



A HERITAGE OF GOOD LIVING

Financial Report  
with Supplemental Information  
June 30, 2019

Kelly Garrett, Mayor  
Bruce Kantor, Mayor Pro Tem  
Ian Ferguson, Council Member  
Donna Stallings, Council Member  
Saleem Siddiqi, Council Member  
Dr. Sheryl L. Mitchell, City Administrator

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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, 2019 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, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
City of Lathrup Village, Michigan

**Other Matters**

*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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lathrup Village, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

September 5, 2019

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, 2019. 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, 2019:

- The FY 2018/2019 General Fund property tax and related revenue increased \$68,310, or 2.41 percent, as compared to the 2017/2018 fiscal year.

Property Taxes			
FY 2017/2018	FY 2018/2019	Change	Percent
\$ 2,834,456	\$ 2,902,766	\$ 68,310	2.41%

- Total General Fund revenue was \$245,009, or 6.33 percent, greater than the prior year.

General Fund Revenue			
FY 2017/2018	FY 2018/2019	Change	Percent
\$ 3,867,998	\$ 4,113,007	\$ 245,009	6.33%

- Overall, General Fund expenditures were \$113,428 higher than the prior year. General Fund expenditures for the fiscal year were \$122,436 higher than the amended budget.

General Fund Expenditures			
FY 2017/2018	FY 2018/2019	Change	Percent
\$ 3,608,152	\$ 3,721,580	\$ 113,428	3.14%

- It should be noted that, through the hard work of staff and the City Council, we have been able to bring our budget in on a generally positive note. The ending fund balance of the General Fund increased \$166,318, or 11.33 percent, from fiscal year 2017/2018.

General Fund - Ending Fund Balance			
FY 2017/2018	FY 2018/2019	Change	Percent
\$ 1,467,326	\$ 1,633,644	\$ 166,318	11.33%

**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, 2019 compared to the prior year:

#### The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 2,607,056	\$ 2,202,445	\$ 2,362,346	\$ 2,503,719	\$ 4,969,402	\$ 4,706,164
Capital assets	14,982,169	14,910,870	8,278,878	8,316,765	23,261,047	23,227,635
Total assets	17,589,225	17,113,315	10,641,224	10,820,484	28,230,449	27,933,799
<b>Deferred Outflows of Resources - Related to pensions</b>						
	474,833	49,966	64,663	6,878	539,496	56,844
<b>Liabilities</b>						
Current liabilities	426,918	192,722	139,413	147,254	566,331	339,976
Long-term liabilities	5,882,105	5,225,396	3,539,575	3,206,686	9,421,680	8,432,082
Total liabilities	6,309,023	5,418,118	3,678,988	3,353,940	9,988,011	8,772,058
<b>Deferred Inflows of Resources - Related to pensions</b>						
	-	189,456	-	25,986	-	215,442
<b>Net Position</b>						
Net investment in capital assets	14,933,182	14,853,955	7,331,736	7,284,623	22,264,918	22,138,578
Restricted	526,592	493,197	-	-	526,592	493,197
Unrestricted	(3,704,739)	(3,791,445)	(304,837)	162,813	(4,009,576)	(3,628,632)
Total net position	<b>\$ 11,755,035</b>	<b>\$ 11,555,707</b>	<b>\$ 7,026,899</b>	<b>\$ 7,447,436</b>	<b>\$ 18,781,934</b>	<b>\$ 19,003,143</b>

The City's combined net position is \$18.8 million compared to \$19.0 million for the prior year. This represents a 1.16 percent decrease. The governmental activities portion of net position increased \$0.199 million, or 1.72 percent, while the business-type activities decreased by \$0.42 million, or 5.65 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	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 431,818	\$ 308,110	\$ 2,097,664	\$ 2,145,801	\$ 2,529,482	\$ 2,453,911
Operating grants and contributions	541,064	468,744	-	-	541,064	468,744
Capital grants and contributions	1,067	-	-	-	1,067	-
General revenue:						
Property taxes	2,897,908	2,839,291	-	-	2,897,908	2,839,291
State-shared revenue	402,277	384,909	-	-	402,277	384,909
Investment income	43,212	23,057	11,130	12,520	54,342	35,577
Other revenue:						
Cable franchise and cell tower fees	232,357	221,265	-	-	232,357	221,265
Other miscellaneous income	93,910	96,516	-	-	93,910	96,516
<b>Total revenue</b>	<b>4,643,613</b>	<b>4,341,892</b>	<b>2,108,794</b>	<b>2,158,321</b>	<b>6,752,407</b>	<b>6,500,213</b>
<b>Expenses</b>						
General government	1,266,443	1,320,179	-	-	1,266,443	1,320,179
Public safety	2,040,485	1,963,546	-	-	2,040,485	1,963,546
Public works	1,051,943	1,016,257	-	-	1,051,943	1,016,257
Recreation and culture	85,414	125,397	-	-	85,414	125,397
Water and Sewer Fund	-	-	2,529,331	1,999,697	2,529,331	1,999,697
<b>Total expenses</b>	<b>4,444,285</b>	<b>4,425,379</b>	<b>2,529,331</b>	<b>1,999,697</b>	<b>6,973,616</b>	<b>6,425,076</b>
<b>Change in Net Position</b>	<b>199,328</b>	<b>(83,487)</b>	<b>(420,537)</b>	<b>158,624</b>	<b>(221,209)</b>	<b>75,137</b>
<b>Net Position - Beginning of year</b>	<b>11,555,707</b>	<b>14,143,674</b>	<b>7,447,436</b>	<b>9,002,296</b>	<b>19,003,143</b>	<b>23,145,970</b>
<b>Net Position - End of year</b>	<b>\$ 11,755,035</b>	<b>\$ 14,060,187</b>	<b>\$ 7,026,899</b>	<b>\$ 9,160,920</b>	<b>\$ 18,781,934</b>	<b>\$ 23,221,107</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 and the Capital Acquisition Fund. The table shown above was generated by pulling data from pages 9 and 10 of the financial report. You will find specific breakout data for the General, Major Streets, Local Streets, and Capital Acquisition funds on pages 11 and 13 of the financial report.

