



City Council Special Meeting Agenda

Monday, November 01, 2021 at 6:00 PM
Remote Meeting via Zoom

ZOOM REMOTE MEETING INFORMATION

Webinar ID: 546 088 3579

Password: LV2021

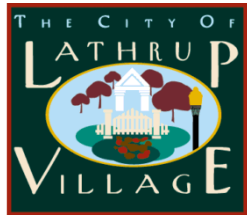
Online: <https://us06web.zoom.us/j/5460883579?pwd=ejVINGVVS0ZKZU83Q1FTTjRNdDlxQT09>

Telephone: 646.558.8656 or 312.626.6799

Telephone Meeting ID: 546 088 3579 / Passcode: 430069

In accordance with Emergency Orders issued by 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.

1. **Call to Order** by Mayor Garrett (in accordance with PA 254 of 2020, the members should identify their physical location by stating the county, city, township, or village and state from which he or she is attending the meeting remotely).
2. **Roll Call**
3. **Pledge of Allegiance**
4. **Approval of Agenda**
5. **Public Comments for Items on the Agenda** (Speakers are limited to 3 minutes)
6. **Action Requests - For Consideration / Approval**
 - A. Acceptance of Fiscal Year 2021/2021 Audit
 - B. Resolution Establishing Cannabis Application and Scoring Criteria
 - C. Resolution Establishing the Initial Cannabis Business License Application Period
7. **Public Comment**
8. **Mayor and Council Comments**
9. **Adjourn**



A HERITAGE OF GOOD LIVING

Dr. Sheryl L. Mitchell Theriot

City Administrator

City of Lathrup Village

27400 Southfield Road | Lathrup Village, MI 48076

smitchell@lathrupvillage.org

Office: 248.557.2600 x 225 | Cell: 248.520.0620

Item A.

COUNCIL COMMUNICATION:

TO: Mayor Garrett and City Council Members

FR: Sheryl Mitchell Theriot, City Administrator

DA: November 1, 2021

RE: Acceptance of Fiscal Year 2021/2021 Audit

The City of Lathrup Village's contracted with Plant & Moran, PLLC to audit the financial status for the year ended June 30, 2021.

Suggested Motion:

To accept the Fiscal Year 2020- 2021 Audit as presented by Plante Moran.

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

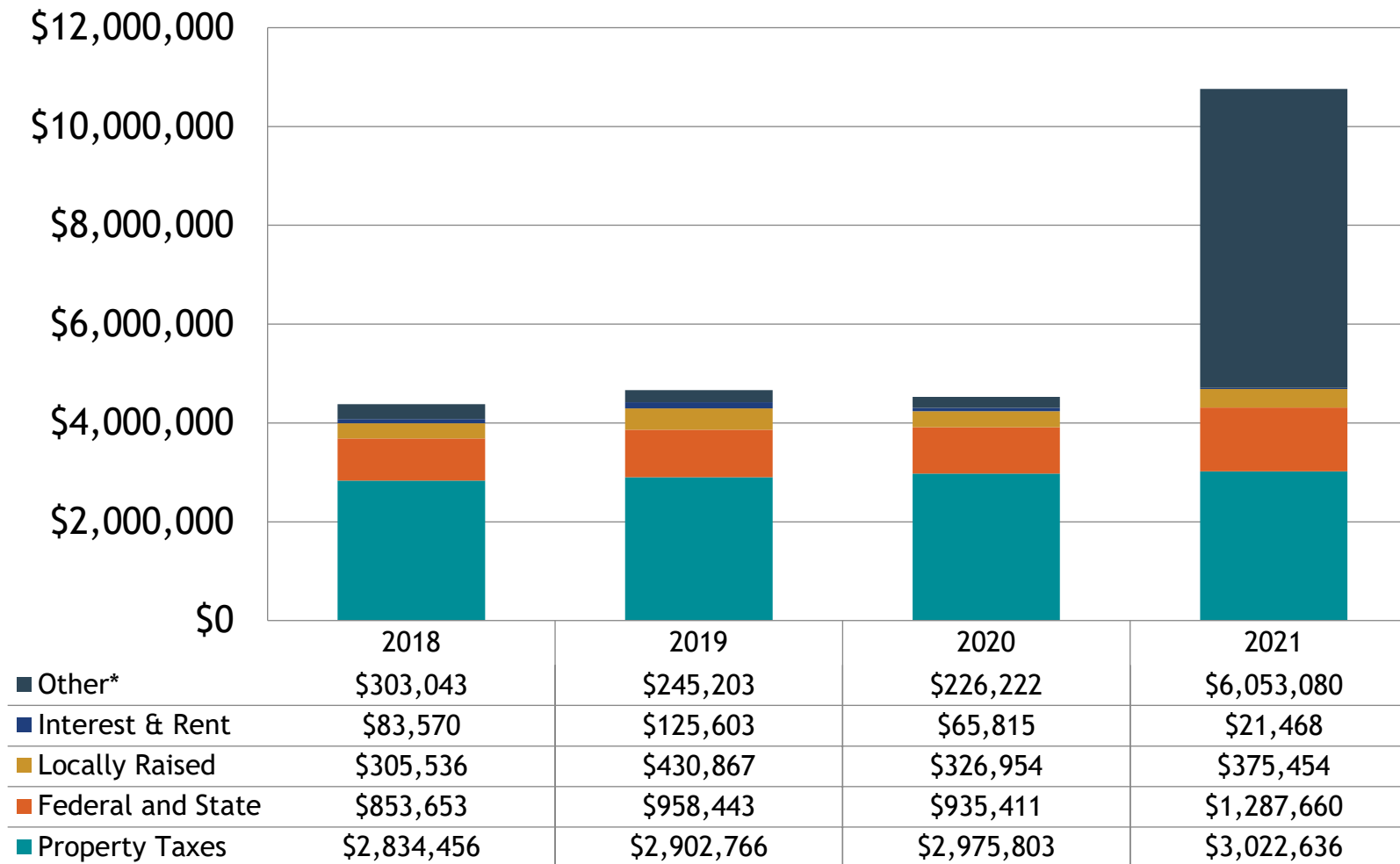
City of Lathrup Village Audit Presentation to the City Council

