-	-	-	65,637
Capital outlay	-	484,040	562,967	-	118,689	1,165,696
Debt service	7,928	-	-	-	-	7,928
Total expenditures	4,160,347	606,220	780,024	41,919	118,689	5,707,199
<b>Excess of Revenue Over (Under) Expenditures</b>	201,202	(243,730)	(590,355)	(41,791)	(118,590)	(793,264)
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 5)	-	1,000,000	1,149,200	-	96,621	2,245,821
Transfers out (Note 5)	(245,821)	-	-	(2,000,000)	-	(2,245,821)
New debt issued (Note 6)	-	-	-	4,720,000	-	4,720,000
Debt premium (Note 6)	-	-	-	1,124,149	-	1,124,149
Insurance recoveries	2,214	-	-	-	-	2,214
Total other financing (uses) sources	(243,607)	1,000,000	1,149,200	3,844,149	96,621	5,846,363
<b>Net Change in Fund Balances</b>	(42,405)	756,270	558,845	3,802,358	(21,969)	5,053,099
<b>Fund Balances - Beginning of year</b>	1,633,373	181,836	313,012	-	70,852	2,199,073
<b>Fund Balances - End of year</b>	<u>\$ 1,590,968</u>	<u>\$ 938,106</u>	<u>\$ 871,857</u>	<u>\$ 3,802,358</u>	<u>\$ 48,883</u>	<u>\$ 7,252,172</u>



## City of Lathrup Village, Michigan

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2021

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 5,053,099</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	1,007,811
Depreciation expense	<u>(444,011)</u>
Total	563,800
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	(17,629)
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(5,844,149)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	7,928
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	422
The change in the net OPEB liability and related deferred inflows does not require the use of current resources and is not reported in the governmental funds	13,108
The change in the net pension liability does not require the use of current resources and is not reported in the governmental funds	<u>116,461</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (106,960)</u></b>

# City of Lathrup Village, Michigan

## Proprietary Fund Statement of Net Position

June 30, 2021

Major Enterprise  
Fund  
Water and  
Sewer Fund

### Assets

#### Current assets:

Cash and investments	\$ 1,803,345
Receivables	504,960
Prepaid expenses	6,500
Total current assets	2,314,805

#### Noncurrent assets:

##### Restricted assets:

Unspent bond proceeds	4,704,902
Cash on hand at the County	66,541
Advances to other funds (Note 5)	152,294
Capital assets - Net (Note 4)	9,304,829

Total noncurrent assets 14,228,566

Total assets 16,543,371

Deferred Outflows of Resources - Pension (Note 8) 13,513

### Liabilities

#### Current liabilities:

Accounts payable	302,248
Due to other funds (Note 5)	826,954
Accrued liabilities and other	10,911
Compensated absences (Note 6)	6,980
Current portion of long-term debt (Note 6)	119,352

Total current liabilities 1,266,445

#### Noncurrent liabilities:

Net pension liability (Note 8)	197,075
Net OPEB liability (Note 10)	1,949,611
Long-term debt - Net of current portion (Note 6)	6,429,177

Total noncurrent liabilities 8,575,863

Total liabilities 9,842,308

### Deferred Inflows of Resources

Deferred pension cost reductions (Note 8)	32,809
Deferred OPEB cost reductions (Note 10)	2,424
Total deferred inflows of resources	35,233

### Net Position

Net investment in capital assets	7,461,202
Unrestricted	(781,859)
Total net position	\$ 6,679,343

## City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

	Major Enterprise Fund
	Water and Sewer Fund
<b>Operating Revenue</b>	
Sale of water	\$ 625,588
Sewage disposal charges	1,253,342
Meter charge revenue	115,148
Industrial surcharge	29,592
Penalties	67,739
Total operating revenue	2,091,409
<b>Operating Expenses</b>	
Cost of water	394,896
Cost of sewage treatment	1,029,210
Industrial surcharge	14,847
Other operating and maintenance costs	224,851
General and administrative	85,497
Depreciation	317,492
Total operating expenses	2,066,793
<b>Operating Income</b>	24,616
<b>Nonoperating Revenue (Expense)</b>	
Investment income	431
Interest expense	(31,051)
Debt issuance costs	(81,620)
Total nonoperating expense	(112,240)
<b>Change in Net Position</b>	(87,624)
<b>Net Position - Beginning of year</b>	6,766,967
<b>Net Position - End of year</b>	<b>\$ 6,679,343</b>