The City's governmental revenue totaled \$4.6 million, with the largest revenue source being property taxes (\$2.9 million). Property tax revenue represents 62 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 \$0.40 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 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 \$0.66 million.

Finally, the operating grants and contributions total \$0.54 million and reflect Act 51 funds for our major and local streets. 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 and 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 \$4.4 million. Revenue exceeded expenses by \$199,328.

From an overall perspective, despite anticipated flattening revenue and expected expenditures that are growing at a faster pace than revenue, 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 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 activity revenue totaled approximately \$2.1 million. Taking expenses into consideration totaling \$2.5 million, there was a net position decrease of \$0.42 million.



# City of Lathrup Village, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

The audited numbers included \$41,426 more revenue than the final amended budget, \$75,096 more revenue than the original budget, \$122,436 less expenditures than the final amended budget, and \$88,671 less expenditures than the original budget.

General Fund - FY Ended June 30, 2019				
	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Total revenue	\$ 4,052,322	\$ 4,085,992	\$ 4,127,418	\$ 41,426
Total expenditures	(4,049,771)	(4,083,536)	(3,961,100)	122,436
Excess of revenue over expenditures	<b>\$ 2,551</b>	<b>\$ 2,456</b>	<b>\$ 166,318</b>	<b>\$ 163,862</b>

The beginning fund balance for fiscal year 2018/2019 was \$1,467,326. The audited numbers reflect an ending fund balance of \$1,633,644. This is \$163,862 more than the final amended budget and \$163,767 more than the original budget.

General Fund - Fund Balance - FY Ended June 30, 2019				
	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Beginning fund balance	\$ 1,467,326	\$ 1,467,326	\$ 1,467,326	\$ -
Net change in fund balance	2,551	2,456	166,318	163,862
Ending fund balance	<b>\$ 1,469,877</b>	<b>\$ 1,469,782</b>	<b>\$ 1,633,644</b>	<b>\$ 163,862</b>

### Capital Assets and Debt Administration

At the end of fiscal year 2018-2019, the City has \$22.3 million invested in a wide range of capital assets, including land, buildings, equipment, roads, and water and sewer lines. This is the 15th year that such reporting has occurred with such specificity and is attributable to GASB Statement No. 34 requirements.

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

There are several economic factors that will continue to challenge the City. These 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.

### 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.

# City of Lathrup Village, Michigan

## Statement of Net Position

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and investments (Note 3)	\$ 2,341,577	\$ 1,674,647	\$ 4,016,224	\$ 1,079,531
Receivables:				
Property taxes	18,549	-	18,549	-
Special assessments	-	-	-	12,600
Customer receivables	-	665,387	665,387	-
Other receivables - Net of allowance for doubtful accounts	32,820	-	32,820	-
Due from other governmental units	159,527	-	159,527	-
Due from component units (Note 5)	19,062	-	19,062	-
Internal balances	(22,312)	22,312	-	-
Prepaid expenses	57,833	-	57,833	-
Capital assets: (Note 4)				
Assets not subject to depreciation	12,767,458	103,399	12,870,857	-
Assets subject to depreciation - Net	2,214,711	8,175,479	10,390,190	269,661
<b>Total assets</b>	<b>17,589,225</b>	<b>10,641,224</b>	<b>28,230,449</b>	<b>1,361,792</b>
<b>Deferred Outflows of Resources - Pension (Note 8)</b>	<b>474,833</b>	<b>64,663</b>	<b>539,496</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	130,860	127,834	258,694	2,680
Due to primary government (Note 5)	-	-	-	19,062
Accrued liabilities and other	296,058	11,579	307,637	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	100,000	7,849	107,849	-
Current portion of long-term debt (Note 6)	7,928	90,000	97,928	-
Due in more than one year:				
Compensated absences (Note 6)	84,770	-	84,770	-
Net pension liability (Note 8)	1,905,438	261,723	2,167,161	-
Net OPEB liability (Note 10)	3,742,910	2,322,861	6,065,771	-
Long-term debt - Net of current portion (Note 6)	41,059	857,142	898,201	-
<b>Total liabilities</b>	<b>6,309,023</b>	<b>3,678,988</b>	<b>9,988,011</b>	<b>21,742</b>
<b>Net Position</b>				
Net investment in capital assets	14,933,182	7,331,736	22,264,918	269,661
Restricted for:				
Streets and highways	499,655	-	499,655	-
Police forfeitures	4,326	-	4,326	-
Rubbish	22,611	-	22,611	-
Unrestricted	(3,704,739)	(304,837)	(4,009,576)	1,070,389
<b>Total net position</b>	<b>\$ 11,755,035</b>	<b>\$ 7,026,899</b>	<b>\$ 18,781,934</b>	<b>\$ 1,340,050</b>

