



A HERITAGE OF GOOD LIVING

CITY COUNCIL

CITY OF LATHRUP VILLAGE
27400 Southfield Road, Lathrup Village, Michigan 48076

STUDY SESSION AGENDA

MONDAY, OCTOBER 19, 2020

6:00 P.M.

ZOOM REMOTE MEETING INFORMATION

Webinar ID: 974 5350 2557

Password: 633418

Online:

<https://zoom.us/j/97453502557?pwd=TWWhIOHNDMUxPcjNWekg1OUgwV1ZMZz09>

Telephone:

1 646 558 8656 or +1 301 715 8592

AGENDA ITEMS

1. **Call to Order** by Mayor Garrett
2. **Discussion Items:**
 - A. Fiscal Year 2019/20 Audit
 - B. Construction Board of Appeals / Building Board of Appeals
 - C. Marijuana Licensing & Application Process
 - D. Infrastructure Committee Update
 - E. Sign Ordinances Update
 - F. House In the Woods –Update
3. **Mayor and Council Comments**
4. **Public Comments**
5. **Adjourn**

**NOTICE OF ELECTRONIC PUBLIC MEETING
CITY OF LATHRUP VILLAGE
CITY COUNCIL Meetings**

Monday, October 5, 2020 at 6pm – Study Session
Monday, October 19, 2020 at 6:00pm – Study Session
Monday, October 19, 2020 at 7:00pm – Council Meeting

In accordance with Emergency Orders issued by the Michigan Department of Health and Human Services, Oakland County, local officials, and State of Michigan legislation, which allows for electronic meetings of public bodies, notice is hereby given that the City of Lathrup's City Council will be meeting electronically using www.Zoom.US for videoconference and public access.

The electronic public meeting will be held as a Zoom electronic webinar. The public can participate via the Zoom application, internet and/or telephone. The public will be able to listen to all discussion by City Council members and will be permitted to speak for up to 3 minutes during the public comment section of the agenda.

Please note that callers/viewers will automatically be muted. Public comments can be submitted via the Chat Room or during Public Comment, when viewers are unmuted on an individual basis. Comments may also be emailed in by 12noon of the date of the meeting to: cityclerk@lathrupvillage.org.

CITY OF LATHRUP VILLAGE
CLICK FOR ZOOM WEBINAR SIGN IN INFORMATION

OCTOBER 19, 2020 AT 6PM – STUDY SESSION

Online:

<https://zoom.us/j/97453502557?pwd=TWhlOHNDMUxPcjNWekg1OUgwV1ZMZZ09>

Telephone: 646 558 8656 or 301 715 8592

Webinar ID: 974 5350 2557

Password: 633418

OCTOBER 19, 2020 AT 7PM – COUNCIL MEETING

Online:

<https://zoom.us/j/97509121900?pwd=L0ZHQkppVm1VbFVncjUyb0czOU8wQT09>

Telephone: 646 558 8656 or 301 715 8592

Webinar ID: 975 0912 1900

Password: 125760

ONLINE PARTICIPANTS can “raise their hand” to be recognized by the moderator. The moderator will announce when it is your turn to speak. Audio for participants will be unmuted on an individual basis. There is a 3-minute time limit.

NOTICE FOR TELEPHONE CALL IN ATTENDEES: In order to “raise your hand” press *9. In order to toggle between mute/unmute, press *6 on your telephone key pad



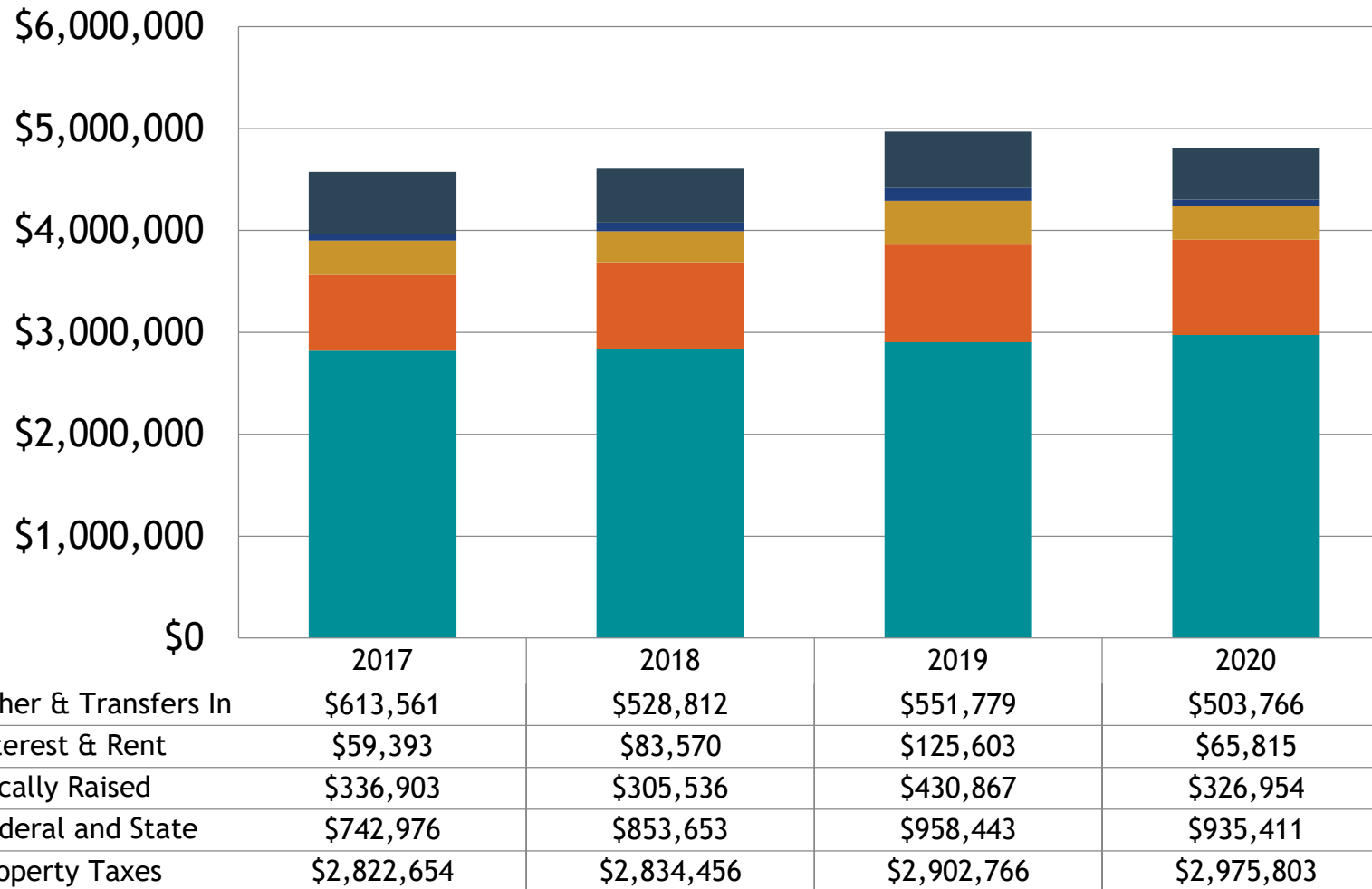
plante moran | Audit. Tax. Consulting.
Wealth Management.