**Proprietary Fund  
Statement of Cash Flows**

**Year Ended June 30, 2021**

	Major Enterprise Fund Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,209,893
Receipts from other funds	47,695
Payments to suppliers	(1,933,963)
Payments to employees	(187,419)
Net cash provided by operating activities	136,206
<b>Cash Flows Provided by Noncapital Financing Activities</b> - Repayment of loan made to the General Fund	50,764
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from issuance of bonds	5,786,387
Purchase of capital assets	(779,638)
Principal and interest paid on capital debt	(126,051)
Debt issuance costs	(81,620)
Net cash provided by capital and related financing activities	4,799,078
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	431
Purchases of investment securities	(784)
Net cash used in investing activities	(353)
<b>Net Increase in Cash</b>	4,985,695
<b>Cash</b> - Beginning of year	1,313,427
<b>Cash</b> - End of year	<b>\$ 6,299,122</b>
<b>Classification of Cash</b>	
Cash and investments	\$ 1,803,345
Restricted cash	4,704,902
Less amounts classified as investments	(209,125)
Total cash	<b>\$ 6,299,122</b>

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**Proprietary Fund**  
**Statement of Cash Flows (Continued)**

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**Year Ended June 30, 2021**

	Major Enterprise Fund
	Water and Sewer Fund
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 24,616
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	317,492
Changes in assets and liabilities:	
Receivables	118,484
Due to and from other funds	47,695
Prepaid and other assets	10,241
Net pension and OPEB liability	(425,534)
Accounts payable	45,991
Compensated absences	(2,779)
Total adjustments	111,590
Net cash provided by operating activities	<b>\$ 136,206</b>

## City of Lathrup Village, Michigan

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### Fiduciary Funds Statement of Fiduciary Net Position

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June 30, 2021

	OPEB Trust Fund	Custodial Fund Tax Collection Fund
<b>Assets</b> - Deposits with MERS	\$ 212,979	\$ -
<b>Net Position</b> - Restricted for postemployment benefits other than pension	<b>\$ 212,979</b>	<b>\$ -</b>

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

**Year Ended June 30, 2021**

	OPEB Trust Fund	Custodial Fund Tax Collection Fund
<b>Additions</b>		
Investment income	\$ 13,080	\$ -
Employer contributions	336,024	-
Property tax collections	-	5,642,722
Total additions	349,104	5,642,722
<b>Deductions</b>		
Benefit payments	136,024	-
Administrative expenses	101	-
Tax distributions to other governments	-	5,642,722
Total deductions	136,125	5,642,722
<b>Net Increase in Fiduciary Net Position</b>	212,979	-
<b>Net Position - Beginning of year</b>	-	-
<b>Net Position - End of year</b>	<b>\$ 212,979</b>	<b>\$ -</b>

**June 30, 2021**

**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.



June 30, 2021

## 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 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.

June 30, 2021

## 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)

Restricted Assets

Unspent bond proceeds of the Major Streets, Local Streets, and Street Improvements Bond funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

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:

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

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 one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The details can be found in Note 8.

June 30, 2021

## 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 and deferred inflows of resources related to the defined benefit pension plan and the OPEB plan. 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 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.

### **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.

June 30, 2021

**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 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City totaled \$150.6 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 18.1912 mills for operating purposes and 2.7286 mills for refuse service. This resulted in approximately \$2,525,000 for operating and approximately \$379,000 for refuse service. These amounts are recognized in the General Fund as tax revenue.

A debt millage of 3.9307 mills will be first levied on July 1, 2021 and the Township will recognize this property tax revenue in fiscal year 2022.

**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.

June 30, 2021

## 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.

### **Adoption of New Accounting Pronouncements**

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following activities not previously reported in the financial statements now meet the definition of a fiduciary activity and are reported as such: the OPEB Trust Fund and property taxes collected on behalf of other governmental units.

As a result of the OPEB Trust Fund now being reported as a fiduciary fund under GASB Statement No. 84, this was the first year GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was applicable to the City's financial statements. As a result, some of the disclosures within the OPEB plan footnote have changed, along with the related schedules in the required supplemental information.