# City of Lathrup Village, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,266,443	\$ 290,976	\$ 16,775	\$ -
Public safety	2,040,485	116,968	7,119	1,067
Public works	1,051,943	4,917	517,170	-
Recreation and culture	85,414	18,957	-	-
Total governmental activities	4,444,285	431,818	541,064	1,067
Business-type activities - Water and Sewer Fund	2,529,331	2,097,664	-	-
Total primary government	<b>\$ 6,973,616</b>	<b>\$ 2,529,482</b>	<b>\$ 541,064</b>	<b>\$ 1,067</b>
Component units - Downtown Development Authority	<b>\$ 153,963</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Cable franchise and cell tower fees  
 Other miscellaneous income  
 Total general revenue

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

## Statement of Activities

**Year Ended June 30, 2019**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (958,692)	\$ -	\$ (958,692)	\$ -
(1,915,331)	-	(1,915,331)	-
(529,856)	-	(529,856)	-
(66,457)	-	(66,457)	-
(3,470,336)	-	(3,470,336)	-
-	(431,667)	(431,667)	-
(3,470,336)	(431,667)	(3,902,003)	-
-	-	-	(153,963)
2,897,908	-	2,897,908	140,704
402,277	-	402,277	-
43,212	11,130	54,342	13,691
232,357	-	232,357	-
93,910	-	93,910	9,623
3,669,664	11,130	3,680,794	164,018
199,328	(420,537)	(221,209)	10,055
11,555,707	7,447,436	19,003,143	1,329,995
<b>\$ 11,755,035</b>	<b>\$ 7,026,899</b>	<b>\$ 18,781,934</b>	<b>\$ 1,340,050</b>

# City of Lathrup Village, Michigan

## Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Local Streets Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,790,269	\$ 295,976	\$ 255,332	\$ 2,341,577
Receivables:				
Property taxes	18,549	-	-	18,549
Other receivables - Net of allowance for doubtful accounts	32,820	-	-	32,820
Due from other governmental units	78,984	25,662	54,881	159,527
Due from component units (Note 5)	19,062	-	-	19,062
Due from other funds (Note 5)	313,258	6,083	9,723	329,064
Prepaid expenditures	57,833	-	-	57,833
	<u>\$ 2,310,775</u>	<u>\$ 327,721</u>	<u>\$ 319,936</u>	<u>\$ 2,958,432</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 108,702	\$ 16,805	\$ 5,353	\$ 130,860
Due to other funds (Note 5)	-	-	97,554	97,554
Advances from other funds (Note 5)	253,822	-	-	253,822
Accrued liabilities and other	296,058	-	-	296,058
	<u>658,582</u>	<u>16,805</u>	<u>102,907</u>	<u>778,294</u>
Total liabilities				
<b>Deferred Inflows of Resources - Unavailable revenue</b>				
	<u>18,549</u>	<u>-</u>	<u>-</u>	<u>18,549</u>
Total liabilities and deferred inflows of resources	677,131	16,805	102,907	796,843
<b>Fund Balances</b>				
Nonspendable - Prepays	57,833	-	-	57,833
Restricted:				
Roads	-	310,916	188,739	499,655
Police forfeitures	4,326	-	-	4,326
Rubbish	22,611	-	-	22,611
Assigned:				
Road construction	654,558	-	-	654,558
Capital expenditures	-	-	28,290	28,290
OPEB liability	150,000	-	-	150,000
Unassigned	744,316	-	-	744,316
	<u>1,633,644</u>	<u>310,916</u>	<u>217,029</u>	<u>2,161,589</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,310,775</u>	<u>\$ 327,721</u>	<u>\$ 319,936</u>	<u>\$ 2,958,432</u>

**Governmental Funds**

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

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**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 2,161,589
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	14,982,169
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	18,549
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(48,987)
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	(184,770)
Pension benefits	(1,905,438)
Other postemployment benefits	(3,742,910)
Deferred outflows of resources - Employer contributions to the pension plan subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments	474,833
<b>Net Position of Governmental Activities</b>	<b><u>\$ 11,755,035</u></b>

# City of Lathrup Village, Michigan

## Governmental Funds

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

**Year Ended June 30, 2019**

	General Fund	Local Streets Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 2,902,766	\$ -	\$ -	\$ 2,902,766
State-shared revenue and grants:				
Federal grants	16,775	-	-	16,775
State-shared revenue and grants	410,463	201,851	315,319	927,633
Local grants and contributions	-	14,035	-	14,035
Construction code fees	187,558	-	-	187,558
Fines and forfeitures	104,377	-	-	104,377
Licenses and permits	138,932	-	-	138,932
Interest and rentals:				
Investment income	38,953	763	3,496	43,212
Rental income	82,391	-	-	82,391
Other revenue:				
Michigan Broadband Authority	102,258	-	-	102,258
Other miscellaneous income	128,534	-	-	128,534
Total revenue	4,113,007	216,649	318,815	4,648,471
<b>Expenditures</b>				
Current services:				
General government:				
Government service	528,899	-	-	528,899
Buildings and grounds	118,842	-	-	118,842
Administration	599,350	-	-	599,350
Public safety	1,938,865	-	-	1,938,865
Public works	464,558	459,662	121,700	1,045,920
Recreation and culture	63,138	-	-	63,138
Capital outlay	-	44,396	140,271	184,667
Debt service	7,928	-	-	7,928
Total expenditures	3,721,580	504,058	261,971	4,487,609
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	391,427	(287,409)	56,844	160,862
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 5)	-	212,476	94,100	306,576
Transfers out (Note 5)	(239,520)	-	(67,056)	(306,576)
Insurance recoveries	14,411	-	-	14,411
Total other financing (uses) sources	(225,109)	212,476	27,044	14,411
<b>Net Change in Fund Balances</b>	166,318	(74,933)	83,888	175,273
<b>Fund Balances - Beginning of year</b>	1,467,326	385,849	133,141	1,986,316
<b>Fund Balances - End of year</b>	\$ 1,633,644	\$ 310,916	\$ 217,029	\$ 2,161,589