For Year Ended June 30, 2021



City of Lathrup Village Governmental Fund Revenue Years Ended June 30

Item A.

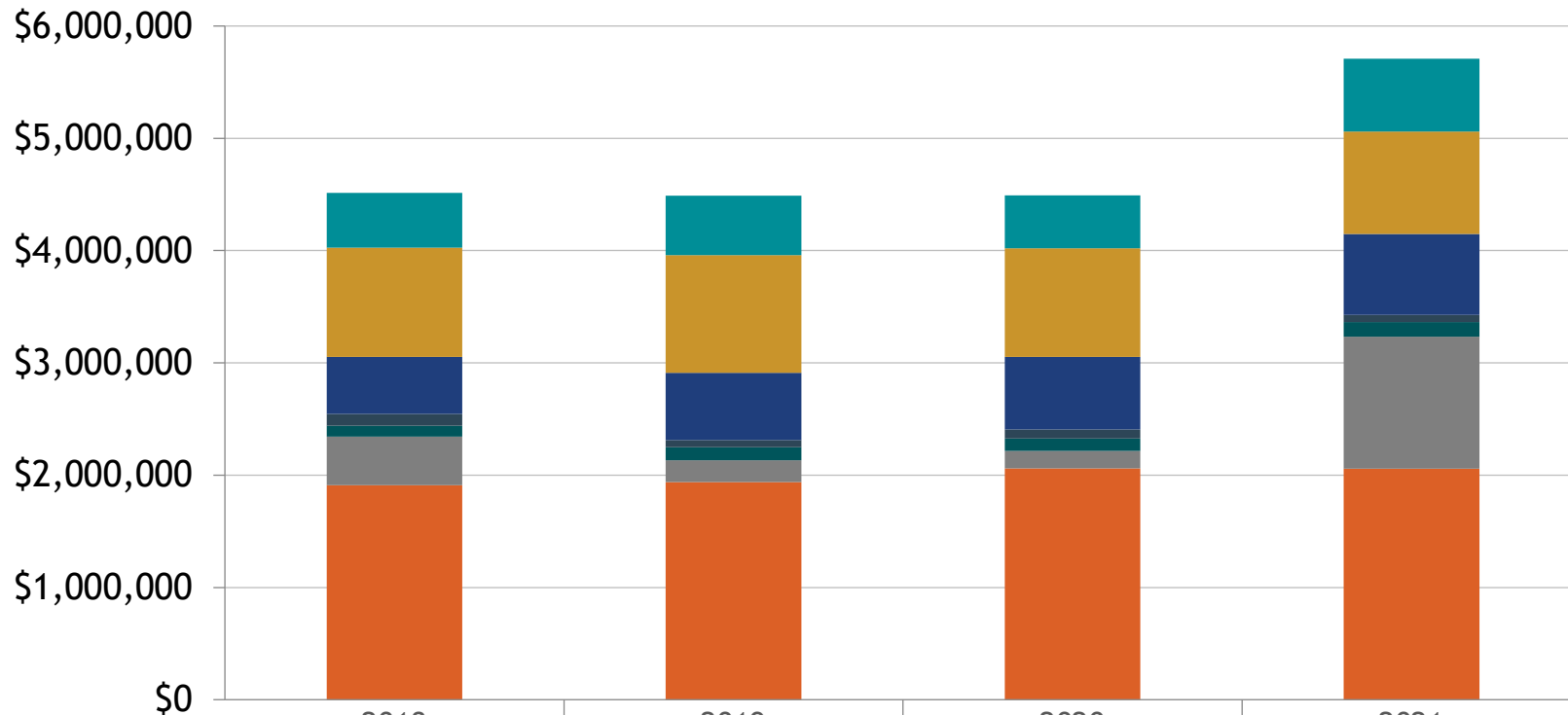


*excludes transfers between government funds



City of Lathrup Village Governmental Fund Expenditures Years Ended June 30

Item A.