### **Upcoming Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022.



June 30, 2021

## Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2022 fiscal year.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. 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 May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

## 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, 2020		\$	(265,955)
Current year building permit revenue			117,230
Related expenses:			
Direct costs	\$	146,585	
Estimated indirect costs		55,257	201,842
Current year shortfall			(84,612)
Cumulative shortfall June 30, 2021		\$	<u>(350,567)</u>

June 30, 2021

### 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.

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 \$13,645,040 of bank deposits (certificates of deposit and checking and savings accounts), of which \$709,225 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Downtown Development Authority had bank deposits of \$1,358,955 (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. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

#### ***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.



June 30, 2021

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted-average Maturity (Years)
<b>Fiduciary Fund</b>		
MERS ISP Total Market Portfolio	\$ 212,979	N/A

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
MERS ISP Total Market Portfolio	\$ 212,979	Not rated	N/A

#### 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, 2021.

#### 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.

At June 30, 2021, 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	\$ 212,979	\$ -	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

June 30, 2021

## Note 4 - Capital Assets

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

### Governmental Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 364,738	\$ -	\$ -	\$ -	\$ 364,738
Construction in progress	-	-	871,431	-	871,431
Right of ways	12,402,720	-	-	-	12,402,720
Subtotal	12,767,458	-	871,431	-	13,638,889
Capital assets being depreciated:					
Buildings and improvements	1,277,107	-	26,470	-	1,303,577
Machinery and equipment	1,705,382	-	109,910	-	1,815,292
Infrastructure	7,461,813	-	-	-	7,461,813
Subtotal	10,444,302	-	136,380	-	10,580,682
Accumulated depreciation:					
Buildings and improvements	855,867	-	46,049	-	901,916
Machinery and equipment	1,363,090	-	143,416	-	1,506,506
Infrastructure	5,868,229	-	254,546	-	6,122,775
Subtotal	8,087,186	-	444,011	-	8,531,197
Net capital assets being depreciated	2,357,116	-	(307,631)	-	2,049,485
Net governmental activities capital assets	<u>\$ 15,124,574</u>	<u>\$ -</u>	<u>\$ 563,800</u>	<u>\$ -</u>	<u>\$ 15,688,374</u>

June 30, 2021

# Note 4 - Capital Assets (Continued)

## Business-type Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated - Construction in progress	\$ 965,653	\$ (965,653)	\$ -	\$ -	\$ -
Capital assets being depreciated:					
Utility system	14,833,889	965,653	772,050	-	16,571,592
Machinery and equipment	564,704	-	-	-	564,704
Vehicles	69,487	-	-	-	69,487
Subtotal	15,468,080	965,653	772,050	-	17,205,783
Accumulated depreciation:					
Utility system	7,061,923	-	299,259	-	7,361,182
Machinery and equipment	452,052	-	18,233	-	470,285
Vehicles	69,487	-	-	-	69,487
Subtotal	7,583,462	-	317,492	-	7,900,954
Net capital assets being depreciated	7,884,618	965,653	454,558	-	9,304,829
Net business-type activities capital assets	\$ 8,850,271	\$ -	\$ 454,558	\$ -	\$ 9,304,829

## Component Unit

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets being depreciated:					
Infrastructure	\$ 360,290	\$ -	\$ -	\$ -	\$ 360,290
Furniture and equipment	25,243	-	-	-	25,243
Subtotal	385,533	-	-	-	385,533
Accumulated depreciation:					
Infrastructure	127,507	-	27,106	-	154,613
Furniture and equipment	10,737	-	4,234	-	14,971
Subtotal	138,244	-	31,340	-	169,584
Net capital assets	\$ 247,289	\$ -	\$ (31,340)	\$ -	\$ 215,949

June 30, 2021

## Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 38,936
Public safety	35,519
Public works	335,219
Recreation and culture	34,337
Total governmental activities	<u>\$ 444,011</u>
Business-type activities - Water and Sewer Fund	<u>\$ 317,492</u>
Component unit activities - Downtown Development Authority	<u>\$ 31,340</u>

### Construction Commitments

The City has an active construction project at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Pavement Reconstruction Project	<u>\$ 124,001</u>	<u>\$ 1,043,339</u>