## 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, 2019

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 175,273</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	477,768
Depreciation expense	<u>(406,469)</u>
Total	71,299
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	(4,858)
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	(8,084)
The change in the net OPEB liability does not require the use of current resources and is not reported in the governmental funds	(57,609)
The change in the net pension liability does not require the use of current resources and is not reported in the governmental funds	(598,944)
The change in the deferred inflows of resources related to pensions does not require the use of current resources and is not reported in the governmental funds	189,456
The change in the deferred outflows of resources related to pensions does not require the use of current resources and is not reported in the governmental funds	<u>424,867</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 199,328</u></b>



**Proprietary Funds  
Statement of Net Position**

**June 30, 2019**

	Major Enterprise Fund
	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 1,674,647
Receivables - Net	665,387
Total current assets	2,340,034
Noncurrent assets:	
Advances to other funds (Note 5)	253,822
Capital assets - Net (Note 4)	8,278,878
Total noncurrent assets	8,532,700
Total assets	10,872,734
<b>Deferred Outflows of Resources</b> - Pension (Note 8)	64,663
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	127,834
Due to other funds (Note 5)	231,510
Accrued liabilities and other	11,579
Compensated absences (Note 6)	7,849
Current portion of long-term debt (Note 6)	90,000
Total current liabilities	468,772
Noncurrent liabilities:	
Net pension liability (Note 8)	261,723
Net OPEB liability (Note 10)	2,322,861
Long-term debt - Net of current portion (Note 6)	857,142
Total noncurrent liabilities	3,441,726
Total liabilities	3,910,498
<b>Net Position</b>	
Net investment in capital assets	7,331,736
Unrestricted	(304,837)
Total net position	<b>\$ 7,026,899</b>

# City of Lathrup Village, Michigan

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

Year Ended June 30, 2019

	Major Enterprise Fund
	Water and Sewer Fund
<b>Operating Revenue</b>	
Sale of water	\$ 608,209
Sewage disposal charges	1,269,711
Meter charge revenue	114,128
Industrial surcharge	30,432
Penalties	75,184
	<hr/>
Total operating revenue	2,097,664
<b>Operating Expenses</b>	
Cost of water	392,184
Cost of sewage treatment	946,087
Industrial surcharge	16,882
Other operating and maintenance costs	788,493
General and administrative	58,261
Depreciation	291,108
	<hr/>
Total operating expenses	2,493,015
<b>Operating Loss</b>	(395,351)
<b>Nonoperating Revenue (Expense)</b>	
Investment income	11,130
Interest expense	(36,316)
	<hr/>
Total nonoperating expense	(25,186)
<b>Change in Net Position</b>	(420,537)
<b>Net Position - Beginning of year</b>	7,447,436
	<hr/>
<b>Net Position - End of year</b>	<b>\$ 7,026,899</b>

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended June 30, 2019**

	Major Enterprise Fund
	Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,104,714
Receipts from other funds	493,828
Payments to suppliers	(1,718,250)
Payments to employees	(156,400)
	723,892
<b>Cash Flows Provided by Noncapital Financing Activities</b> - Repayment of loan made to General Fund	50,764
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(253,221)
Principal and interest paid on capital debt	(122,296)
	(375,517)
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	11,130
Purchases of investment securities	(1,159)
	9,971
<b>Net Increase in Cash</b>	409,110
<b>Cash</b> - Beginning of year	1,058,705
<b>Cash</b> - End of year	<b>\$ 1,467,815</b>
<b>Classification of Cash</b>	
Cash and investments	\$ 1,674,647
Less amounts classified as investments	(206,832)
	<b>\$ 1,467,815</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (395,351)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	291,108
Changes in assets and liabilities:	
Receivables	7,050
Due to and from other funds	493,828
Net pension and OPEB liability	328,522
Accounts payable	(6,861)
Compensated absences	5,596
	1,119,243
Total adjustments	1,119,243
Net cash provided by operating activities	<b>\$ 723,892</b>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The City of Lathrup Village, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP) 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 to 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.

***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.

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.

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

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 two 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 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.

**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.

**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.

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

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 healthcare-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.

**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:

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

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

**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 an "other financing source" and bond discounts as "other financing uses." The General 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 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 deferred outflows of resources relate to the defined benefit pension plan, and the details can be found in Note 8.

In addition to liabilities, the statement of net position 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 one item that qualifies for reporting in this category. Accordingly, the item, 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.

**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.

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

**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.

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 only exist 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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$131.6 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 18.9571 mills for operating purposes and 2.8435 mills for refuse service. This resulted in approximately \$2,413,000 for operating and approximately \$362,000 for refuse service. These amounts are recognized in the General Fund as tax revenue.