City of Lathrup Village Audit Presentation to the City Council

For Year Ended June 30, 2020

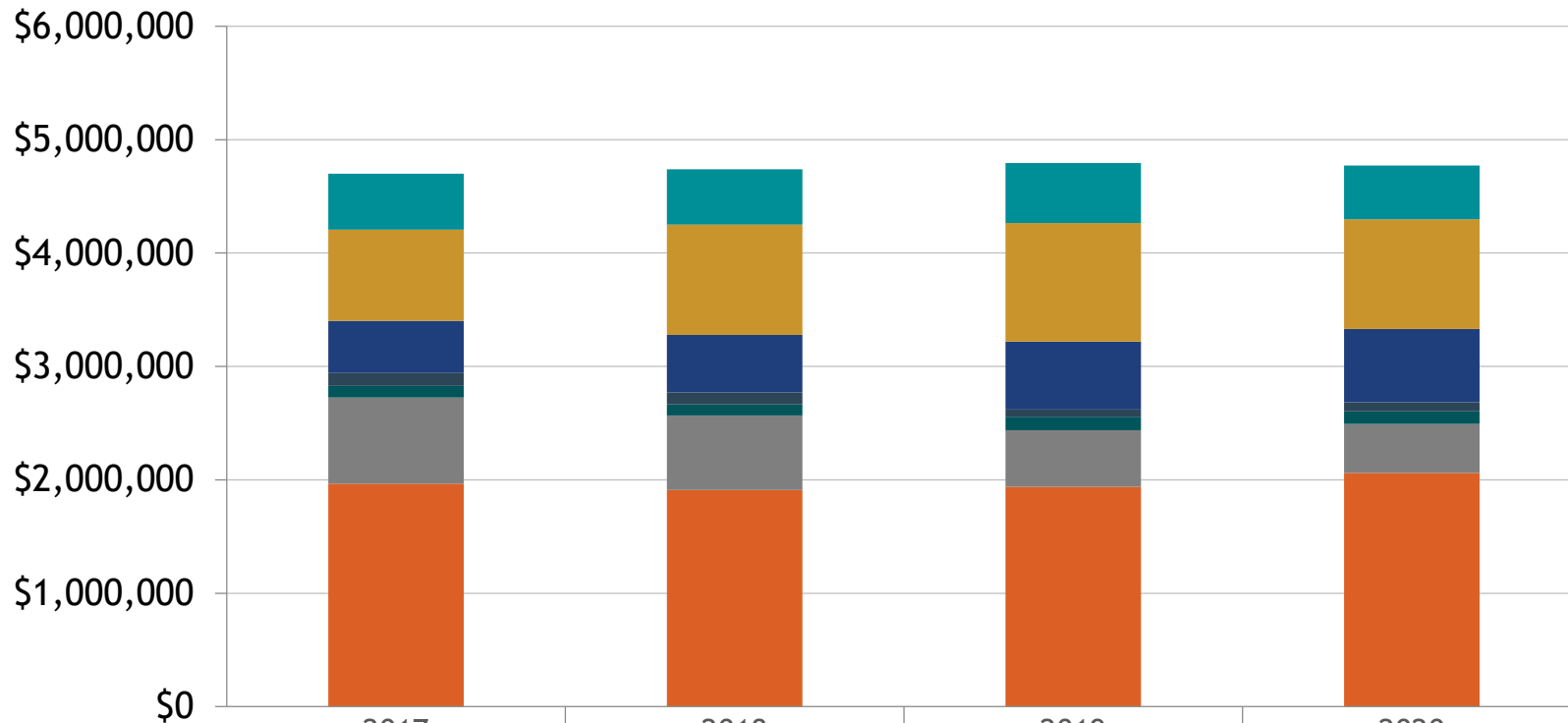


City of Lathrup Village Governmental Fund Revenue Years Ended June 30





City of Lathrup Village Governmental Fund Expenditures Years Ended June 30

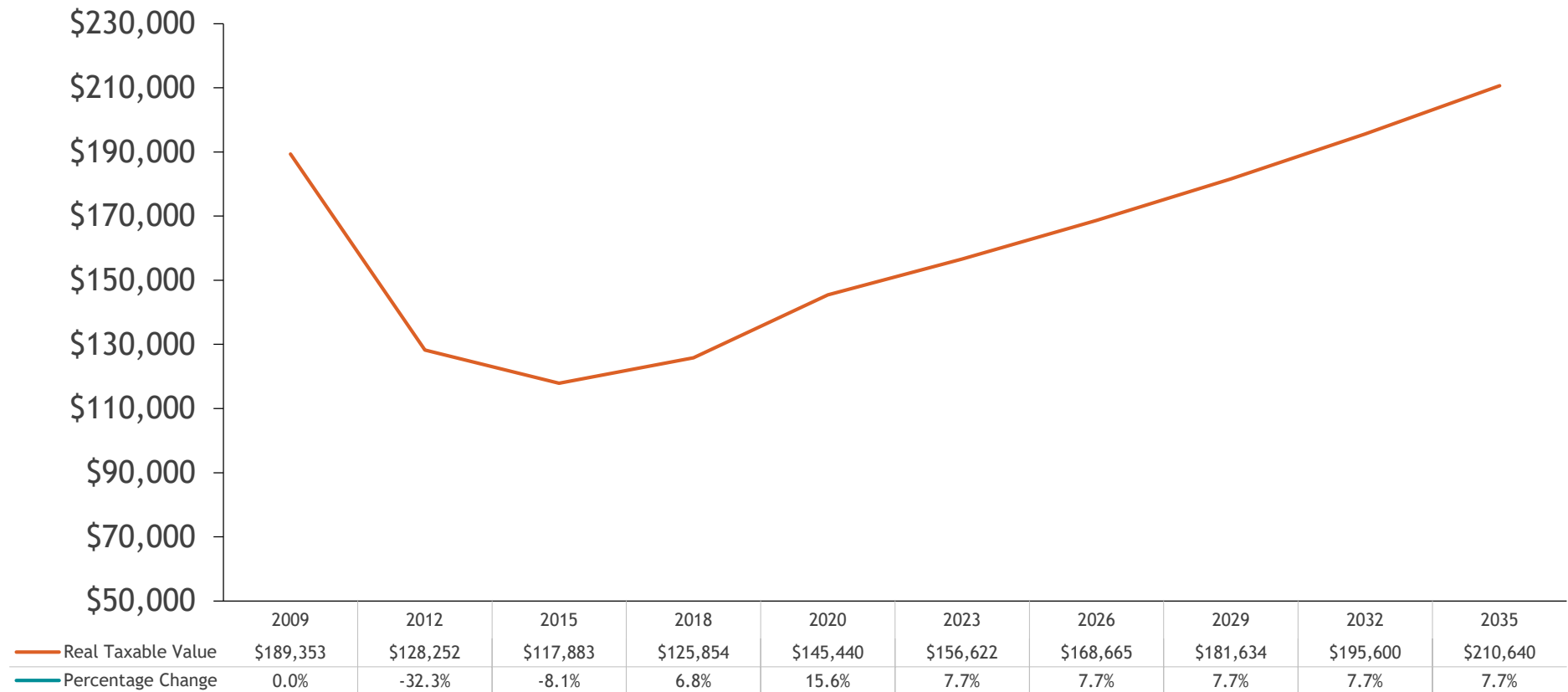


	2017	2018	2019	2020
Governmental Services	\$493,047	\$487,870	\$528,899	\$472,423
Public Works	\$805,008	\$972,054	\$1,045,920	\$968,064
Administration	\$460,416	\$507,673	\$599,350	\$644,742
Recreation and Culture	\$112,036	\$105,384	\$63,138	\$81,101
Building and Grounds	\$103,759	\$97,360	\$118,842	\$111,532
Transfers Out and Other	\$760,332	\$656,703	\$499,171	\$431,880
Public Safety	\$1,965,268	\$1,911,432	\$1,938,865	\$2,060,523



City of Lathrup Village

Total Taxable Value (in thousands)



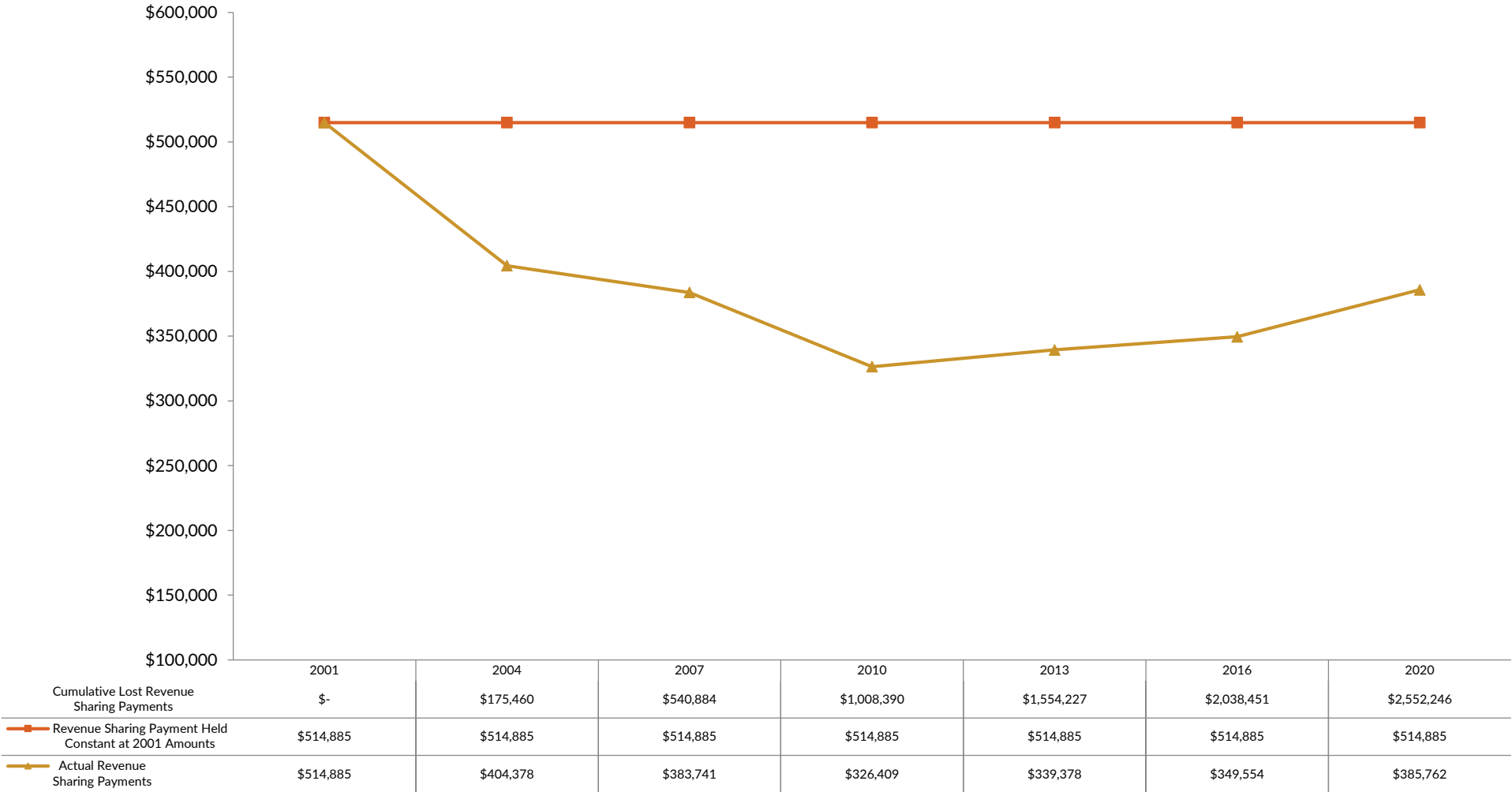
- Year Ended June 30
- Subsequent to FY 2020, management estimates an approximate increase of 2.5% annually



City of Lathrup Village

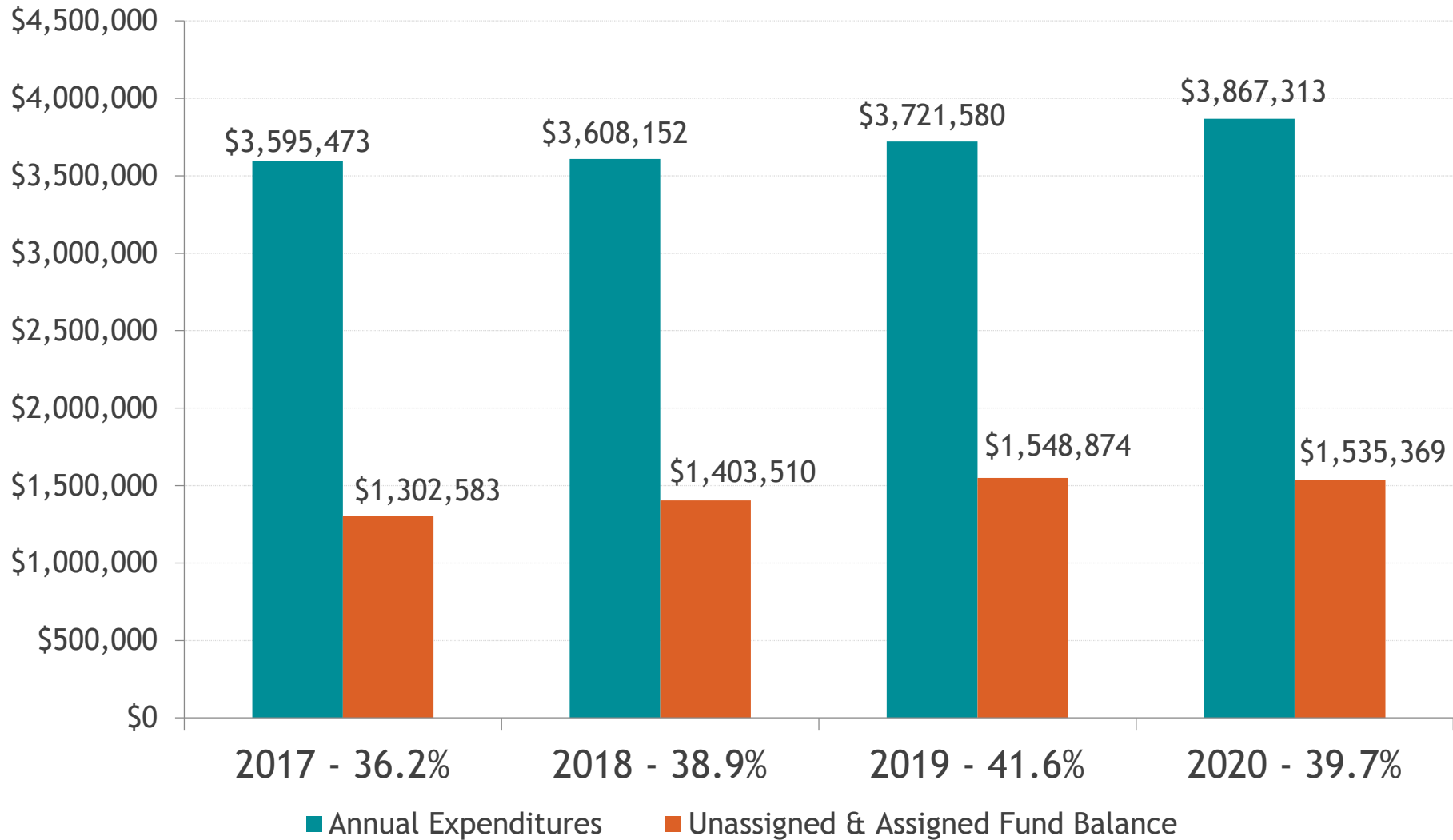
Revenue Sharing Payment History and Estimates