	2018	2019	2020	2021
Governmental Services	\$487,870	\$528,899	\$472,423	\$648,488
Public Works	\$972,054	\$1,045,920	\$968,064	\$910,063
Administration	\$507,673	\$599,350	\$644,742	\$720,526
Recreation and Culture	\$105,384	\$63,138	\$81,101	\$65,637
Building and Grounds	\$97,360	\$118,842	\$111,532	\$130,469
Other*	\$430,934	\$192,595	\$154,336	\$1,173,624
Public Safety	\$1,911,432	\$1,938,865	\$2,060,523	\$2,058,392

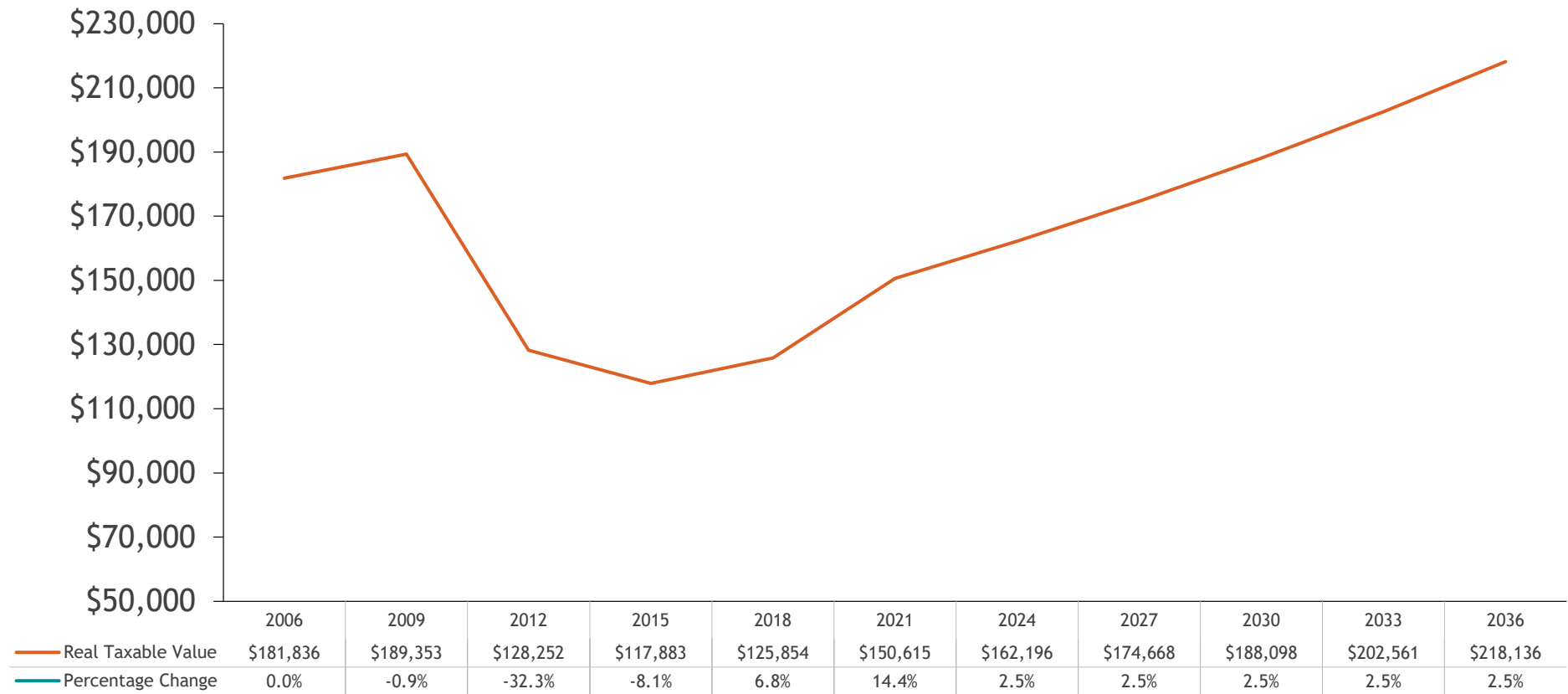
*excludes transfers between government funds



City of Lathrup Village

Total Taxable Value (in thousands)

Item A.