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund - Capital Acquisition Fund	\$ 58,893
	Water and Sewer Fund	826,954
	Total General Fund	885,847
Major Streets Fund	General Fund	340,502
	Nonmajor governmental fund - Capital Acquisition Fund	9,723
	Total Major Streets Fund	350,225
Local Streets Fund	General Fund	325,637
	Nonmajor governmental fund - Capital Acquisition Fund	6,083
	Total Local Streets Fund	331,720
	Total	<u>\$ 1,567,792</u>

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

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	General Fund	\$ 152,294

June 30, 2021

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

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

Receivable	Payable	Amount
Component unit - Downtown Development Authority	General Fund	\$ 5,219

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.

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	\$ 96,621
	Local Streets Fund	149,200
	Total General Fund	245,821
Street Improvement Bond Fund	Major Streets Fund	1,000,000
	Local Streets Fund	1,000,000
	Total Street Improvement Bond Fund	2,000,000
	Total	\$ 2,245,821

The transfers from the General Fund to the Local Streets Fund and 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.

June 30, 2021

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

Long-term debt activity for the year ended June 30, 2021 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:							
EECBG Multipurpose loan							
- Lighting upgrades -							
Amount of issue:							
\$26,672, maturing in							
2022	N/A	\$982	\$ 3,551	\$ -	\$ (2,569)	\$ 982	\$ 982
Michigan Suburbs Alliance							
loan - Energy efficiency							
and renewable energy							
projects - Amount of							
issue: \$80,380, maturing							
in 2027	N/A	\$5,359	37,508	-	(5,359)	32,149	5,359
Total direct							
borrowings and							
direct placements							
principal							
outstanding			41,059	-	(7,928)	33,131	6,341
Other debt - 2021							
Unlimited Tax General							
Obligation Bond -							
Amount of issue:							
\$4,720,000, maturing in		\$340,000 -					
2031:	5.00%	\$655,000	-	4,720,000	-	4,720,000	345,000
Unamortized bond							
premiums	N/A	N/A	-	1,124,149	-	1,124,149	112,415
Total bonds and							
contracts payable			41,059	5,844,149	(7,928)	5,877,280	463,756
Other long-term obligations -							
Compensated absences			230,738	119,260	(119,682)	230,316	100,000
Total governmental							
activities long-							
term debt			\$ 271,797	\$ 5,963,409	\$ (127,610)	\$ 6,107,596	\$ 563,756

June 30, 2021

**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,		\$35,000 -					
maturing in 2028	2.50%	\$42,142	\$ 377,142	\$ -	\$ (35,000)	\$ 342,142	\$ 35,000
Other debt - 2021							
Unlimited Tax General							
Obligation Bond -							
Amount of issue:							
\$4,720,000, maturing in							
2031:							
General obligations							
bonds - Amount of							
issue: \$995,000,	4.25% -	\$65,000 -					
maturing in 2027	4.75%	\$75,000	480,000	-	(60,000)	420,000	65,000
2021 Capital							
Improvement Bonds -							
Amount of issue:							
\$5,380,000, maturing	2.00% -	\$200,000 -					
in 2042	5.00%	\$350,000	-	5,380,000	-	5,380,000	-
Total other debt							
principal							
outstanding			480,000	5,380,000	(60,000)	5,800,000	65,000
Unamortized bond							
premiums	N/A	\$19,352	-	406,387	-	406,387	19,352
Total bonds and							
contracts payable			857,142	5,786,387	(95,000)	6,548,529	119,352
Other long-term obligations -							
Compensated absences			9,759	3,534	(6,313)	6,980	6,980
Total business-type							
activities long-							
term debt			\$ 866,901	\$ 5,789,921	\$ (101,313)	\$ 6,555,509	\$ 126,332