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

**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 healthcare 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. The City has not set aside any funds to date toward this liability; hence, the unfunded net OPEB liability is equal to the total OPEB liability calculated by the actuary.

**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.

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

***Upcoming Accounting Pronouncements***

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

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, 2021.

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, 2021 fiscal year.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

**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, 2018		\$ (180,609)
Current year building permit revenue		187,558
Related expenses:		
Direct costs	\$ 140,933	
Estimated indirect costs	53,630	194,563
Current year shortfall		<u>(7,005)</u>
Cumulative shortfall June 30, 2019		<u><u>\$ (187,614)</u></u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not 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 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 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 \$4,216,010 of bank deposits (certificates of deposit and checking and savings accounts), of which \$706,933 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Downtown Development Authority had \$1,079,531 of bank deposits (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.

June 30, 2019

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 364,738	\$ -	\$ -	\$ 364,738
Right of ways	12,402,720	-	-	12,402,720
Subtotal	12,767,458	-	-	12,767,458
Capital assets being depreciated:				
Buildings and improvements	1,243,739	-	-	1,243,739
Machinery and equipment	1,392,231	187,884	-	1,580,115
Infrastructure	7,430,672	289,884	(709,425)	7,011,131
Subtotal	10,066,642	477,768	(709,425)	9,834,985
Accumulated depreciation:				
Buildings and improvements	774,010	36,334	-	810,344
Machinery and equipment	1,082,492	130,810	-	1,213,302
Infrastructure	6,066,728	239,325	(709,425)	5,596,628
Subtotal	7,923,230	406,469	(709,425)	7,620,274
Net capital assets being depreciated	2,143,412	71,299	-	2,214,711
Net governmental activities capital assets	\$ 14,910,870	\$ 71,299	\$ -	\$ 14,982,169

**Business-type Activities**

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 103,399	\$ -	\$ 103,399
Capital assets being depreciated:				
Utility system	14,684,067	149,822	-	14,833,889
Machinery and equipment	564,704	-	-	564,704
Vehicles	69,487	-	-	69,487
Subtotal	15,318,258	149,822	-	15,468,080
Accumulated depreciation:				
Utility system	6,516,667	272,628	-	6,789,295
Machinery and equipment	415,339	18,480	-	433,819
Vehicles	69,487	-	-	69,487
Subtotal	7,001,493	291,108	-	7,292,601
Net capital assets being depreciated	8,316,765	(141,286)	-	8,175,479
Net business-type activities capital assets	\$ 8,316,765	\$ (37,887)	\$ -	\$ 8,278,878

June 30, 2019

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

**Component Unit**

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets being depreciated:				
Infrastructure	\$ 360,290	\$ -	\$ -	\$ 360,290
Furniture and equipment	16,280	-	-	16,280
Subtotal	376,570	-	-	376,570
Accumulated depreciation:				
Infrastructure	73,295	27,106	-	100,401
Furniture and equipment	4,067	2,441	-	6,508
Subtotal	77,362	29,547	-	106,909
Net capital assets	<u>\$ 299,208</u>	<u>\$ (29,547)</u>	<u>\$ -</u>	<u>\$ 269,661</u>

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

Governmental activities:	
General government	\$ 33,069
Public safety	55,644
Public works	295,906
Recreation and culture	21,850
Total governmental activities	<u>\$ 406,469</u>
Business-type activities - Water and Sewer Fund	<u>\$ 291,108</u>
Component unit activities - Downtown Development Authority	<u>\$ 29,547</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 funds	\$ 81,748
	Water and Sewer Fund	231,510
	Total General Fund	313,258
Local Streets Fund	Nonmajor governmental funds	6,083
	Nonmajor governmental funds	9,723
	Total	<u>\$ 329,064</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	\$ 253,822

June 30, 2019

**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
General Fund	Component unit - Downtown Development Authority	\$ 19,062

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	Local Streets Fund	\$ 145,420
	Nonmajor governmental funds	94,100
	Total General Fund	239,520
Nonmajor governmental funds	Local Streets Fund	67,056
	Total	<u>\$ 306,576</u>

The transfers from the General Fund to the Local Streets Fund and the nonmajor governmental funds represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations. The transfer from the nonmajor governmental funds to the Local Streets Fund represents a redistribution of Act 51 monies.

June 30, 2019

**Note 6 - Long-term Debt**

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

Long-term debt activity for the year ended June 30, 2019 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 - \$2,569	\$ 8,689	\$ -	\$ (2,569)	\$ 6,120	\$ 2,569
Michigan Suburbs Alliance loan - Energy efficiency and renewable energy projects - Amount of issue: \$80,380, maturing in 2027	N/A	\$5,359	48,226	-	(5,359)	42,867	5,359
Total direct borrowings and direct placements principal outstanding			56,915	-	(7,928)	48,987	7,928
Other long-term obligations -							
Compensated absences			176,686	104,597	(96,513)	184,770	100,000
Total governmental activities long-term debt			<u>\$ 233,601</u>	<u>\$ 104,597</u>	<u>\$ (104,441)</u>	<u>\$ 233,757</u>	<u>\$ 107,928</u>

**Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements:							
State Revolving Fund Obligation - Amount of issue: \$626,570, maturing in 2028	2.50%	\$30,000 - \$42,142	\$ 437,142	\$ -	\$ (30,000)	\$ 407,142	\$ 30,000
Other debt - General obligations bonds - Amount of issue: \$995,000, maturing in 2027	4.25% - 4.75%	\$60,000 - \$75,000	595,000	-	(55,000)	540,000	60,000
Total bonds and contracts payable			1,032,142	-	(85,000)	947,142	90,000
Other long-term obligations -							
Compensated absences			2,253	10,878	(5,282)	7,849	7,849
Total business-type activities long-term debt			<u>\$ 1,034,395</u>	<u>\$ 10,878</u>	<u>\$ (90,282)</u>	<u>\$ 954,991</u>	<u>\$ 97,849</u>

June 30, 2019

**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				
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2020	\$ 7,928	\$ -	\$ 7,928	\$ 30,000	\$ 10,179	\$ 60,000	\$ 23,823	\$ 124,002
2021	7,928	-	7,928	35,000	9,429	60,000	21,138	125,567
2022	6,341	-	6,341	35,000	8,554	65,000	18,293	126,847
2023	5,359	-	5,359	35,000	7,679	65,000	15,286	122,965
2024-2028	21,431	-	21,431	190,000	24,893	290,000	28,025	532,918
2029-2033	-	-	-	82,142	3,107	-	-	85,249
Total	\$ 48,987	\$ -	\$ 48,987	\$ 407,142	\$ 63,841	\$ 540,000	\$ 106,565	\$ 1,117,548

**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. 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. 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. 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. 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, 2018
Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	5
	<hr/>
Total employees covered by the plan	<u>27</u>

**Contributions**

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

For the year ended June 30, 2019, the average active employee contribution rate was 6.59 percent of gross wages, and the City's minimum monthly required contribution was \$16,721.

**Net Pension Liability**

The City has chosen to use the December 31, 2018 measurement date as its measurement date for the net pension liability. The June 30, 2019 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, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

**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, 2017</b>	\$ 8,074,156	\$ 6,587,613	\$ 1,486,543
Changes for the year:			
Service cost	61,401	-	61,401
Interest	623,735	-	623,735
Differences between expected and actual experience	(73,176)	-	(73,176)
Contributions - Employer	-	157,170	(157,170)
Contributions - Employee	-	31,517	(31,517)
Net investment loss	-	(244,887)	244,887
Benefit payments, including refunds	(616,381)	(616,381)	-
Administrative expenses	-	(12,458)	12,458
Net changes	(4,421)	(685,039)	680,618
<b>Balance at December 31, 2018</b>	<u>\$ 8,069,735</u>	<u>\$ 5,902,574</u>	<u>\$ 2,167,161</u>

The plan's fiduciary net position represents 73.1 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, 2019, the City recognized pension expense of \$183,176.

At June 30, 2019, 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	\$ 439,170	\$ -
Employer contributions to the plan subsequent to the measurement date	100,326	-
Total	<u>\$ 539,496</u>	<u>\$ -</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
2020	\$ 166,251
2021	42,408
2022	82,837
2023	147,674
Total	<u>\$ 439,170</u>

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

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses, but gross of administrative expenses) of 8.0 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted from 2009 through 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0 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, 2018 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	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

**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 8.0 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 (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the City	\$ 2,942,936	\$ 2,167,161	\$ 1,500,734

**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.

**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 \$39,379 and employees contributed \$29,404 for the year ended June 30, 2019.

**Note 10 - Other Postemployment Benefit Plan**

***Plan Description***

The City provides retiree healthcare 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***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:

	<u>City of Lathrup Village Retiree Healthcare Plan</u>
Date of member count	June 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	21
Active plan members	<u>4</u>
Total plan members	<u><u>25</u></u>

***Contributions***

Retiree healthcare 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, 2019, the City made payments for postemployment health benefit premiums of \$167,338.

June 30, 2019

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

**Total OPEB Liability**

The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, which used update procedures to roll forward the estimated liability to June 30, 2019.

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

Changes in Total OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2018</b>	\$ 5,677,543	\$ -	\$ 5,677,543
Changes for the year:			
Service cost	53,004	-	53,004
Interest	194,817	-	194,817
Changes in assumptions	307,745	-	307,745
Contributions - Employer	-	167,338	(167,338)
Benefit payments, including refunds	(167,338)	(167,338)	-
Net changes	388,228	-	388,228
<b>Balance at June 30, 2019</b>	<u>\$ 6,065,771</u>	<u>\$ -</u>	<u>\$ 6,065,771</u>

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$555,566.

**Actuarial Assumptions**

The total OPEB liability as of the June 30, 2019 measurement date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; a discount rate of 3.36 percent; a healthcare cost trend rate of 9.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2027 and later years; and the RP-2014 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 3.36 percent. The discount rate was based on the municipal bond market.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.36 percent, as well as what the City's total 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 Percent Decrease (2.36%)	Current Discount Rate (3.36%)	1 Percent Increase (4.36%)
Total OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 7,135,150	\$ 6,605,771	\$ 5,215,672

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

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Total OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 5,211,019	\$ 6,065,771	\$ 7,122,454

***Assumption Changes***

The discount rate used to measure the total OPEB liability was decreased from 3.45 percent for June 30, 2018 to 3.36 percent for June 30, 2019.