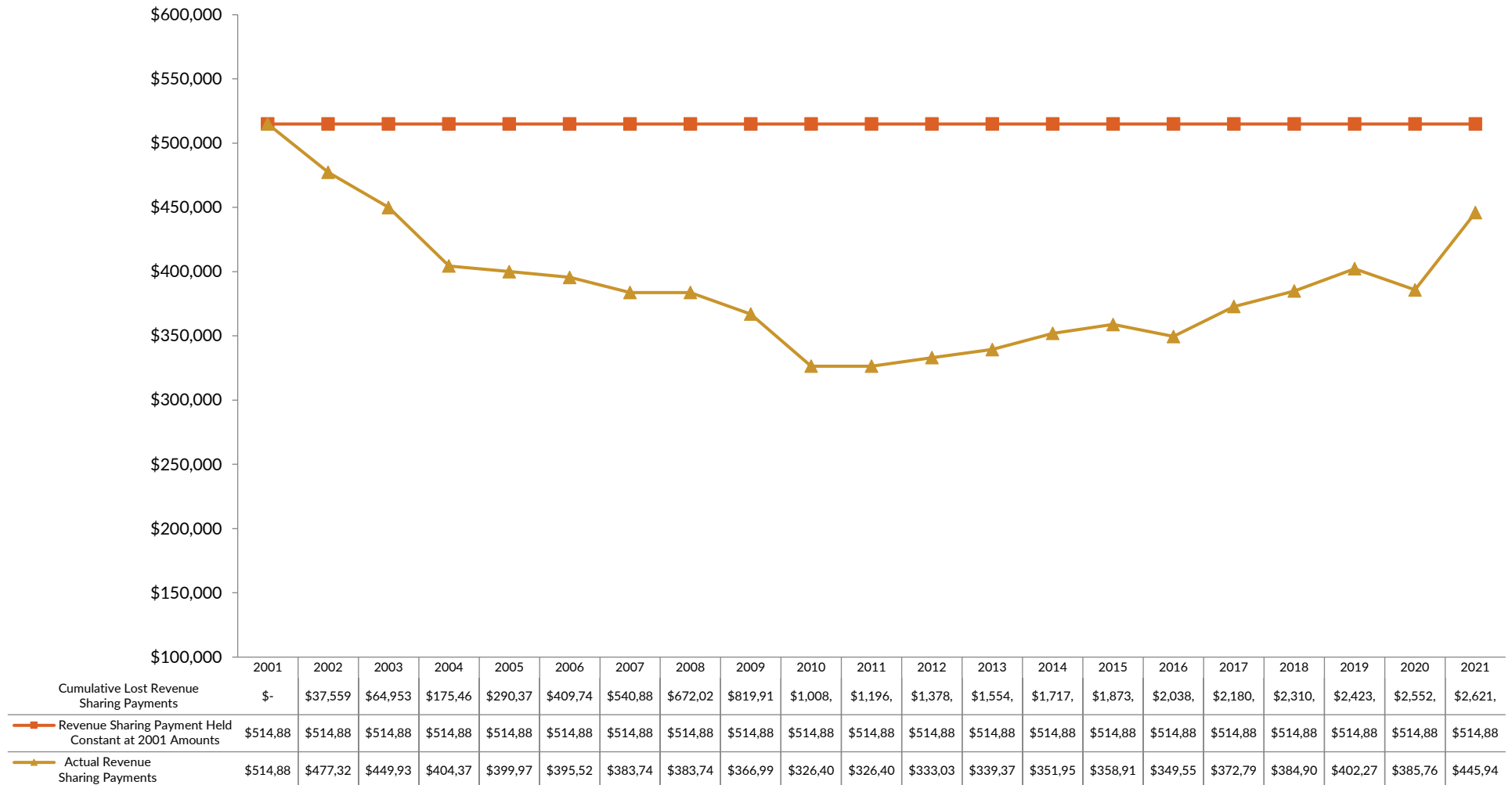


- Year Ended June 30
- Subsequent to FY 2021, management estimates an approximate increase of 2.5% annually



City of Lathrup Village Revenue Sharing Payment History and Estimates Years Ended June 30