Years Ended June 30





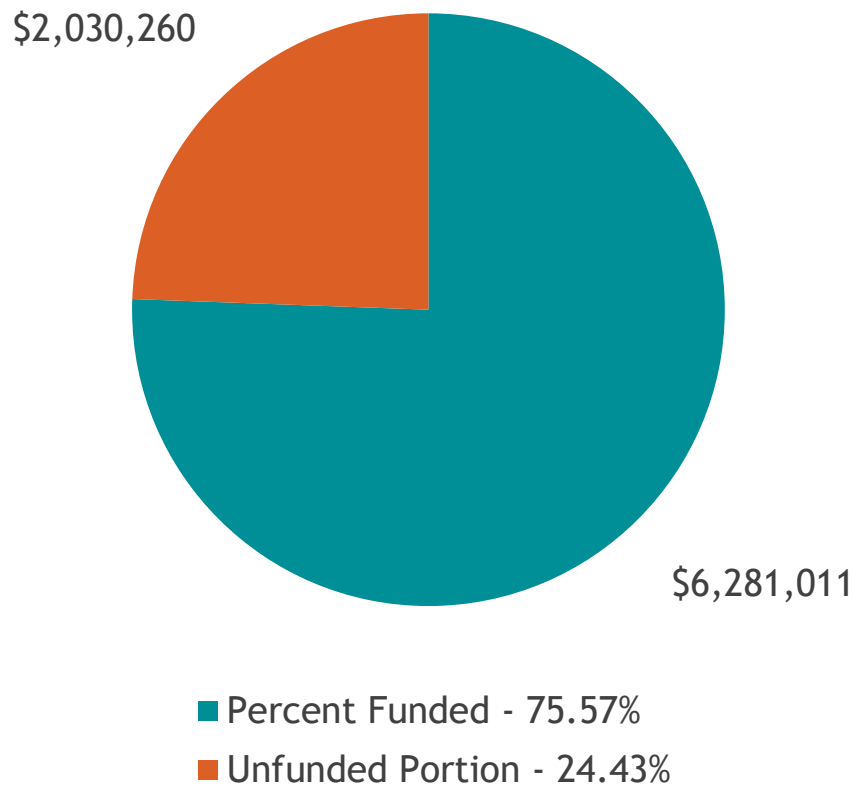
City of Lathrup Village General Fund – Fund Balance Fiscal Years Ended June 30





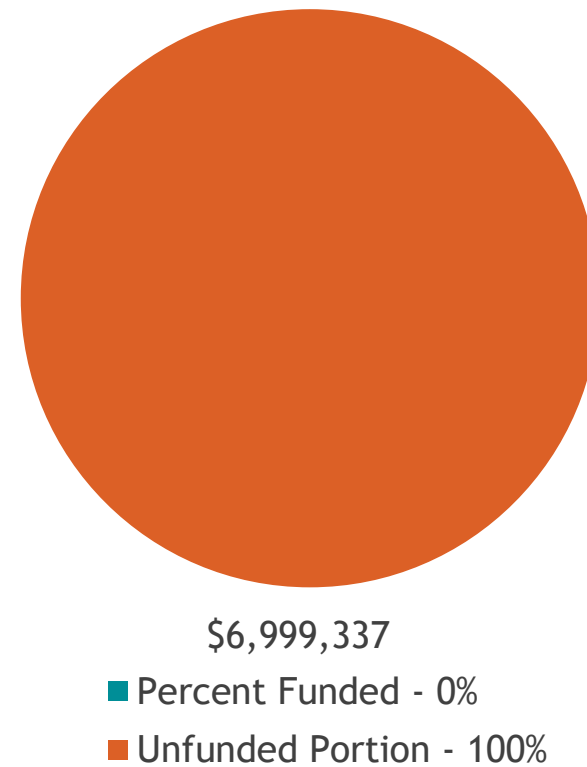
City of Lathrup Village Summary of Pension & OPEB Liabilities Fiscal Year Ended June 30, 2020

Total Pension Liability*
\$8,311,271



*As of December 31, 2019

Total OPEB Liability*
\$6,999,337



*As of June 30, 2020

\$50,000 OPEB contribution will be reflected in the next valuation



City of Lathrup Village - COVID-19 Pandemic

- Loss revenue experienced to date has been primary in the following areas: community room rentals, state shared revenue, and permit revenue.
- The City has incurred unanticipated COVID-19 related expenses; however most have been on supplies and sanitation expense so not too significant to date
- Expect continued disruption/declines to revenue stream as the State balances its budget, sales tax revenue continues to be volatile, Act 51 revenues are projected to decline, and as local communities manage safety and accessibility of public facilities
- Impact on property tax values is unknown; however any impact will be experienced in budget years subsequent to fiscal year 2021
- The City has discretionary fund balance to absorb some revenue shortfalls, but ability to do this will be limited and cannot be sustained over time
- Will be important to develop financial projections and revisit/adjust regularly



Thank you for the opportunity to serve as auditors for the City of Lathrup Village

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September 24, 2020

To the Mayor and City Council
City of Lathrup Village, Michigan

We have audited the financial statements of the City of Lathrup Village, Michigan (the "City") as of and for the year ended June 30, 2020 and have issued our report thereon dated September 24, 2020. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Other Recommendations and Related Information

Sections I and II includes information that we are required to communicate to those individuals charged with governance of the City. Section I communicates a deficiency we observed in the City's internal control that we believe is a significant deficiency and another deficiency that we believe is a material weakness. Section II communicates significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the City in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the City's staff, especially Sheryl Mitchell, Pam Bratschi, and Arron Carlton, for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the mayor, City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Pamela L. Hill".

Pamela Hill, CPA
Partner

A handwritten signature in black ink that reads "Alisha M. Watkins".

Alisha Watkins, CPA
Partner

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency in the City's internal control to be a material weakness:

Bank Reconciliations and Segregation of Duties

During our audit procedures, we identified that one of the City's bank accounts was not properly reconciled as of June 30, 2020 due to an unreconciled amount that was carried forward from April 2020. The impact is that cash and revenue were understated by approximately \$138,000 in the City's preliminary accounting records. It was also noted that new vendors can be added by the same individuals who collect cash and prepare bank reconciliations and that independent reviews of new vendors added to the system were not completed timely. The lack of adequate reconciliation of cash activity coupled with a lack of controls to detect such errors and untimely review of new vendors added to the system significantly heightens the risk of potential misappropriation of assets and/or inaccurate financial reporting to occurring and going undetected.

We understand that the City currently has a process in place to reconcile bank activity each month; however, we recommend that a more thorough review of all reconciling items included on the bank reconciliation is performed. This would include reviewing reconciling items that carry forward month to month to ensure they are properly reported. In addition, we recommend that the City complete new vendor reviews on a monthly basis to ensure effective monitoring over new vendors added to the system.

Section I - Internal Control Related Matters Identified in an Audit (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency:

Water and Sewer Utility Billing

During our audits, we identified that the July 1, 2019 and July 1, 2020 council-approved water and sewer rates for the minimum-use customer class of four units had not been updated in the utility billing system, resulting in customers who receive minimum bills being billed at rates below the council-approved rates for their water and sewer bill for all 12 months during the year. This finding has recurred in recent years and has impacted the City, resulting in cumulative lost revenue over \$10,000, of which the majority impacts the year ended June 30, 2020. We recommend that when the rates are updated at the beginning of each fiscal year, a second review of the adjusted rates in the system be conducted. In addition, the City may wish to perform a preliminary review of customer invoices prior to sending them out to ensure the rates have been updated. Without this procedure and control in place, there is a risk of the City miscalculating water and sewer charges, resulting in potential under- or overbilling to residents. The City corrected the water and sewer rates within the billing system in August 2020 for billings beginning in September 2020 to the council-approved rates effective July 1, 2020; however, there will be two months of underbillings in fiscal year 2021 due to the error being corrected two months after the start of fiscal year 2021.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 7, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the estimated annual required contribution, the net pension liability, and the net other postemployment benefits liability. Management's estimates of the net pension liability and net other postemployment benefits liability are based on actuarial methods and assumptions provided through actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Section II - Required Communications with Those Charged with Governance (Continued)

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The only misstatements detected as a result of audit procedures that was required to be corrected relates to the understatement of cash and revenue in the amount of approximately \$138,000, as previously described in Section I. Management has corrected these misstatements.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Section III - Other Recommendations and Related Information

During our audit, we noted areas where we believe there are opportunities for the City to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented below for your consideration.

Interfund Transactions

We noted that currently the City does not perform a formal consistent review of interfund transactions during the year to determine amounts that should be paid back to the lending fund. We recommend that the City perform this review at least quarterly to ensure that all funds are paid back on a timely basis.

Water Loss

As noted in prior years, during our analysis of the City's Water and Sewer Fund, we identified that the City had another water loss of approximately 40 percent for the fiscal year ended June 30, 2020. The definition of a water loss is the percentage of water units purchased by the City that are not billed to customers. We bring this to your attention because, while some water loss would be expected, this recurring percentage loss of units purchased is quite significant even for an older system. While this level of loss could be a result of several factors, including potential main breaks or meter reading errors, it is often indicative of aging or otherwise deteriorating systems are that more prone to recurring leaks and infiltration. We recommend that the City look into the cause of these significant recurring water losses and make the necessary changes to correct any issues identified. In addition, we recommend that the City perform a review on a monthly basis to adequately track and respond to large water losses as they occur. This can be performed by analyzing the water usage billed to customers compared to the water usage purchased by the City.