**Note 11 - Retirement Healthcare Savings Plan**

The City provides additional other postemployment benefits to all full-time employees hired after July 1, 2008 through a retiree healthcare savings plan administered by ICMA - Meritain Health. Under the plan, there are no employee contributions, and the City contributes 2 percent of employee's base salaries into eligible employees' health savings accounts for retirement healthcare. Contributions to the health savings accounts by the City were \$16,286 for the year ended June 30, 2019.

**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 \$327,000 related to payments to the Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

The City is a member of Southeastern Oakland County Water Authority (the "Water Authority"), which consists of 11 municipalities in Oakland County, Michigan. The City purchases water from the Water Authority. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provide annual funding for its operations. During the current year, the City expensed approximately \$392,000 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

	<b>Years Ended December 31</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ 61,401	\$ 65,460	\$ 82,950	\$ 84,814	\$ 102,340
Interest	623,735	637,504	612,822	588,230	576,312
Miscellaneous other charges	-	(93,953)	-	-	-
Differences between expected and actual experience	(73,176)	(211,835)	252,035	29,891	-
Changes in assumptions	-	-	-	377,460	-
Benefit payments, including refunds	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
<b>Net Change in Total Pension Liability</b>	(4,421)	(214,976)	392,855	536,824	171,415
<b>Total Pension Liability - Beginning of year</b>	8,074,156	8,289,132	7,896,277	7,359,453	7,188,038
<b>Total Pension Liability - End of year</b>	<b><u>\$ 8,069,735</u></b>	<b><u>\$ 8,074,156</u></b>	<b><u>\$ 8,289,132</u></b>	<b><u>\$ 7,896,277</u></b>	<b><u>\$ 7,359,453</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 157,170	\$ 100,914	\$ 74,706	\$ 64,182	\$ 53,795
Contributions - Member	31,517	38,023	135,489	49,191	61,176
Net investment (loss) income	(244,887)	809,627	671,396	(94,420)	409,055
Administrative expenses	(12,458)	(12,866)	(13,283)	(14,080)	(14,946)
Benefit payments, including refunds	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
Miscellaneous other charges	-	(93,953)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(685,039)	229,593	313,356	(538,698)	1,843
<b>Plan Fiduciary Net Position - Beginning of year</b>	6,587,613	6,358,020	6,044,664	6,583,362	6,581,519
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 5,902,574</u></b>	<b><u>\$ 6,587,613</u></b>	<b><u>\$ 6,358,020</u></b>	<b><u>\$ 6,044,664</u></b>	<b><u>\$ 6,583,362</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 2,167,161</u></b>	<b><u>\$ 1,486,543</u></b>	<b><u>\$ 1,931,112</u></b>	<b><u>\$ 1,851,613</u></b>	<b><u>\$ 776,091</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	73.14 %	81.59 %	76.70 %	76.55 %	89.45 %
<b>Covered Payroll</b>	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381	\$ 877,424
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182	\$ 67,092	\$ 81,305	\$ 121,932	\$ 124,034	\$ 116,491	\$ 85,122
Contributions in relation to the actuarially determined contribution	200,652	113,688	88,140	64,182	67,092	1,225,013	121,932	124,034	116,491	85,122
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,143,708</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</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>\$ 1,073,339</b>	<b>\$ 986,102</b>
<b>Contributions as a Percentage of Covered Employee Payroll</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>	<b>10.85 %</b>	<b>8.63 %</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	20 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.0 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	50 percent female/50 percent male RP-2014 Health 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 Total OPEB Liability and Related Ratios**

	<b>Fiscal Years Ended June 30</b>	
	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 53,004	\$ 58,875
Interest	194,817	180,037
Changes in assumptions	307,745	(280,471)
Benefit payments, including refunds	<u>(167,338)</u>	<u>(177,091)</u>
<b>Net Change in Total OPEB Liability</b>	388,228	(218,650)
<b>Total OPEB Liability - Beginning of year</b>	<u>5,677,543</u>	<u>5,896,193</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 6,065,771</u></b>	<b><u>\$ 5,677,543</u></b>
<b>Covered Employee Payroll</b>	\$ 311,227	\$ 316,913
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	1,948.99 %	1,791.51 %

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836	\$ 259,097	\$ 422,732	\$ 318,021	\$ 457,917	\$ 556,685	\$ 560,334
Contributions in relation to the actuarially determined contribution	167,338	177,091	143,679	138,020	165,208	183,783	191,083	188,565	185,652	179,503
<b>Contribution Deficiency</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>\$ (371,033)</b>	<b>\$ (380,831)</b>
<b>Covered Employee Payroll</b>	\$ 311,227	\$ 316,913	\$ 723,381	\$ 723,381	\$ 877,424	\$ 840,997	\$ 1,102,601	\$ 1,135,812	\$ -	\$ -
<b>Contributions as a Percentage of Covered Employee Payroll</b>	53.77 %	55.88 %	19.86 %	19.08 %	18.83 %	21.85 %	17.33 %	16.60 %	- %	- %

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
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	N/A
Inflation	2.5 percent
Healthcare cost trend rates	9.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.50 percent for 2027 and later years
Salary increase	2.0 percent
Investment rate of return	N/A
Retirement age	60 years
Mortality	50 percent female/50 percent male RP-2014 Health 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  
Budgetary Comparison Schedule  
General Fund