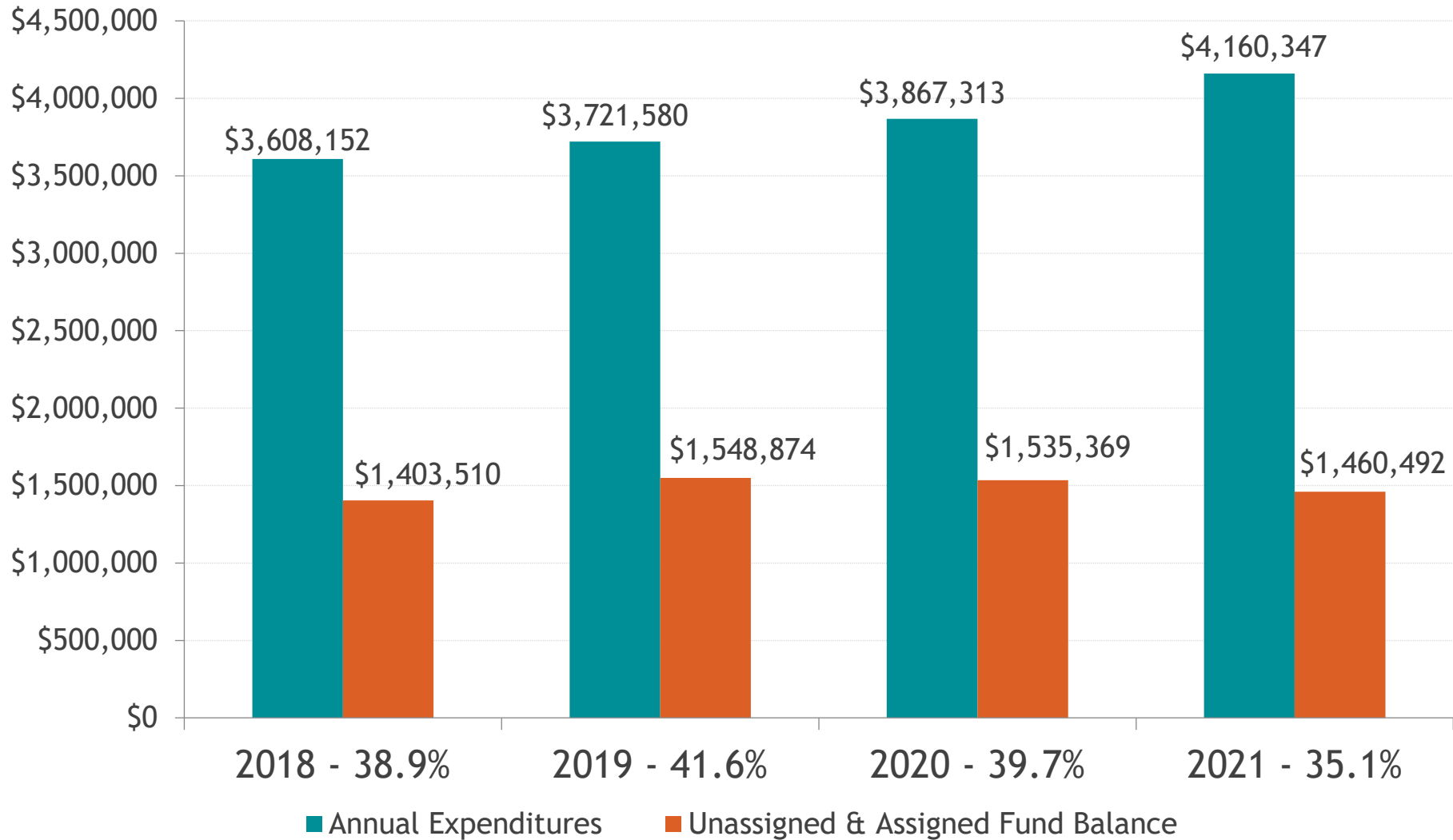
Item A.





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

Item A.

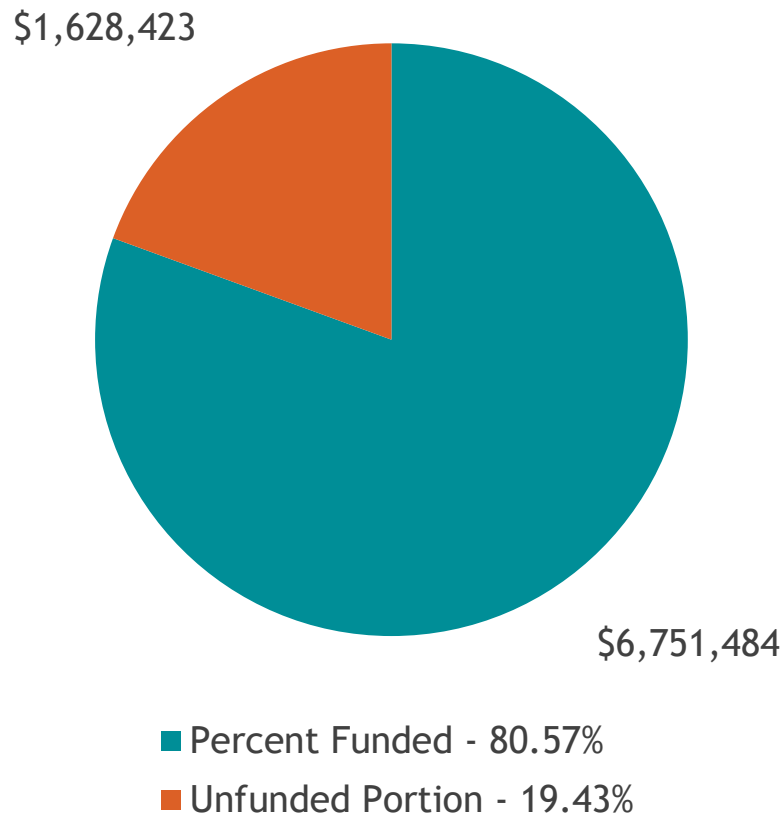




City of Lathrup Village Summary of Pension & OPEB Liabilities Fiscal Year Ended June 30, 2021