The significant spike in water loss occurring over the past three years and the impact on the City are summarized as follows:

Fiscal Year	Description of Water Rate Error	Water Rate	Computed Cost to City
6/30/2018	Water units purchased by City = 227,977 Water units billed to customers = 148,285 Water loss = 35 percent	\$3.861	\$307,000
6/30/2019	Water units purchased by City = 231,124 Water units billed to customers = 140,100 Water loss = 39 percent	\$3.938	\$358,000
6/30/2020	Water units purchased by City = 222,992 Water units billed to customers = 135,448 Water loss = 39 percent	\$3.997	\$350,000

Section III - Other Recommendations and Related Information (Continued)

Online Banking Policy

During our review of the City's online banking controls, it was noted that the City does not have a formal online banking policy. An online banking policy will help strengthen internal controls surrounding cash and ensure that online banking roles are properly distributed when there is staff turnover. We discussed this with city management and noted that the city management has begun looking into developing a formal online banking policy.

Compensated Absences

During our review of the City's compensated absence liability, we identified that the City is tracking these absences using a manual spreadsheet. We recommend the City track compensated absences through the ADP Payroll system to mitigate the risks of manual error and inaccurate bookings of employees' time off.

Information Technology Controls

During our review of the City's information technology controls, we noted there was no formal review or policy in place for reviewing and deleting former employee's user accounts. We recommend there be a formal process in place to remove employee user accounts from the IT system when those employees are terminated to ensure unauthorized access does not occur following termination of employment with the City.

Financial Outlook

As the COVID-19 pandemic presents continued uncertainty around current and future revenue and expenditures of the City, projecting and getting ahead of the financial impact to city operations is imperative to long-term fiscal sustainability. In light of these ongoing events and challenges, and as a general best practice, we encourage the City to perform a detailed long-term financial forecast and strategic plan to analyze the financial condition of the City over a three- to five-year period. Performing this exercise can help the City to have a better grasp on what future expenditures will look like, plan for potential shortfalls, and make informed decisions surrounding these matters before they occur. In addition, this should be a working tool and fluid process and can be revisited and updated periodically as conditions and circumstances change and as the City seeks to explore different scenarios (i.e., the impact of filling vacancies on the budget). We have worked with the City on this type of planning in the past and, to the extent we can be of assistance in the process again, we would be happy to do so.

Section III - Other Recommendations and Related Information (Continued)

Legislative and Informational Items

COVID-19 Resource Center

Plante & Moran, PLLC has assembled a COVID-19 task force of leaders across the firm to monitor, address, and mitigate risks presented by the virus. We understand the unique challenges our local governments are facing in providing essential services to protect communities during the COVID-19 crisis while, going forward, they face seemingly impossible choices around staffing, capital projects, pension obligations, and dozens of other items in the face of an uncertain revenue outlook. We are sharing our insights within our government COVID-19 resource center at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/covid-19-government-resource-center>. We will keep you updated with relevant economic analyses, crisis management guidelines, notices of changing regulations, and more to keep the City running as smoothly as possible amidst uncertainty and unprecedented disruption.

Have questions about the CARES Act? Submit them at <https://www.plantemoran.com/campaigns/firm/cares-act> by simply providing your contact information and agreeing to our terms and conditions, and an expert from our task force will contact you within the next 24 hours.

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose reputation, their ability to operate efficiently, and proprietary information or assets. Communities can also potentially be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessments of the system in order to verify that the control environment is working as intended are key parts of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Michigan's MLTS E911 Legislation (PA 30 of 2019)

Public Act 30 of 2019 was adopted on June 25, 2019 and provides additional compliance requirements for organizations that operate Multi-Line Telephone Systems (MLTS). The intent is to provide emergency responders with more specific location information in case they are responding to a call at a large facility. The regulations will apply to any workspace larger than 7,000 square feet with a compliance deadline of December 31, 2020.

- **A workspace includes:** offices, production areas, warehouses, shop floors, storage areas, hallways, conference rooms, break rooms, and other common areas
- **A workspace does not include:** wall thickness, shafts, heating, ventilation, air conditioning equipment spaces, mechanical or electrical spaces, or any similar areas to which employees do not normally have access

Section III - Other Recommendations and Related Information (Continued)

For single buildings over 7,000 square feet of workspace, with their own street address on a single contiguous property, the floor number, street address, and specific location of the communications device must be reported. When facilities with multiple buildings served by the same MLTS are considered, they must report the above requirements in addition to the building's unique identifier. Also, note that, under Kari's Law, any MLTS equipment that is manufactured, imported, sold, leased, or installed after February 16, 2020 must be capable of enabling its users to dial 911 directly without having to dial a prefix.

E911 Exemptions

- If a building contains less than 20,000 square feet of workspace and fewer than 20 communications devices, the MLTS operator is exempt from providing specific location information until it installs a new MLTS after January 1, 2020.
- If a building maintains, on a 24-hour basis, an alternative system capable of identifying the location of any communications device that dialed 911 or the building is serviced with its own appropriate medical, fire, and security personnel, it is exempt.
- Any MLTS operator that is not currently served by enhanced 911 service is exempt until enhanced 911 service becomes available.
- Other exemptions exist for farms and houses of worship, which, for the latter, do not extend to attached schools.

If you operate in a facility that is subject to these regulations, you should begin to plan for compliance. If we can be of assistance in the process, we would be happy to do so.

Act 51 Report Due Date

The Michigan Department of Transportation has granted an automatic 60-day extension to cities and villages that are required to file the Act 51 report. The updated policy will extend the Act 51 report deadline to be due within six months of your fiscal year end date, which will align with the due date for the audited financial statements. For cities and villages whose most current fiscal year ends before July 1, the Act 51 report must be submitted by December 31 to be included in the snow payment calculation (if eligible and qualified).

This extension does not apply to counties. Counties are required to submit the Act 51 report to MDOT by May 1 every year, regardless of the fiscal year end.

Section III - Other Recommendations and Related Information (Continued)

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, the State has extended the deadline for compliance. On April 20, 2020, the State issued a memo that sets an implementation date for fiscal years ending on October 31, 2022 and thereafter. The State has committed to releasing various tools to help local units with implementation, including FAQs and clarification on which accounts should be used when implementing GASB 84. A significant revision to the current version of the chart of accounts will be issued in the future which will incorporate feedback that the Treasury has received. This revision will include significant changes to the expenditure accounts 700-999, which will now mirror the old approach that allowed for various numbers within certain ranges. Going forward, the Treasury will issue the following three documents for any future revisions: a revised chart of accounts, a marked-up version of the chart showing the changes, and a summary of the revisions report. Local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1.

Revenue Sharing

Given the recent COVID-19 pandemic, there are anticipated declines in the state revenue sharing constitutional portion and an unknown impact on the statutory portion as a result of COVID-19. Please refer to the Plante & Moran, PLLC COVID-19 resource center discussed above to keep updated on the economic analysis and other up-to-date information related to the pandemic.

Pension/OPEB Bonds

Originally, the public act allowing for the issuance of pension/OPEB borrowings was set to sunset effective December 31, 2015 but was extended until December 31, 2018 through Public Act 46 of 2015. Therefore, communities meeting certain criteria, such as maintaining a credit rating of AA or higher and closing or freezing plans, were able to issue bonds up until December 31, 2018. This was further extended through December 31, 2023 by Public Act 575 of 2018. This public act has additional stipulations, which can be found in more detail at <http://www.legislature.mi.gov/documents/2017-2018/publicact/pdf/2018-PA-0575.pdf>.

Administrative Charges

The services provided by employees that are traditionally charged to the General Fund, like treasury, finance, HR, etc., oftentimes significantly benefits other funds. As a result, it is a fairly common practice to allocate a portion of these costs via an administrative charge to other funds of the government. Administrative charges can take many forms, such as interfund allocations, chargebacks, and payment in lieu of taxes to other funds (such as a golf courses). While the practice of charging for administrative services provided to other funds may certainly be justified, there seems to be a heightened focus lately on the methodology and amount of charges. Given the fact that many cost allocation methodologies were implemented several years ago, it would be prudent to revisit your current methodology and the related inputs to ensure that any administrative charges are fully substantiated.

Section III - Other Recommendations and Related Information (Continued)

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance

This new pronouncement was adopted in May 2020 and is effective immediately. This statement postpones the effective dates of the following pronouncements and implementation guides by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update - 2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncement and implementation guide are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

GASB Statement No. 84 - Fiduciary Activities

This new pronouncement is effective for reporting periods beginning after December 15, 2018 (December 15, 2019 after extension within GASB Statement No. 95). This statement provides criteria for state and local governments to use in identifying whether an activity is fiduciary and should be reported as a fiduciary fund type in its financial statements. In addition, once fiduciary activities are identified, GASB 84 also provides specific reporting requirements.

This statement has the potential to significantly impact what governments report currently as a fiduciary activity. Upon adoption, we anticipate that some governments' fiduciary activities will need to move to governmental funds, while other activities that previously were not considered fiduciary may now be reported as such under certain circumstances. It is also possible that certain pension and OPEB fiduciary funds will no longer be reported in a local unit's financial statements.

Given the potential to have a major impact on many governments, not only to their external financial statements, but also to their accounting system requirements and budget documents, we encourage you to start analyzing the impact of this standard now. The first step to implementation is identifying the types of activities that should be analyzed and then running those activities through the lens of this standard.

Section III - Other Recommendations and Related Information (Continued)

GASB Statement No. 87 - Leases

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019 (June 15, 2021 after extension within GASB Statement No. 95). 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.

We recommend beginning to accumulate information now related to all significant lease agreements in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC will be providing trainings and other resources to our clients in the coming months to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.

GASB Statement No. 90 - Majority Equity Interest

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2018 (December 15, 2019 after extension within GASB Statement No. 95). This statement requires that governments analyze the holdings of legally separate organizations to see if the ownership of a majority interest in a separate legal organization qualifies as an investment or a component unit.

GASB Statement No. 92 - Omnibus 2020

This new accounting pronouncement has various effective dates that were postponed by one year after extension within GASB Statement No. 95. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

September 24, 2020

To Ms. Pamela Bratschi
City of Lathrup Village, Michigan
27400 Southfield Rd.
Lathrup Village, MI 48076

Dear Ms. Bratschi:

Enclosed are your annual financial reports and letters of required communication for the year ended June 30, 2020.

We will electronically forward your financial statements and letters of required communication to the State of Michigan, Department of Treasury.

The State of Michigan requires auditors to prepare the Auditing Procedures Report, which will be submitted with the audited financial statements to the State at the time we electronically file the report. Please be aware that, to the extent any exceptions have been reported, the State of Michigan may request that you file a corrective action plan.