June 30, 2021

## 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
2022	\$ 6,341	\$ -	\$ 345,000	\$ 196,667	\$ 548,008	\$ 35,000	\$ 8,554	\$ 65,000	\$ 152,824	\$ 261,378
2023	5,359	-	340,000	218,750	564,109	35,000	7,679	265,000	171,724	479,403
2024	5,359	-	375,000	201,750	582,109	35,000	6,804	275,000	158,425	475,229
2025	5,359	-	405,000	183,000	593,359	35,000	5,929	285,000	144,600	470,529
2026-2030	10,713	-	2,600,000	574,250	3,184,963	202,142	15,268	1,310,000	517,563	2,044,973
2031-2035	-	-	655,000	32,750	687,750	-	-	1,350,000	296,288	1,646,288
Thereafter	-	-	-	-	-	-	-	2,250,000	165,444	2,415,444
Total	\$ 33,131	\$ -	\$ 4,720,000	\$ 1,407,167	\$ 6,160,298	\$ 342,142	\$ 44,234	\$ 5,800,000	\$ 1,606,868	\$ 7,793,244

## 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 supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

### 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.

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 three-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.



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

Retirement benefits for police employees are calculated as 2.5 percent (80 percent max) of the employee's final five-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 five-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 five-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, 2020
Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	5
	<hr/>
Total employees covered by the plan	26
	<hr/>

***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, 2021, the average active employee contribution rate was 6.59 percent of gross wages, and the City's minimum monthly required contribution was \$19,226.

***Net Pension Liability***

The City has chosen to use the December 31, 2020 measurement date as its measurement date for the net pension liability. The June 30, 2021 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, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

June 30, 2021

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

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, 2019</b>	\$ 8,311,271	\$ 6,281,011	\$ 2,030,260
Changes for the year:			
Service cost	58,205	-	58,205
Interest	610,908	-	610,908
Differences between expected and actual experience	(263,611)	-	(263,611)
Changes in assumptions	267,386	-	267,386
Contributions - Employer	-	211,512	(211,512)
Contributions - Employee	-	29,489	(29,489)
Net investment income	-	846,102	(846,102)
Benefit payments, including refunds	(604,252)	(604,252)	-
Administrative expenses	-	(12,378)	12,378
Net changes	68,636	470,473	(401,837)
<b>Balance at December 31, 2020</b>	<u>\$ 8,379,907</u>	<u>\$ 6,751,484</u>	<u>\$ 1,628,423</u>

The plan's fiduciary net position represents 80.6 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, 2021, the City recognized pension expense of \$92,874.

At June 30, 2021, 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	\$ -	\$ (272,775)
Employer contributions to the plan subsequent to the measurement date	112,608	-
Total	<u>\$ 112,608</u>	<u>\$ (272,775)</u>

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
2022	\$ (59,391)
2023	5,447
2024	(142,227)
2025	(76,604)
Total	<u>\$ (272,775)</u>

June 30, 2021

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

The total pension liability in the December 31, 2020 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 7.6 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 December 31, 2014 through December 31, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.6 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, 2020 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 %	5.25 %
Global fixed income	20.00	1.25
Private Investments	20.00	7.25

**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 7.6 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 Percent Decrease (6.6%)	Current Discount Rate (7.6%)	1 Percent Increase (8.6%)
Net pension liability of the City	\$ 2,453,091	\$ 1,628,423	\$ 922,477

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

***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.

***Assumption Changes***

Significant assumption changes are the result of the change in the mortality tables from the RP-2014 mortality tables to the Pub-2010 mortality tables.

**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 \$55,592 and employees contributed \$54,755 for the year ended June 30, 2021.

**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.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	City of Lathrup Village Retiree Healthcare Plan
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	21
Active plan members	4
Total plan members	25

June 30, 2021

**Note 10 - Other Postemployment Benefit Plan (Continued)****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, 2021, the City made payments for postemployment health benefit premiums of \$136,024.

**Net OPEB Liability**

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2021 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, 2021 measurement date. The June 30, 2021 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and was rolled forward to the measurement date as of June 30, 2021.

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, 2020</b>	\$ 6,999,337	\$ -	\$ 6,999,337
Changes for the year:			
Service cost	80,712	-	80,712
Interest	184,803	-	184,803
Differences between expected and actual experience	(48,359)	-	(48,359)
Changes in assumptions	(299,252)	-	(299,252)
Contributions - Employer	-	336,024	(336,024)
Net investment income	-	13,080	(13,080)
Benefit payments, including refunds	(136,024)	(136,024)	-
Administrative expenses	-	(101)	101
Net changes	(218,120)	212,979	(431,099)
<b>Balance at June 30, 2021</b>	<u>\$ 6,781,217</u>	<u>\$ 212,979</u>	<u>\$ 6,568,238</u>

The plan's fiduciary net position represents 3.1 percent of the total OPEB liability.