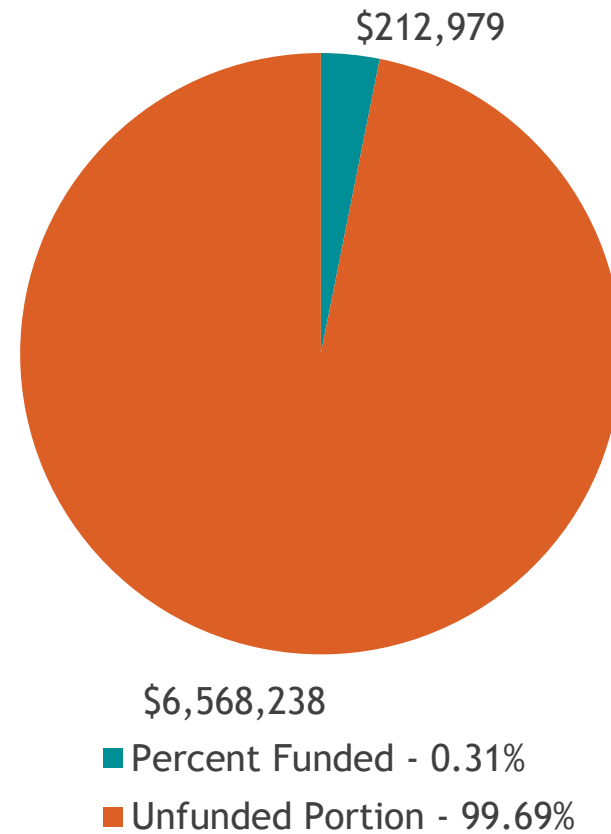
Item A.

Total Pension Liability*
\$8,379,907



*As of December 31, 2020

Total OPEB Liability*
\$6,781,217



*As of June 30, 2021



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

For more information, please contact:

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A HERITAGE OF GOOD LIVING

Financial Report
with Supplemental Information
June 30, 2021

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

City of Lathrup Village, Michigan

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Independent Auditor's Report

To the City Council
City of Lathrup Village, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lathrup Village, Michigan (the "City") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Lathrup Village, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

To the City Council
City of Lathrup Village, Michigan

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moreau, PLLC

October 18, 2021

City of Lathrup Village, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Lathrup Village, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2021:

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

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

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

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

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

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

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

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

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

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

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

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in condensed format, the net position as of June 30, 2021 compared to the prior year:

The City's Net Position

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

The City's combined net position is \$17.3 million compared to \$17.5 million for the prior year. This represents a 1.11 percent decrease. The governmental activities portion of net position increased \$0.11 million, or 1.0 percent while the business-type activities decreased by approximately \$0.09 million or 1.30 percent.

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 311,748	\$ 310,945	\$ 2,009,789	\$ 2,028,601	\$ 2,321,537	\$ 2,339,546
Operating grants and contributions	847,907	536,046	-	-	847,907	536,046
Capital grants and contributions	19,414	311,565	-	-	19,414	311,565
General revenue:						
Property taxes	3,005,007	2,983,190	-	-	3,005,007	2,983,190
State-shared revenue	445,949	385,762	-	-	445,949	385,762
Investment income	7,083	27,532	431	6,801	7,514	34,333
Other revenue:						
Cable franchise and cell tower fees	216,945	217,321	-	-	216,945	217,321
Other miscellaneous income	40,614	72,921	-	-	40,614	72,921
Total revenue	4,894,667	4,845,282	2,010,220	2,035,402	6,904,887	6,880,684
Expenses						
General government	1,570,417	1,544,246	-	-	1,570,417	1,544,246
Public safety	1,977,613	3,078,724	-	-	1,977,613	3,078,724
Public works	1,421,587	1,167,918	-	-	1,421,587	1,167,918
Recreation and culture	32,010	57,972	-	-	32,010	57,972
Water and Sewer Fund	-	-	2,097,844	2,295,334	2,097,844	2,295,334
Total expenses	5,001,627	5,848,860	2,097,844	2,295,334	7,099,471	8,144,194
Change in Net Position	(106,960)	(1,003,578)	(87,624)	(259,932)	(194,584)	(1,263,510)
Net Position - Beginning of year	10,751,457	11,755,035	6,766,967	7,026,899	17,518,424	18,781,934
Net Position - End of year	\$ 10,644,497	\$ 10,751,457	\$ 6,679,343	\$ 6,766,967	\$ 17,323,840	\$ 17,518,424

Governmental Activities

As you read through the next several paragraphs, it is important to remember that governmental activities include not only the General Fund, but also the Major Streets and Local Streets funds, the Street Improvement Bond Fund, and the Capital Acquisition Fund. The table shown above was generated by pulling data from pages 10 and 11 of the financial report. You will find specific breakout data for the General, Major Streets, Local Streets, Street Improvement Bond, and Capital Acquisition funds on pages 12 and 14 of the financial report.