Other Filing requirements:

Michigan Department of Treasury:

F-65 - The Michigan Department of Treasury requires Form F-65 to be completed and submitted within six months after the close of your government's fiscal year. Local units are required to submit Form F-65 using the electronic online format on the State of Michigan website. The State is no longer accepting Excel or hard copy submissions. Upon submission, you may receive error messages that will need to be addressed. Local units will now file Form F-65, audit reports, and the qualifying statements in the same location using only one login (user ID and password). The form can be filed at the following link: <https://treas-secure.state.mi.us/LAFDeform/TL41W71.aspx>.

Qualifying Statement - Communities are required to submit a filing once a year with the Michigan Department of Treasury. This filing will serve as a preapproval for future debt issues. The current filing is due within six months of the government's year end and is good for one year thereafter. The annual qualifying statement must be submitted electronically using the Department of Treasury's website.

Tax Increment Financing Authorities Subject to PA 57 of 2018 (such as TIFA, DDA, LDFA, CIA, NIA, WRA) - Under PA 57 of 2018, there are new TIF reporting requirements. More information about both the public reporting requirements under Section 910 and the treasury reporting requirements under Section 911, which are due 180 days after the end of the authority's fiscal year (starting with FY 2019), are available on the Michigan Department of Treasury's website here: https://www.michigan.gov/treasury/0,4679,7-121-1751_2194_90562---,00.html.

Michigan Department of Transportation (MDOT):

The government's Act 51 Highway report is due 120 days after year end. The Act 51 report can be electronically submitted through the MDOT ADARS (Act 51 Distribution and Reporting System) site. Instructions can be found at: http://www.michigan.gov/documents/mdot/mdot_act51_street_financial_report_guide_359394_7.pdf

To Ms. Pamela Bratschi
City of Lathrup Village, Michigan

September 24, 2020

The Michigan Department of Transportation has granted an automatic 60-day extension to cities and villages that are required to file the Act 51 report. The updated policy will extend the Act 51 report deadline to be due within 6 months of your fiscal year end date, which will align with the due date for the Audited Financial Statements. This extension does NOT apply to Counties. Counties are required to submit the Act 51 report to MDOT by May 1, every year, regardless of your fiscal year end.

Securities and Exchange Commission

Please be advised that because you have issued bonds after July 1, 1995, you may be required to submit information, including your annual financial statements, to the Municipal Securities Rulemaking Board (MSRB). Submissions must be made electronically in PDF format to Electronic Municipal Market Access (EMMA) system (www.emma.msrb.org). In addition, you are obligated to provide continuing disclosure documents to a State Information Depository (SID) if required by applicable state law or by an outstanding continuing disclosure agreement in effect prior to July 1, 2009. The SID for Michigan is:

Municipal Advisory Council of Michigan
Buhl Building - 535 Griswold, Suite 1850
Detroit, Michigan 48226-3699

In addition to the report submission requirement, it is also likely that your bond documents (either the bond awarding resolution or the bond official statement) may have committed you to make additional nonfinancial disclosures (such as population, taxable valuation, millage rates and other demographic data). As a result, there may be additional information required to be sent to the above repositories (which will also have a due date - often 180 days after year end). Please contact your bond financial advisors to determine if these disclosure requirements apply to you. If you, your bond counsel, or financial advisors need assistance in supplying the appropriate information, please contact us.

Thank you for the opportunity to serve as your auditors. Please contact us if you have any questions regarding these filing requirements.

Very truly yours,

Plante & Moran, PLLC



A HERITAGE OF GOOD LIVING

Financial Report
with Supplemental Information
June 30, 2020

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 ended June 30, 2020 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, 2020 and the respective changes in its financial position and, where applicable, cash flows for the then ended in accordance with accounting principles generally accepted in the United States of America.

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 opinions 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 24, 2020

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, 2020. 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, 2020:

- The FY 2019/2020 General Fund property tax and related revenue increased \$73,037, or 2.52 percent, as compared to the 2018/2019 fiscal year.

Property Taxes			
FY 2018/2019	FY 2019/2020	Change	Percent
\$ 2,902,766	\$ 2,975,803	\$ 73,037	2.52%

- Total General Fund revenue was \$135,251, or 3.29 percent, lower than the prior year.

General Fund Revenue			
FY 2018/2019	FY 2019/2020	Change	Percent
\$ 4,113,007	\$ 3,977,756	\$ (135,251)	-3.29%

- Overall, General Fund expenditures were \$145,733 higher than the prior year. Through the hard work of staff and the City Council, the General Fund expenditures for the fiscal year were \$225,119 lower than the amended budget.

General Fund Expenditures			
FY 2018/2019	FY 2019/2020	Change	Percent
\$ 3,721,580	\$ 3,867,313	\$ 145,733	3.92%

- The ending fund balance of the General Fund decreased \$271, or 0.02 percent, from fiscal year 2018/2019.

General Fund - Ending Fund Balance			
FY 2018/2019	FY 2019/2020	Change	Percent
\$ 1,633,644	\$ 1,633,373	\$ (271)	-0.02%

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, 2020 compared to the prior year:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 2,821,938	\$ 2,607,056	\$ 1,644,705	\$ 2,362,346	\$ 4,466,643	\$ 4,969,402
Capital assets	15,124,574	14,982,169	8,850,271	8,278,878	23,974,845	23,261,047
Total assets	17,946,512	17,589,225	10,494,976	10,641,224	28,441,488	28,230,449
Deferred Outflows of Resources - Related to pensions	96,285	474,833	13,043	64,663	109,328	539,496
Liabilities						
Current liabilities	596,929	426,918	267,168	139,413	864,097	566,331
Long-term liabilities	6,694,411	5,882,105	3,473,884	3,539,575	10,168,295	9,421,680
Total liabilities	7,291,340	6,309,023	3,741,052	3,678,988	11,032,392	9,988,011
Net Position						
Net investment in capital assets	15,083,515	14,933,182	7,993,129	7,331,736	23,076,644	22,264,918
Restricted	538,091	526,592	-	-	538,091	526,592
Unrestricted	(4,870,149)	(3,704,739)	(1,226,162)	(304,837)	(6,096,311)	(4,009,576)
Total net position	<u>\$ 10,751,457</u>	<u>\$ 11,755,035</u>	<u>\$ 6,766,967</u>	<u>\$ 7,026,899</u>	<u>\$ 17,518,424</u>	<u>\$ 18,781,934</u>

The City's combined net position is \$17.5 million compared to \$18.8 million for the prior year. This represents a 6.73 percent decrease. The governmental activities portion of net position increased \$1.0 million, or 8.54 percent, while the business-type activities decreased by \$0.26 million, or 3.70 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	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 310,945	\$ 431,818	\$ 2,028,601	\$ 2,097,664	\$ 2,339,546	\$ 2,529,482
Operating grants and contributions	536,046	541,064	-	-	536,046	541,064
Capital grants and contributions	311,565	1,067	-	-	311,565	1,067
General revenue:						
Property taxes	2,983,190	2,897,908	-	-	2,983,190	2,897,908
State-shared revenue	385,762	402,277	-	-	385,762	402,277
Investment income	27,532	43,212	6,801	11,130	34,333	54,342
Other revenue:						
Cable franchise and cell tower fees	217,321	232,357	-	-	217,321	232,357
Other miscellaneous income	72,921	93,910	-	-	72,921	93,910
Total revenue	4,845,282	4,643,613	2,035,402	2,108,794	6,880,684	6,752,407
Expenses						
General government	1,544,246	1,266,443	-	-	1,544,246	1,266,443
Public safety	3,078,724	2,040,485	-	-	3,078,724	2,040,485
Public works	1,167,918	1,051,943	-	-	1,167,918	1,051,943
Recreation and culture	57,972	85,414	-	-	57,972	85,414
Water and Sewer Fund	-	-	2,295,334	2,529,331	2,295,334	2,529,331
Total expenses	5,848,860	4,444,285	2,295,334	2,529,331	8,144,194	6,973,616
Change in Net Position	(1,003,578)	199,328	(259,932)	(420,537)	(1,263,510)	(221,209)
Net Position - Beginning of year	11,755,035	11,555,707	7,026,899	7,447,436	18,781,934	19,003,143
Net Position - End of year	\$ 10,751,457	\$ 11,755,035	\$ 6,766,967	\$ 7,026,899	\$ 17,518,424	\$ 18,781,934

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 \$4.8 million, with the largest revenue source being property taxes (\$3.0 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 \$0.39 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 \$0.29 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 coupled with falling property values, requires us to be cautious as we move forward. Encouraging redevelopment will be helpful in the long run.

Total governmental expenses for the City totaled \$5.8 million. Expenses exceeded revenue by \$1 million.

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 \$2.0 million. Taking expenses into consideration totaling \$2.3 million, there was a net position decrease of \$0.26 million.

General Fund Budgetary Highlights

The audited numbers included \$79,763 more revenue than the final amended budget, \$395,605 less revenue than the original budget, \$225,119 less expenditures than the final amended budget, and \$199,058 less expenditures than the original budget.

	General Fund - FY Ended June 30, 2020			
	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Total revenue	\$ 4,373,361	\$ 3,897,993	\$ 3,977,756	\$ 79,763
Total expenditures	(4,066,371)	(4,092,432)	(3,867,313)	225,119
Excess of revenue over expenditures	\$ 306,990	\$ (194,439)	\$ 110,443	\$ 304,882

The beginning fund balance for fiscal year 2019/2020 was \$1,633,644. The audited numbers reflect an ending fund balance of \$1,633,373. This is an ending fund balance of \$304,882 more than the final amended budget and \$499 less than the original budget.

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

General Fund - Fund Balance - FY Ended June 30, 2020			
	Original Budget	Amended Budget	Variance from Amended Budget
Beginning fund balance	\$ 1,633,644	\$ 1,633,644	\$ 1,633,644
Net change in fund balance	228	(305,153)	(271)
Ending fund balance	<u>\$ 1,633,872</u>	<u>\$ 1,328,491</u>	<u>\$ 1,633,373</u>
			<u>\$ 304,882</u>

Capital Assets and Debt Administration

At the end of fiscal year 2019-2020, the City has \$23.1 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, which 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.

An unanticipated factor was the COVID-19 public health crisis. Oakland County, including Southfield and the City of Lathrup Village, was heavily impacted during the outbreak, especially during the initial months in 2020. The governor of the State of Michigan issued executive orders requiring all nonessential employees to stay home for their own safety. The City of Lathrup Village, Michigan made every effort to keep employees, residents, and operations in compliance with all safety measures and protocols. This also meant that many operations, such as the use of City Hall and parks for events, were curtailed starting in March 2020. There was an associated loss of revenue. Additional expenses were incurred to provide appropriate equipment and implement safety protocols once the administrative team was back on-site. Michigan remains under the governor's executive orders. The administration has actively sought grant funding to address reimbursements for any eligible activities. Fortunately, continuity of city operations has been established, including remote public meetings of the City Council, the planning commission, and Downtown Development Authority remotely.

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.