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

For the year ended June 30, 2021, the City recognized OPEB gain of \$(86,735).

At June 30, 2021, the City reported deferred inflows of resources totaling \$8,338 related to OPEB from the net difference between projected and actual earnings on OPEB plan investments.

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

Years Ending June 30	Amount
2022	\$ (2,084)
2023	(2,084)
2024	(2,084)
2025	(2,086)
Total	<u>\$ (8,338)</u>

June 30, 2021

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

The total OPEB liability as of the June 30, 2021 measurement date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; a discount rate of 2.65 percent; a health care cost trend rate of 7.75 percent for 2021, 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. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.65 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.

**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, 2021 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	5.25 %
Global fixed income	1.25
Private investments	7.25

**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 2.65 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 (1.65%)	Current Discount Rate (2.65%)	1 Percentage Point Increase (3.65%)
Net OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 7,748,129	\$ 6,568,238	\$ 5,639,245

**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	\$ 5,530,781	\$ 6,568,238	\$ 7,873,361

June 30, 2021

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

The discount rate used to measure the total OPEB liability was decreased from 2.66 percent for June 30, 2020 to 2.65 percent for June 30, 2021. During June 30, 2021, the OPEB Trust Fund was established with an assumed long-term rate of return 7.35 percent. Health care cost trend rates were decreased from 8.0 percent to 7.5 percent for pre-65 costs and from 6.25 percent to 5.75 percent for post-65 costs from the June 30, 2020 to the June 30, 2021 measurement date. Additionally, the mortality improvement scale was updated from scale MP-2019 to MP-2020.

***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, 2021:

**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, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 25.11 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 \$21,658 for the year ended June 30, 2021.

**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 \$347,000 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.

**June 30, 2021**

**Note 12 - Joint Venture (Continued)**

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 \$395,000 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.



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## Required Supplemental Information

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

	Years Ended December 31						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 58,205	\$ 59,127	\$ 61,401	\$ 65,460	\$ 82,950	\$ 84,814	\$ 102,340
Interest	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	(263,611)	(83,540)	(73,176)	(211,835)	252,035	29,891	-
Changes in assumptions	267,386	264,344	-	-	-	377,460	-
Benefit payments, including refunds	(604,252)	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
<b>Net Change in Total Pension Liability</b>	68,636	241,536	(4,421)	(214,976)	392,855	536,824	171,415
<b>Total Pension Liability - Beginning of year</b>	8,311,271	8,069,735	8,074,156	8,289,132	7,896,277	7,359,453	7,188,038
<b>Total Pension Liability - End of year</b>	<u><u>\$ 8,379,907</u></u>	<u><u>\$ 8,311,271</u></u>	<u><u>\$ 8,069,735</u></u>	<u><u>\$ 8,074,156</u></u>	<u><u>\$ 8,289,132</u></u>	<u><u>\$ 7,896,277</u></u>	<u><u>\$ 7,359,453</u></u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 211,512	\$ 199,230	\$ 157,170	\$ 100,914	\$ 74,706	\$ 64,182	\$ 53,795
Contributions - Member	29,489	30,089	31,517	38,023	135,489	49,191	61,176
Net investment income (loss)	846,102	784,097	(244,887)	809,627	671,396	(94,420)	409,055
Administrative expenses	(12,378)	(13,498)	(12,458)	(12,866)	(13,283)	(14,080)	(14,946)
Benefit payments, including refunds	(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>	470,473	378,437	(685,039)	229,593	313,356	(538,698)	1,843
<b>Plan Fiduciary Net Position - Beginning of year</b>	6,281,011	5,902,574	6,587,613	6,358,020	6,044,664	6,583,362	6,581,519
<b>Plan Fiduciary Net Position - End of year</b>	<u><u>\$ 6,751,484</u></u>	<u><u>\$ 6,281,011</u></u>	<u><u>\$ 5,902,574</u></u>	<u><u>\$ 6,587,613</u></u>	<u><u>\$ 6,358,020</u></u>	<u><u>\$ 6,044,664</u></u>	<u><u>\$ 6,583,362</u></u>
<b>City's Net Pension Liability - Ending</b>	<u><u>\$ 1,628,423</u></u>	<u><u>\$ 2,030,260</u></u>	<u><u>\$ 2,167,161</u></u>	<u><u>\$ 1,486,543</u></u>	<u><u>\$ 1,931,112</u></u>	<u><u>\$ 1,851,613</u></u>	<u><u>\$ 776,091</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	80.57 %	75.57 %	73.14 %	81.59 %	76.70 %	76.55 %	89.45 %
<b>Covered Payroll</b>	\$ 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>	363.64 %	443.48 %	454.13 %	294.57 %	298.43 %	255.97 %	88.45 %