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

Our next largest single source of revenue is state-shared revenue. This revenue totals \$0.45 million. The City continues to work to maximize the statutory portion of revenue sharing (formerly EVIP and now CVTRS) by meeting requirements such as posting a citizen's guide and dashboard on our website and complying with other CVTRS requirements, as mandated by the State. The City enhances transparency and accountability by making available information utilizing the Munetrix platform that provides citizens with an easy to comprehend guide to finances.

The charges for services category, referred to as other revenue in our budget, is a listing of many other smaller revenue sources. Combined with the cable franchise and cell tower lease revenue, which is included in the other revenue category, the total for this revenue is \$0.25 million.

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

Finally, the operating grants and contributions total \$0.85 million and reflect Act 51 funds for our major and local streets, as well as federal grants. Act 51 funding has been relatively stable over the past five fiscal years. We are unaware of any significant changes at the state level that will negatively affect this revenue in the near future, although the State has had discussions on different methods to fund roads.

As is typical of other communities in the area, a heavier reliance on property taxes will continue to pressure our tax base. The flattening of our revenue, being nearly 100 percent developed, coupled with falling property values, requires us to be cautious as we move forward. Encouraging redevelopment will be helpful in the long run.

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

From an overall perspective, we continue to remain in good financial standing. The budgetary reductions implemented over the last few years have aided us in this effort. Since we are a service provider, the majority of our expenditures are for personnel. Therefore, it is imperative that we maintain an open and cooperative spirit with our employee unions and continually review the cost of doing business in order to provide services in a cost-effective manner.

Business-type Activities

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

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

The business-type activities revenue totaled approximately \$2.0 million. Taking expenses totaling \$2.1 million into consideration, there was a net position decrease of \$0.087 million.

General Fund Budgetary Highlights

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

General Fund - FY Ended June 30, 2021			
	Original Budget	Amended Budget	Actual
			Variance with Amended Budget
Total revenue	\$ 4,367,404	\$ 4,395,191	\$ 4,361,549
Total expenditures	(4,356,679)	(4,279,994)	(4,160,347)
Excess of revenue over expenditures	<u>\$ 10,725</u>	<u>\$ 115,197</u>	<u>\$ 201,202</u>
			<u>\$ 86,005</u>

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

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

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

Capital Assets and Debt Administration

At the end of fiscal year 2020-2021, the City has \$25 million invested in a wide range of capital assets, including land, buildings, equipment, roads, and water and sewer lines. During the current year, the City added \$1,007,811 of governmental capital assets, including \$118,688 for tasers for the police department and park improvements. The citizens voted to approve a \$4.7 million general obligation bond for street improvements and a \$5.38 million limited tax obligation bond for capital improvements for the water and sewer system. The majority of the additions related to improvements to the City infrastructure. Several of these projects were initiated before the close of the fiscal year end. This is the 16th year that such reporting has occurred with such specificity, which is attributable to GASB Statement No. 34 requirements.

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year is anticipated to be similar the current year. The City is committed to closely monitoring its expenditures and the effects the COVID-19 pandemic will have on its revenue sources. While an assessment of the complete impact of the pandemic is unknown at the present time, the City is committed to closely monitoring information as it becomes available in order to make the appropriate determinations relative to adjustments that may be necessary. Being mindful of our long-term obligations, the fund balance has assigned \$150,000 to be applied towards the OPEB obligation.

There are several economic factors that will continue to both challenge and provide new opportunities for the City. The City Council is considering approving issuing cannabis licenses for recreational, medicinal, and testing facilities starting in 2022. The continuing challenges include potential cuts to personal property tax, health insurance increases, pension costs, potential prefunding of retiree health care (GASB Statement No. 45), our overall millage rate, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment (Headlee) and Proposal A passed in 1993 both limit growth to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation, and Proposal A limits increases in individual property tax assessments to the rate of inflation. While we are very fortunate that our residents approved a Headlee rollback in May 2010, these factors will still come into play at some point.

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

City of Lathrup Village, Michigan

Management's Discussion and Analysis (Continued)

Contacting the City's Financial Management

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

City of Lathrup Village, Michigan

Statement of Net Position

June 30, 2021

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

City of Lathrup Village, Michigan

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

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

City of Lathrup Village, Michigan

Governmental Funds
Balance Sheet

June 30, 2021

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

City of Lathrup Village, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 7,252,172
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,688,374
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	8,307
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(5,877,280)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(230,316)
Pension benefits	(1,431,348)
Other postemployment benefits	(4,618,627)
Deferred outflows of resources related to pension	99,095
Deferred inflows of resources related to pension and other postemployment benefits	(245,880)
Net Position of Governmental Activities	<u>\$ 10,644,497</u>