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and investments (Note 3)	\$ 2,004,884	\$ 1,521,768	\$ 3,526,652	\$ 990,204
Receivables:				
Property taxes	25,936	-	25,936	-
Special assessments	8,765	-	8,765	12,600
Customer receivables	-	623,444	623,444	-
Other receivables	32,751	-	32,751	-
Due from other governmental units (Note 5)	118,640	-	118,640	-
Due from primary government	-	-	-	272,182
Internal balances	576,201	(576,201)	-	-
Prepaid expenses	54,761	75,694	130,455	-
Capital assets: (Note 4)				
Assets not subject to depreciation	12,767,458	965,653	13,733,111	-
Assets subject to depreciation - Net	2,357,116	7,884,618	10,241,734	247,289
Total assets	17,946,512	10,494,976	28,441,488	1,522,275
Deferred Outflows of Resources - Pension (Note 8)	96,285	13,043	109,328	-
Liabilities				
Accounts payable	174,599	256,257	430,856	3,863
Due to component units (Note 5)	272,182	-	272,182	-
Accrued liabilities and other	150,148	10,911	161,059	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	100,000	9,759	109,759	-
Current portion of long-term debt (Note 6)	7,928	95,000	102,928	-
Due in more than one year:				
Compensated absences (Note 6)	130,738	-	130,738	-
Net pension liability (Note 8)	1,784,965	245,295	2,030,260	-
Net OPEB liability (Note 10)	4,637,649	2,361,688	6,999,337	-
Long-term debt - Net of current portion (Note 6)	33,131	762,142	795,273	-
Total liabilities	7,291,340	3,741,052	11,032,392	3,863
Net Position				
Net investment in capital assets	15,083,515	7,993,129	23,076,644	247,289
Restricted for:				
Streets and highways	494,848	-	494,848	-
Police forfeitures	4,326	-	4,326	-
Rubbish	38,917	-	38,917	-
Unrestricted	(4,870,149)	(1,226,162)	(6,096,311)	1,271,123
Total net position	<u>\$ 10,751,457</u>	<u>\$ 6,766,967</u>	<u>\$ 17,518,424</u>	<u>\$ 1,518,412</u>

City of Lathrup Village, Michigan

		Program Revenue		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,544,246	\$ 134,978	\$ 1,219	\$ -
Public safety	3,078,724	141,306	2,834	-
Public works	1,167,918	4,917	531,993	311,565
Recreation and culture	57,972	29,744	-	-
Total governmental activities	5,848,860	310,945	536,046	311,565
Business-type activities - Water and Sewer Fund	2,295,334	2,028,601	-	-
Total primary government	<u><u>\$ 8,144,194</u></u>	<u><u>\$ 2,339,546</u></u>	<u><u>\$ 536,046</u></u>	<u><u>\$ 311,565</u></u>
Component units - Downtown Development Authority	<u><u>\$ 196,366</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,866</u></u>	<u><u>\$ -</u></u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise and cell tower fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,408,049)	\$ -	\$ (1,408,049)	\$ -
(2,934,584)	-	(2,934,584)	-
(319,443)	-	(319,443)	-
(28,228)	-	(28,228)	-
(4,690,304)	-	(4,690,304)	-
-	(266,733)	(266,733)	-
(4,690,304)	(266,733)	(4,957,037)	-
-	-	-	(190,500)
2,983,190	-	2,983,190	344,320
385,762	-	385,762	-
27,532	6,801	34,333	13,097
217,321	-	217,321	-
72,921	-	72,921	11,445
3,686,726	6,801	3,693,527	368,862
(1,003,578)	(259,932)	(1,263,510)	178,362
11,755,035	7,026,899	18,781,934	1,340,050
\$ 10,751,457	\$ 6,766,967	\$ 17,518,424	\$ 1,518,412

City of Lathrup Village, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Nonmajor Funds	Total
Assets			
Cash and investments (Note 3)	\$ 1,445,586	\$ 559,298	\$ 2,004,884
Receivables:			
Property taxes	25,936	-	25,936
Special assessments	8,765	-	8,765
Other receivables	32,751	-	32,751
Due from other governmental units	51,166	67,474	118,640
Due from other funds (Note 5)	819,824	15,806	835,630
Prepaid expenditures	54,761	-	54,761
Total assets	<u>\$ 2,438,789</u>	<u>\$ 642,578</u>	<u>\$ 3,081,367</u>
Liabilities			
Accounts payable	\$ 154,092	\$ 20,507	\$ 174,599
Due to component units (Note 5)	272,182	-	272,182
Due to other funds (Note 5)	-	56,371	56,371
Advances from other funds (Note 5)	203,058	-	203,058
Accrued liabilities and other	150,148	-	150,148
Total liabilities	779,480	76,878	856,358
Deferred Inflows of Resources - Unavailable revenue	25,936	-	25,936
Total liabilities and deferred inflows of resources	805,416	76,878	882,294
Fund Balances			
Nonspendable - Prepaids	54,761	-	54,761
Restricted:			
Roads	-	494,848	494,848
Police forfeitures	4,326	-	4,326
Rubbish	38,917	-	38,917
Assigned:			
Subsequent year's budget	225,097	-	225,097
Road construction	386,809	-	386,809
Capital expenditures	-	70,852	70,852
OPEB liability	150,000	-	150,000
Unassigned	773,463	-	773,463
Total fund balances	1,633,373	565,700	2,199,073
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,438,789</u>	<u>\$ 642,578</u>	<u>\$ 3,081,367</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 2,199,073
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,124,574
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	25,936
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(41,059)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(230,738)
Pension benefits	(1,784,965)
Other postemployment benefits	(4,637,649)
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	96,285
Net Position of Governmental Activities	<u>\$ 10,751,457</u>

City of Lathrup Village, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 2,975,803	\$ -	\$ 2,975,803
State-shared revenue and grants:			
Federal grants	1,219	-	1,219
State-shared revenue and grants	388,596	531,993	920,589
Local grants and contributions	-	13,603	13,603
Construction code fees	79,572	-	79,572
Fines and forfeitures	127,175	-	127,175
Licenses and permits	119,847	-	119,847
Interest and rentals:			
Investment income	22,915	4,617	27,532
Rental income	38,283	-	38,283
Other revenue:			
Michigan Broadband Authority	102,258	-	102,258
Other miscellaneous income	122,088	-	122,088
	<u>3,977,756</u>	<u>550,213</u>	<u>4,527,969</u>
Expenditures			
Current services:			
General government:			
Government service	472,423	-	472,423
Buildings and grounds	111,532	-	111,532
Administration	644,742	-	644,742
Public safety	2,060,523	-	2,060,523
Public works	489,064	479,000	968,064
Recreation and culture	81,101	-	81,101
Capital outlay	-	146,408	146,408
Debt service	7,928	-	7,928
	<u>3,867,313</u>	<u>625,408</u>	<u>4,492,721</u>
Excess of Revenue Over (Under) Expenditures	110,443	(75,195)	35,248
Other Financing Sources (Uses)			
Transfers in (Note 5)	-	277,544	277,544
Transfers out (Note 5)	(112,950)	(164,594)	(277,544)
Insurance recoveries	2,236	-	2,236
	<u>(110,714)</u>	<u>112,950</u>	<u>2,236</u>
Net Change in Fund Balances	(271)	37,755	37,484
Fund Balances - Beginning of year	1,633,644	527,945	2,161,589
Fund Balances - End of year	<u><u>\$ 1,633,373</u></u>	<u><u>\$ 565,700</u></u>	<u><u>\$ 2,199,073</u></u>

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 37,484
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	609,317
Depreciation expense	<u>(466,912)</u>
Total	142,405
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	7,387
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	(45,968)
The change in the net OPEB liability does not require the use of current resources and is not reported in the governmental funds	(894,739)
The change in the net pension liability does not require the use of current resources and is not reported in the governmental funds	120,473
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>(378,548)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,003,578)</u></u>

Proprietary Fund
Statement of Net Position

June 30, 2020

Major Enterprise
Fund
Water and
Sewer Fund

Assets

Current assets:

Cash and investments	\$ 1,521,768
Receivables	623,444
Prepaid expenses and other assets	75,694
Total current assets	2,220,906

Noncurrent assets:

Advances to other funds (Note 5)	203,058
Capital assets - Net (Note 4)	8,850,271
Total noncurrent assets	9,053,329

Total assets	11,274,235
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Deferred Outflows of Resources - Pension (Note 8)	13,043
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Liabilities

Current liabilities:

Accounts payable	256,257
Due to other funds (Note 5)	779,259
Accrued liabilities and other	10,911
Compensated absences (Note 6)	9,759
Current portion of long-term debt (Note 6)	95,000

Total current liabilities	1,151,186
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Noncurrent liabilities:

Net pension liability (Note 8)	245,295
Net OPEB liability (Note 10)	2,361,688
Long-term debt - Net of current portion (Note 6)	762,142

Total noncurrent liabilities	3,369,125
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Total liabilities	4,520,311
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Net Position

Net investment in capital assets	7,993,129
Unrestricted	(1,226,162)
Total net position	<u><u>\$ 6,766,967</u></u>

City of Lathrup Village, Michigan

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

Year Ended June 30, 2020

	Major Enterprise Fund Water and Sewer Fund
Operating Revenue	
Sale of water	\$ 599,830
Sewage disposal charges	1,235,857
Meter charge revenue	108,814
Industrial surcharge	29,973
Penalties	54,127
Total operating revenue	2,028,601
Operating Expenses	
Cost of water	383,249
Cost of sewage treatment	981,444
Industrial surcharge	17,378
Other operating and maintenance costs	532,060
General and administrative	57,008
Depreciation	290,861
Total operating expenses	2,262,000
Operating Loss	(233,399)
Nonoperating Revenue (Expense)	
Investment income	6,801
Interest expense	(33,334)
Total nonoperating expense	(26,533)
Change in Net Position	(259,932)
Net Position - Beginning of year	7,026,899
Net Position - End of year	\$ 6,766,967

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2020

	Major Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,070,544
Receipts from other funds	547,749
Payments to suppliers	(1,731,491)
Payments to employees	(163,710)
Net cash provided by operating activities	723,092
Cash Flows Provided by Noncapital Financing Activities - Repayment of loan made to General Fund	50,764
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(809,534)
Principal and interest paid on capital debt	(124,002)
Net cash used in capital and related financing activities	(933,536)
Cash Flows from Investing Activities	
Interest received on investments	6,801
Purchases of investment securities	(1,509)
Net cash provided by investing activities	5,292
Net Decrease in Cash	(154,388)
Cash - Beginning of year	1,467,815
Cash - End of year	\$ 1,313,427
Classification of Cash	
Cash and investments	\$ 1,521,768
Less amounts classified as investments	(208,341)
Total cash	\$ 1,313,427
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (233,399)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	290,861
Changes in assets and liabilities:	
Receivables	41,943
Due to and from other funds	547,749
Prepaid and other assets	(75,694)
Net pension and OPEB liability	74,019
Accounts payable	75,703
Compensated absences	1,910
Total adjustments	956,491
Net cash provided by operating activities	\$ 723,092

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Unit

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

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.