Required Supplemental Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 225,216	\$ 197,808	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182	\$ 67,092	\$ 81,305	\$ 121,932	\$ 124,034
Contributions in relation to the actuarially determined contribution	225,216	197,808	200,652	113,688	88,140	64,182	67,092	1,225,013	121,932	124,034
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,143,708</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</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>\$ 1,102,601</b>	<b>\$ 1,135,812</b>
<b>Contributions as a Percentage of Covered Payroll</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>	<b>11.06 %</b>	<b>10.92 %</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increase	3.00 percent
Investment rate of return	7.6 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend
Other information	None

# City of Lathrup Village, Michigan

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

Fiscal Years Ended June 30

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 80,712	\$ 64,528	\$ 53,004	\$ 58,875
Interest	184,803	205,246	194,817	180,037
Differences between expected and actual experience	(48,359)	123,103	-	-
Changes in assumptions	(299,252)	688,405	307,745	(280,471)
Benefit payments, including refunds	(136,024)	(147,716)	(167,338)	(177,091)
<b>Net Change in Total OPEB Liability</b>	(218,120)	933,566	388,228	(218,650)
<b>Total OPEB Liability - Beginning of year</b>	6,999,337	6,065,771	5,677,543	5,896,193
<b>Total OPEB Liability - End of year</b>	<b>\$ 6,781,217</b>	<b>\$ 6,999,337</b>	<b>\$ 6,065,771</b>	<b>\$ 5,677,543</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 336,024	\$ -	\$ -	\$ -
Net investment income	13,080	-	-	-
Administrative expenses	(101)	-	-	-
Benefit payments, including refunds	(136,024)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	212,979	-	-	-
<b>Plan Fiduciary Net Position - Beginning of year</b>	-	-	-	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 212,979</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 6,568,238</b>	<b>\$ 6,999,337</b>	<b>\$ 6,065,771</b>	<b>\$ 5,677,543</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	3.14 %	- %	- %	- %
<b>Covered-employee Payroll</b>	\$ 340,772	\$ 340,935	\$ 311,227	\$ 316,913
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	1,927.46 %	2,052.98 %	1,948.99 %	1,791.51 %

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 409,275	\$ 407,962	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836	\$ 259,097	\$ 422,732	\$ 318,021	\$ 457,917
Contributions in relation to the actuarially determined contribution	336,024	147,716	167,338	177,091	143,679	138,020	165,208	183,783	191,083	188,565
<b>Contribution Deficiency</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>\$ (126,938)</b>	<b>\$ (269,352)</b>
<b>Covered-employee Payroll</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>\$ 1,102,601</b>	<b>\$ 1,135,812</b>
<b>Contributions as a Percentage of Covered-employee Payroll</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>21.85 %</b>	<b>17.33 %</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 June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	N/A
Inflation	2.5 percent
Health care cost trend rates	8.5 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2036 and later years
Salary increase	2.0 percent
Investment rate of return	N/A
Retirement age	60 years
Mortality	For current employees, Pub-2010 General Employees Mortality Table. For healthy retirees, Pub-2010 General Retiree Mortality Table (scaled by a factor of 106 percent). For disabled retirees, PubNS-2010 Disabled Retiree Mortality Table
Other information	None

Required Supplemental Information  
Schedule of OPEB Investment Returns

	Last One Fiscal Year Year Ended June 30
	2021
Annual money-weighted rate of return - Net of investment expense	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.