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,924,297	\$ 2,900,534	\$ 2,902,766	\$ 2,232
State-shared revenue and grants:				
Federal grants	3,000	14,670	16,775	2,105
State-shared revenue and grants	424,269	395,827	410,463	14,636
Construction code fees	104,000	169,453	187,558	18,105
Fines and forfeitures	125,000	95,000	104,377	9,377
Licenses and permits	130,000	154,000	138,932	(15,068)
Interest and rentals	75,917	99,187	121,344	22,157
Other revenue:				
Other miscellaneous income	165,839	143,192	128,534	(14,658)
Michigan Broadband Authority	100,000	99,718	102,258	2,540
<b>Total revenue</b>	<b>4,052,322</b>	<b>4,071,581</b>	<b>4,113,007</b>	<b>41,426</b>
<b>Expenditures</b>				
Current services:				
General government:				
Government service	449,211	538,432	528,899	9,533
Buildings and grounds	107,000	122,750	118,842	3,908
Administration	572,824	613,772	599,350	14,422
Public safety	2,056,636	2,005,270	1,938,865	66,405
Public works	494,836	489,309	464,558	24,751
Recreation and culture	121,816	66,555	63,138	3,417
Debt service	7,928	7,928	7,928	-
<b>Total expenditures</b>	<b>3,810,251</b>	<b>3,844,016</b>	<b>3,721,580</b>	<b>122,436</b>
<b>Excess of Revenue Over Expenditures</b>	<b>242,071</b>	<b>227,565</b>	<b>391,427</b>	<b>163,862</b>
<b>Other Financing (Uses) Sources</b>				
Transfers out	(239,520)	(239,520)	(239,520)	-
Insurance recoveries	-	14,411	14,411	-
<b>Total other financing uses</b>	<b>(239,520)</b>	<b>(225,109)</b>	<b>(225,109)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>2,551</b>	<b>2,456</b>	<b>166,318</b>	<b>163,862</b>
<b>Fund Balance - Beginning of year</b>	<b>1,467,326</b>	<b>1,467,326</b>	<b>1,467,326</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,469,877</b>	<b>\$ 1,469,782</b>	<b>\$ 1,633,644</b>	<b>\$ 163,862</b>

**City of Lathrup Village, Michigan**

Required Supplemental Information  
Budgetary Comparison Schedule  
Local Streets Fund

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants:				
State-shared revenue and grants	\$ 104,271	\$ 195,224	\$ 201,851	\$ 6,627
Local grants and contributions	-	14,000	14,035	35
Interest and rentals - Investment income	300	300	763	463
Total revenue	104,571	209,524	216,649	7,125
<b>Expenditures</b>				
Current services - Public works	428,235	476,961	459,662	17,299
Capital outlay	90,000	-	44,396	(44,396)
Total expenditures	518,235	476,961	504,058	(27,097)
<b>Excess of Expenditures Over Revenue</b>	(413,664)	(267,437)	(287,409)	(19,972)
<b>Other Financing Sources - Transfers in</b>	212,476	212,476	212,476	-
<b>Net Change in Fund Balance</b>	(201,188)	(54,961)	(74,933)	(19,972)
<b>Fund Balance - Beginning of year</b>	385,849	385,849	385,849	-
<b>Fund Balance - End of year</b>	<u>\$ 184,661</u>	<u>\$ 330,888</u>	<u>\$ 310,916</u>	<u>\$ (19,972)</u>

***Budgetary Information***

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

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

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

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

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

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

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

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
Local Streets Fund - Capital outlay	\$	-	\$	44,396	\$ (44,396)

***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.

***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.

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## Other Supplemental Information

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**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds**

**June 30, 2019**

	Special Revenue Fund	Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets Fund	Capital Acquisition Fund	
<b>Assets</b>			
Cash and investments	\$ 129,488	\$ 125,844	\$ 255,332
Receivables - Due from other governmental units	54,881	-	54,881
Due from other funds	9,723	-	9,723
Total assets	<b>\$ 194,092</b>	<b>\$ 125,844</b>	<b>\$ 319,936</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,353	\$ -	\$ 5,353
Due to other funds	-	97,554	97,554
Total liabilities	5,353	97,554	102,907
<b>Fund Balances</b>			
Restricted - Roads	188,739	-	188,739
Assigned - Capital expenditures	-	28,290	28,290
Total fund balances	188,739	28,290	217,029
Total liabilities and fund balances	<b>\$ 194,092</b>	<b>\$ 125,844</b>	<b>\$ 319,936</b>



**City of Lathrup Village, Michigan**

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds**

**Year Ended June 30, 2019**

	Special Revenue Fund	Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets Fund	Capital Acquisition Fund	
<b>Revenue</b>			
State-shared revenue and grants	\$ 315,319	\$ -	\$ 315,319
Interest and rentals - Investment income	2,483	1,013	3,496
Total revenue	317,802	1,013	318,815
<b>Expenditures</b>			
Current - Public works	121,700	-	121,700
Capital outlay	44,396	95,875	140,271
Total expenditures	166,096	95,875	261,971
<b>Excess of Revenue Over (Under) Expenditures</b>	151,706	(94,862)	56,844
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	94,100	94,100
Transfers out	(67,056)	-	(67,056)
Total other financing (uses) sources	(67,056)	94,100	27,044
<b>Net Change in Fund Balances</b>	84,650	(762)	83,888
<b>Fund Balances - Beginning of year</b>	104,089	29,052	133,141
<b>Fund Balances - End of year</b>	<b>\$ 188,739</b>	<b>\$ 28,290</b>	<b>\$ 217,029</b>