June 30, 2020

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 General Fund as a major governmental fund. 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. There are no other major governmental funds for the year ended June 30, 2020.

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.

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

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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:

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

Long-term Obligations

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

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has 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.

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).

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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 2019 property tax revenue was levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the City totaled \$145.4 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 18.5172 mills for operating purposes and 2.7775 mills for refuse service. This resulted in approximately \$2,495,000 for operating and approximately \$356,000 for refuse service. These amounts are recognized in the General Fund as tax revenue.

Pension

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

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. 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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

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

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses, and may also include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

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, 2021.

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

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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

In 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, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

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

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, 2019		\$	(187,614)
Current year building permit revenue			79,572
Related expenses:			
Direct costs	\$	104,240	
Estimated indirect costs		53,673	157,913
			<u> </u>
Current year shortfall			<u>(78,341)</u>
Cumulative shortfall June 30, 2020		\$	<u><u>(265,955)</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 \$3,692,771 of bank deposits (certificates of deposit and checking and savings accounts), of which \$708,442 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Downtown Development Authority had \$990,204 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, 2020

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
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	33,368	-	1,277,107
Machinery and equipment	1,580,115	125,267	-	1,705,382
Infrastructure	7,011,131	450,682	-	7,461,813
Subtotal	9,834,985	609,317	-	10,444,302
Accumulated depreciation:				
Buildings and improvements	810,344	45,523	-	855,867
Machinery and equipment	1,213,302	149,788	-	1,363,090
Infrastructure	5,596,628	271,601	-	5,868,229
Subtotal	7,620,274	466,912	-	8,087,186
Net capital assets being depreciated	2,214,711	142,405	-	2,357,116
Net governmental activities capital assets	<u>\$ 14,982,169</u>	<u>\$ 142,405</u>	<u>\$ -</u>	<u>\$ 15,124,574</u>

Business-type Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated -				
Construction in progress	\$ 103,399	\$ 862,254	\$ -	\$ 965,653
Capital assets being depreciated:				
Utility system	14,833,889	-	-	14,833,889
Machinery and equipment	564,704	-	-	564,704
Vehicles	69,487	-	-	69,487
Subtotal	15,468,080	-	-	15,468,080
Accumulated depreciation:				
Utility system	6,789,295	272,628	-	7,061,923
Machinery and equipment	433,819	18,233	-	452,052
Vehicles	69,487	-	-	69,487
Subtotal	7,292,601	290,861	-	7,583,462
Net capital assets being depreciated	8,175,479	(290,861)	-	7,884,618
Net business-type activities capital assets	<u>\$ 8,278,878</u>	<u>\$ 571,393</u>	<u>\$ -</u>	<u>\$ 8,850,271</u>

June 30, 2020

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets being depreciated:				
Infrastructure	\$ 360,290	\$ -	\$ -	\$ 360,290
Furniture and equipment	16,280	8,963	-	25,243
Subtotal	376,570	8,963	-	385,533
Accumulated depreciation:				
Infrastructure	100,401	27,106	-	127,507
Furniture and equipment	6,508	4,229	-	10,737
Subtotal	106,909	31,335	-	138,244
Net capital assets	\$ 269,661	\$ (22,372)	\$ -	\$ 247,289

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

Governmental activities:	
General government	\$ 34,696
Public safety	60,172
Public works	340,609
Recreation and culture	31,435
Total governmental activities	\$ 466,912
Business-type activities - Water and Sewer Fund	\$ 290,861
Component unit activities - Downtown Development Authority	\$ 31,335

Construction Commitments

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

	Spent to Date	Remaining Commitment
City of Southfield, Michigan - Santa Barbara Water Main Project	\$ 862,254	\$ 400,000

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	\$ 40,565
	Water and Sewer Fund	779,259
	Total General Fund	819,824
Nonmajor governmental funds	Nonmajor governmental funds	15,806
	Total	\$ 835,630

June 30, 2020

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

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

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	General Fund	\$ 203,058

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

Receivable	Payable	Amount
Component unit - Downtown Development Authority	General Fund	\$ 272,182

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

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 112,950
Nonmajor governmental funds	Nonmajor governmental funds	164,594
	Total	<u>\$ 277,544</u>

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

Note 6 - Long-term Debt

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

June 30, 2020

Note 6 - Long-term Debt (Continued)

Long-term debt activity for the year ended June 30, 2020 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		\$982 -					
2022	N/A	\$2,569	\$ 6,120	\$ -	\$ (2,569)	\$ 3,551	\$ 2,569
Michigan Suburbs Alliance							
loan - Energy efficiency							
and renewable energy							
projects - Amount of							
issue: \$80,380, maturing							
in 2027	N/A	\$5,359	42,867	-	(5,359)	37,508	5,359
Total direct							
borrowings and							
direct placements							
principal							
outstanding			48,987	-	(7,928)	41,059	7,928
Other long-term obligations -							
Compensated absences			184,770	122,955	(76,987)	230,738	100,000
Total governmental							
activities long-							
term debt			\$ 233,757	\$ 122,955	\$ (84,915)	\$ 271,797	\$ 107,928

June 30, 2020

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:							
State Revolving Fund Obligation - Amount of issue: \$626,570, maturing in 2028	2.50%	\$30,000 - \$42,142	\$ 407,142	\$ -	\$ (30,000)	\$ 377,142	\$ 35,000
Other debt - General obligations bonds - Amount of issue: \$995,000, maturing in 2027	4.25% - 4.75%	\$60,000 - \$75,000	540,000	-	(60,000)	480,000	60,000
Total bonds and contracts payable - Direct borrowings and direct placements			947,142	-	(90,000)	857,142	95,000
Other long-term obligations - Compensated absences			7,849	11,136	(9,226)	9,759	9,759
Total business-type activities long- term debt			\$ 954,991	\$ 11,136	\$ (99,226)	\$ 866,901	\$ 104,759

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
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	5,359	-	5,359	35,000	6,804	70,000	12,113	123,917
2025-2029	16,072	-	16,072	195,000	20,143	220,000	15,913	451,056
2030-2034	-	-	-	42,142	1,054	-	-	43,196
Total	\$ 41,059	\$ -	\$ 41,059	\$ 377,142	\$ 53,663	\$ 480,000	\$ 82,743	\$ 993,548

June 30, 2020

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 or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

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

The MERS plan covers general employees, police employees, and department heads.

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

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

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

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

June 30, 2020

Note 8 - Defined Benefit Pension Plan (Continued)***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	5
	<hr/>
Total employees covered by the plan	27
	<hr/> <hr/>

Contributions

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

For the year ended June 30, 2020, the average active employee contribution rate was 6.59 percent of gross wages, and the City's minimum monthly required contribution was \$16,484.

Net Pension Liability

The City has chosen to use the December 31, 2019 measurement date as its measurement date for the net pension liability. The June 30, 2020 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, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 8,069,735	\$ 5,902,574	\$ 2,167,161
Changes for the year:			
Service cost	59,127	-	59,127
Interest	623,086	-	623,086
Differences between expected and actual experience	(83,540)	-	(83,540)
Changes in assumptions	264,344	-	264,344
Contributions - Employer	-	199,230	(199,230)
Contributions - Employee	-	30,089	(30,089)
Net investment income	-	784,097	(784,097)
Benefit payments, including refunds	(621,481)	(621,481)	-
Administrative expenses	-	(13,498)	13,498
	<hr/>	<hr/>	<hr/>
Net changes	241,536	378,437	(136,901)
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2019	\$ 8,311,271	\$ 6,281,011	\$ 2,030,260

The plan's fiduciary net position represents 75.6 percent of the total pension liability.

June 30, 2020

Note 8 - Defined Benefit Pension Plan (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2020, the City recognized pension expense of \$491,075.

At June 30, 2020, 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	\$ 10,424	\$ -
Employer contributions to the plan subsequent to the measurement date	98,904	-
Total	<u>\$ 109,328</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
2021	\$ (23,216)
2022	17,213
2023	82,050
2024	(65,623)
Total	<u>\$ 10,424</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses but gross of administrative expenses) of 7.6 percent, and the 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 7.6 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

June 30, 2020

Note 8 - Defined Benefit Pension Plan (Continued)***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, 2019 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private Investments	20.00	6.56

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.6 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.6%)	Current Discount Rate (7.6%)	1 Percent Increase (8.6%)
Net pension liability of the City	\$ 2,832,497	\$ 2,030,260	\$ 1,341,893

Pension Plan Fiduciary Net Position

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

Assumption Changes

The discount rate used in determination of the net pension liability changed from 8.0 to 7.60 percent.

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 \$49,086 and employees contributed \$39,586 for the year ended June 30, 2020.

June 30, 2020

Note 10 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care benefits to eligible employees and their spouses. The benefits are provided through the City of Lathrup Village Retiree Healthcare Plan, a single-employer plan administered by the City of Lathrup Village, Michigan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 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:

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

Contributions

Retiree health care costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$147,716.

Total OPEB Liability

The June 30, 2020 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, which used update procedures to roll forward the estimated liability to June 30, 2020.

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
Balance at July 1, 2019	\$ 6,065,771	\$ -	\$ 6,065,771
Changes for the year:			
Service cost	64,528	-	64,528
Interest	205,246	-	205,246
Differences between expected and actual experience	123,103	-	123,103
Changes in assumptions	688,405	-	688,405
Contributions - Employer	-	147,716	(147,716)
Benefit payments, including refunds	(147,716)	(147,716)	-
Net changes	933,566	-	933,566
Balance at June 30, 2020	\$ 6,999,337	\$ -	\$ 6,999,337

June 30, 2020

Note 10 - Other Postemployment Benefit Plan (Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,081,282.

Actuarial Assumptions

The total OPEB liability as of the June 30, 2020 measurement date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; a discount rate of 2.66 percent; a health care cost trend rate of 8.5 percent for 2019, decreasing 0.25 percentage points per year to an ultimate rate of 4.5 percent for 2036 and later years; and the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. The discount rate was based on the municipal bond market as of the valuation date.

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 2.66 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 Percentage Point Decrease (1.66%)	Current Discount Rate (2.66%)	1 Percentage Point Increase (3.66%)
Total OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 8,284,554	\$ 6,999,337	\$ 5,995,987

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

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate of 8.5 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.5%)	Current Health Care Cost Trend Rate (8.5%)	1 Percentage Point Increase (9.5%)
Total OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 5,939,344	\$ 6,999,337	\$ 8,339,335

Assumption Changes

The discount rate used to measure the total OPEB liability was decreased from 3.36 percent for June 30, 2019 to 2.66 percent for June 30, 2020.