# City of Lathrup Village, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget - Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 3,241,234	\$ 3,026,519	\$ 3,022,636	\$ (3,883)
Intergovernmental:				
Federal grants	4,000	320,407	289,223	(31,184)
State-shared revenue and grants	417,425	417,041	447,176	30,135
Local grants and contributions	8,700	25,610	25,610	-
Construction code fees	141,500	132,000	117,230	(14,770)
Fines and forfeitures	140,000	91,000	96,385	5,385
Licenses and permits	130,100	140,700	136,229	(4,471)
Interest and rentals	67,917	26,917	20,343	(6,574)
Other revenue:				
Michigan Broadband Authority	105,889	105,889	102,258	(3,631)
Other miscellaneous income	110,639	109,108	104,459	(4,649)
Total revenue	4,367,404	4,395,191	4,361,549	(33,642)
<b>Expenditures</b>				
Current services:				
General government:				
Government service	490,750	532,555	648,488	(115,933)
Buildings and grounds	140,500	143,500	130,469	13,031
Administration	742,524	724,949	720,526	4,423
Public safety	2,327,364	2,225,876	2,058,392	167,484
Public works	567,507	567,736	528,907	38,829
Recreation and culture	80,106	77,450	65,637	11,813
Debt service	7,928	7,928	7,928	-
Total expenditures	4,356,679	4,279,994	4,160,347	119,647
<b>Excess of Revenue Over Expenditures</b>	10,725	115,197	201,202	86,005
<b>Other Financing (Uses) Sources</b>				
Transfers out	(245,821)	(318,800)	(245,821)	72,979
Insurance recoveries	-	2,214	2,214	-
Total other financing uses	(245,821)	(316,586)	(243,607)	72,979
<b>Net Change in Fund Balance</b>	(235,096)	(201,389)	(42,405)	158,984
<b>Fund Balance - Beginning of year</b>	1,633,373	1,633,373	1,633,373	-
<b>Fund Balance - End of year</b>	<u>\$ 1,398,277</u>	<u>\$ 1,431,984</u>	<u>\$ 1,590,968</u>	<u>\$ 158,984</u>

## City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Intergovernmental - State-shared revenue and grants	\$ 388,995	\$ 388,995	\$ 362,404	\$ (26,591)
Interest and rentals - Investment income	600	600	86	(514)
Total revenue	389,595	389,595	362,490	(27,105)
<b>Expenditures</b>				
Current services - Public works	169,156	139,990	122,180	17,810
Capital outlay	-	850,000	484,040	365,960
Total expenditures	169,156	989,990	606,220	383,770
<b>Excess of Revenue Over (Under) Expenditures</b>	220,439	(600,395)	(243,730)	356,665
<b>Other Financing Sources - Transfers in</b>	-	-	1,000,000	1,000,000
<b>Net Change in Fund Balance</b>	220,439	(600,395)	756,270	1,356,665
<b>Fund Balance - Beginning of year</b>	181,836	181,836	181,836	-
<b>Fund Balance - End of year</b>	<u>\$ 402,275</u>	<u>\$ (418,559)</u>	<u>\$ 938,106</u>	<u>\$ 1,356,665</u>



**City of Lathrup Village, Michigan**

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Intergovernmental - State-shared revenue and grants	\$ 143,268	\$ 143,268	\$ 188,857	\$ 45,589
Interest and rentals - Investment income	600	600	812	212
Total revenue	143,868	143,868	189,669	45,801
<b>Expenditures</b>				
Current services - Public works	393,816	232,185	217,057	15,128
Capital outlay	-	850,000	562,967	287,033
Total expenditures	393,816	1,082,185	780,024	302,161
<b>Excess of Expenditures Over Revenue</b>	(249,948)	(938,317)	(590,355)	347,962
<b>Other Financing Sources</b> - Transfers in	149,200	149,200	1,149,200	1,000,000
<b>Net Change in Fund Balance</b>	(100,748)	(789,117)	558,845	1,347,962
<b>Fund Balance</b> - Beginning of year	313,012	313,012	313,012	-
<b>Fund Balance</b> - End of year	<u>\$ 212,264</u>	<u>\$ (476,105)</u>	<u>\$ 871,857</u>	<u>\$ 1,347,962</u>

June 30, 2021

**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	\$ 532,555	\$ 648,488	\$ (115,933)

**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

**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**

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.