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 health care savings plan administered by ICMA - Meritain Health. Under the plan, there are no employee contributions, and the City contributes 2 percent of employees' base salaries into eligible employees' health savings accounts for retirement health care. Contributions to the health savings accounts by the City were \$21,642 for the year ended June 30, 2020.

June 30, 2020

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 \$335,000 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 \$383,000 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.

Required Supplemental Information

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

	Years Ended December 31					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 59,127	\$ 61,401	\$ 65,460	\$ 82,950	\$ 84,814	\$ 102,340
Interest	623,086	623,735	637,504	612,822	588,230	576,312
Miscellaneous other charges	-	-	(93,953)	-	-	-
Differences between expected and actual experience	(83,540)	(73,176)	(211,835)	252,035	29,891	-
Changes in assumptions	264,344	-	-	-	377,460	-
Benefit payments, including refunds	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
Net Change in Total Pension Liability	241,536	(4,421)	(214,976)	392,855	536,824	171,415
Total Pension Liability - Beginning of year	8,069,735	8,074,156	8,289,132	7,896,277	7,359,453	7,188,038
Total Pension Liability - End of year	<u><u>\$ 8,311,271</u></u>	<u><u>\$ 8,069,735</u></u>	<u><u>\$ 8,074,156</u></u>	<u><u>\$ 8,289,132</u></u>	<u><u>\$ 7,896,277</u></u>	<u><u>\$ 7,359,453</u></u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 199,230	\$ 157,170	\$ 100,914	\$ 74,706	\$ 64,182	\$ 53,795
Contributions - Member	30,089	31,517	38,023	135,489	49,191	61,176
Net investment income (loss)	784,097	(244,887)	809,627	671,396	(94,420)	409,055
Administrative expenses	(13,498)	(12,458)	(12,866)	(13,283)	(14,080)	(14,946)
Benefit payments, including refunds	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)	(507,237)
Miscellaneous other charges	-	-	(93,953)	-	-	-
Net Change in Plan Fiduciary Net Position	378,437	(685,039)	229,593	313,356	(538,698)	1,843
Plan Fiduciary Net Position - Beginning of year	5,902,574	6,587,613	6,358,020	6,044,664	6,583,362	6,581,519
Plan Fiduciary Net Position - End of year	<u><u>\$ 6,281,011</u></u>	<u><u>\$ 5,902,574</u></u>	<u><u>\$ 6,587,613</u></u>	<u><u>\$ 6,358,020</u></u>	<u><u>\$ 6,044,664</u></u>	<u><u>\$ 6,583,362</u></u>
City's Net Pension Liability - Ending	<u><u>\$ 2,030,260</u></u>	<u><u>\$ 2,167,161</u></u>	<u><u>\$ 1,486,543</u></u>	<u><u>\$ 1,931,112</u></u>	<u><u>\$ 1,851,613</u></u>	<u><u>\$ 776,091</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.57 %	73.14 %	81.59 %	76.70 %	76.55 %	89.45 %
Covered Payroll	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381	\$ 877,424
City's Net Pension Liability as a Percentage of Covered Payroll	443.48 %	454.13 %	294.57 %	298.43 %	255.97 %	88.45 %

Required Supplemental Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 197,808	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182	\$ 67,092	\$ 81,305	\$ 121,932	\$ 124,034	\$ 116,491
Contributions in relation to the actuarially determined contribution	197,808	200,652	113,688	88,140	64,182	67,092	1,225,013	121,932	124,034	116,491
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,143,708	\$ -	\$ -	\$ -
Covered Payroll	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381	\$ 877,424	\$ 840,997	\$ 1,102,601	\$ 1,135,812	\$ 1,073,339
Contributions as a Percentage of Covered Payroll	43.21 %	42.05 %	22.53 %	13.62 %	8.87 %	7.65 %	145.66 %	11.06 %	10.92 %	10.85 %

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	19 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.00 percent
Investment rate of return	7.6 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	50 percent female/50 percent male RP-2014 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

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

Fiscal Years Ended June 30

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 64,528	\$ 53,004	\$ 58,875
Interest	205,246	194,817	180,037
Differences between expected and actual experience	123,103	-	-
Changes in assumptions	688,405	307,745	(280,471)
Benefit payments, including refunds	<u>(147,716)</u>	<u>(167,338)</u>	<u>(177,091)</u>
Net Change in Total OPEB Liability	933,566	388,228	(218,650)
Total OPEB Liability - Beginning of year	<u>6,065,771</u>	<u>5,677,543</u>	<u>5,896,193</u>
Total OPEB Liability - End of year	<u>\$ 6,999,337</u>	<u>\$ 6,065,771</u>	<u>\$ 5,677,543</u>
Covered-employee Payroll	\$ 340,935	\$ 311,227	\$ 316,913
Total OPEB Liability as a Percentage of Covered-employee Payroll	2,052.98 %	1,948.99 %	1,791.51 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 407,962	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836	\$ 259,097	\$ 422,732	\$ 318,021	\$ 457,917	\$ 556,685
Contributions in relation to the actuarially determined contribution	147,716	167,338	177,091	143,679	138,020	165,208	183,783	191,083	188,565	185,652
Contribution Deficiency	\$ (260,246)	\$ (33,088)	\$ (4,749)	\$ (145,157)	\$ (150,816)	\$ (93,889)	\$ (238,949)	\$ (126,938)	\$ (269,352)	\$ (371,033)
Covered-employee Payroll	\$ 340,935	\$ 311,227	\$ 316,913	\$ 723,381	\$ 723,381	\$ 877,424	\$ 840,997	\$ 1,102,601	\$ 1,135,812	\$ -
Contributions as a Percentage of Covered-employee Payroll	43.33 %	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
Health care cost trend rates	8.5 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2036 and later years
Salary increase	2.0 percent
Investment rate of return	N/A
Retirement age	60 years
Mortality	For current employees, Pub-2010 General Employees Mortality Table. For healthy retirees, Pub-2010 General Retiree Mortality Table (scaled by a factor of 106 percent). For disabled retirees, PubNS-2010 Disabled Retiree Mortality Table
Other information	None

City of Lathrup Village, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable/ (Unfavorable)
Revenue				
Property taxes	\$ 3,217,580	\$ 2,837,313	\$ 2,975,803	\$ 138,490
State-shared revenue and grants:				
Federal grants	4,000	1,219	1,219	-
State-shared revenue and grants	447,225	433,460	388,596	(44,864)
Construction code fees	138,500	81,500	79,572	(1,928)
Fines and forfeitures	125,000	122,000	127,175	5,175
Licenses and permits	130,000	125,767	119,847	(5,920)
Interest and rentals	84,917	64,417	61,198	(3,219)
Other revenue:				
Michigan Broadband Authority	100,000	100,000	102,258	2,258
Other miscellaneous income	126,139	132,317	122,088	(10,229)
Total revenue	4,373,361	3,897,993	3,977,756	79,763
Expenditures				
Current services:				
General government:				
Government service	523,179	497,355	472,423	24,932
Buildings and grounds	112,000	121,100	111,532	9,568
Administration	644,007	687,536	644,742	42,794
Public safety	2,157,045	2,179,187	2,060,523	118,664
Public works	525,749	518,306	489,064	29,242
Recreation and culture	96,463	81,020	81,101	(81)
Debt service	7,928	7,928	7,928	-
Total expenditures	4,066,371	4,092,432	3,867,313	225,119
Excess of Revenue Over (Under) Expenditures	306,990	(194,439)	110,443	304,882
Other Financing (Uses) Sources				
Transfers out	(306,762)	(112,950)	(112,950)	-
Insurance recoveries	-	2,236	2,236	-
Total other financing uses	(306,762)	(110,714)	(110,714)	-
Net Change in Fund Balance	228	(305,153)	(271)	304,882
Fund Balance - Beginning of year	1,633,644	1,633,644	1,633,644	-
Fund Balance - End of year	<u>\$ 1,633,872</u>	<u>\$ 1,328,491</u>	<u>\$ 1,633,373</u>	<u>\$ 304,882</u>

June 30, 2020***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>
General Fund - Recreation and culture	\$ 81,020	\$ 81,101	\$ (81)

Pension Information**Changes in Assumptions**

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

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

OPEB Information**Changes in Assumptions**

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

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

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Total Special Revenue Funds	Capital Acquisition Fund	
Assets					
Cash and investments	\$ 131,109	\$ 300,966	\$ 432,075	\$ 127,223	\$ 559,298
Receivables - Due from other governmental units	45,976	21,498	67,474	-	67,474
Due from other funds	9,723	6,083	15,806	-	15,806
Total assets	<u>\$ 186,808</u>	<u>\$ 328,547</u>	<u>\$ 515,355</u>	<u>\$ 127,223</u>	<u>\$ 642,578</u>
Liabilities					
Accounts payable	\$ 4,972	\$ 15,535	\$ 20,507	\$ -	\$ 20,507
Due to other funds	-	-	-	56,371	56,371
Total liabilities	4,972	15,535	20,507	56,371	76,878
Fund Balances					
Restricted - Roads	181,836	313,012	494,848	-	494,848
Assigned - Capital expenditures	-	-	-	70,852	70,852
Total fund balances	<u>181,836</u>	<u>313,012</u>	<u>494,848</u>	<u>70,852</u>	<u>565,700</u>
Total liabilities and fund balances	<u>\$ 186,808</u>	<u>\$ 328,547</u>	<u>\$ 515,355</u>	<u>\$ 127,223</u>	<u>\$ 642,578</u>

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, 2020

	Special Revenue Fund			Capital Project Fund	
	Major Streets Fund	Local Streets Fund	Total Special Revenue Funds	Capital Acquisition Fund	Total Nonmajor Governmental Funds
Revenue					
State-shared revenue and grants	\$ 329,419	\$ 216,177	\$ 545,596	\$ -	\$ 545,596
Interest and rentals - Investment income	1,733	2,140	3,873	744	4,617
Total revenue	331,152	218,317	549,469	744	550,213
Expenditures					
Current - Public works	135,823	343,177	479,000	-	479,000
Capital outlay	37,638	37,638	75,276	71,132	146,408
Total expenditures	173,461	380,815	554,276	71,132	625,408
Excess of Revenue Over (Under) Expenditures	157,691	(162,498)	(4,807)	(70,388)	(75,195)
Other Financing Sources (Uses)					
Transfers in	-	164,594	164,594	112,950	277,544
Transfers out	(164,594)	-	(164,594)	-	(164,594)
Total other financing (uses) sources	(164,594)	164,594	-	112,950	112,950
Net Change in Fund Balances	(6,903)	2,096	(4,807)	42,562	37,755
Fund Balances - Beginning of year	188,739	310,916	499,655	28,290	527,945
Fund Balances - End of year	<u>\$ 181,836</u>	<u>\$ 313,012</u>	<u>\$ 494,848</u>	<u>\$ 70,852</u>	<u>\$ 565,700</u>