City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Governmental Funds

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 5,053,099
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,007,811
Depreciation expense	<u>(444,011)</u>
Total	563,800
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(17,629)
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(5,844,149)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	7,928
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	422
The change in the net OPEB liability and related deferred inflows does not require the use of current resources and is not reported in the governmental funds	13,108
The change in the net pension liability does not require the use of current resources and is not reported in the governmental funds	<u>116,461</u>
Change in Net Position of Governmental Activities	<u><u>\$ (106,960)</u></u>

City of Lathrup Village, Michigan

Proprietary Fund Statement of Net Position

June 30, 2021

Major Enterprise
Fund
Water and
Sewer Fund

Assets

Current assets:

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

Noncurrent assets:

Restricted assets:

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

Total noncurrent assets 14,228,566

Total assets 16,543,371

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

Liabilities

Current liabilities:

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

Total current liabilities 1,266,445

Noncurrent liabilities:

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

Total noncurrent liabilities 8,575,863

Total liabilities 9,842,308

Deferred Inflows of Resources

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

Net Position

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

City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Proprietary Fund Statement of Cash Flows (Continued)

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2021

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

City of Lathrup Village, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Unit

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

Fiduciary Component Unit

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

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

Governmental Funds

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

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

Proprietary Funds

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Prepaid Items

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

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

Capital Assets

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

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category: unavailable revenue and deferred inflows of resources related to the defined benefit pension plan and the OPEB plan. Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The deferred inflows of resources related to the defined benefit pension plan and OPEB plan are reported in the government-wide financial statements and the Water and Sewer Fund. The details can be found in Notes 8 and 10.

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

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

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

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

Pension

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

Other Postemployment Benefit Costs

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)**Compensated Absences (Vacation and Sick Leave)**

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Adoption of New Accounting Pronouncements

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

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

Upcoming Accounting Pronouncements

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2020		\$	(265,955)
Current year building permit revenue			117,230
Related expenses:			
Direct costs	\$	146,585	
Estimated indirect costs		55,257	201,842
			<u>(84,612)</u>
Current year shortfall			
Cumulative shortfall June 30, 2021		\$	<u><u>(350,567)</u></u>

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 3 - Deposits and Investments

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

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

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$13,645,040 of bank deposits (certificates of deposit and checking and savings accounts), of which \$709,225 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Downtown Development Authority had bank deposits of \$1,358,955 (savings accounts), of which \$250,000 was covered by federal deposit insurance, and the remainder was uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Interest Rate Risk

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

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

Credit Risk

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

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

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

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

The City had no investments that were valued at fair value as of June 30, 2021.

Investments in Entities that Calculate Net Asset Value per Share

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

At June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS ISP Total Market Portfolio	\$ 212,979	\$ -	No restrictions	None

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 4 - Capital Assets

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

Governmental Activities

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 4 - Capital Assets (Continued)

Business-type Activities

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

Component Unit

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 4 - Capital Assets (Continued)

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

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

Construction Commitments

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

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

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

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

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

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

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

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

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

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

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental fund - Capital Acquisition Fund	\$ 96,621
	Local Streets Fund	149,200
	Total General Fund	245,821
Street Improvement Bond Fund	Major Streets Fund	1,000,000
	Local Streets Fund	1,000,000
	Total Street Improvement Bond Fund	2,000,000
	Total	\$ 2,245,821

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

Note 6 - Long-term Debt

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 6 - Long-term Debt (Continued)

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

Governmental Activities

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct							
placements:							
State Revolving Fund							
Obligation - Amount of							
issue: \$626,570,		\$35,000 -					
maturing in 2028	2.50%	\$42,142	\$ 377,142	\$ -	\$ (35,000)	\$ 342,142	\$ 35,000
Other debt - 2021							
Unlimited Tax General							
Obligation Bond -							
Amount of issue:							
\$4,720,000, maturing in							
2031:							
General obligations							
bonds - Amount of							
issue: \$995,000,	4.25% -	\$65,000 -					
maturing in 2027	4.75%	\$75,000	480,000	-	(60,000)	420,000	65,000
2021 Capital							
Improvement Bonds -							
Amount of issue:							
\$5,380,000, maturing	2.00% -	\$200,000 -					
in 2042	5.00%	\$350,000	-	5,380,000	-	5,380,000	-
Total other debt							
principal							
outstanding			480,000	5,380,000	(60,000)	5,800,000	65,000
Unamortized bond							
premiums	N/A	\$19,352	-	406,387	-	406,387	19,352
Total bonds and							
contracts payable			857,142	5,786,387	(95,000)	6,548,529	119,352
Other long-term obligations -							
Compensated absences			9,759	3,534	(6,313)	6,980	6,980
Total business-type							
activities long-							
term debt			\$ 866,901	\$ 5,789,921	\$ (101,313)	\$ 6,555,509	\$ 126,332

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities					Business-type Activities				
	Other Debt		Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2022	\$ 6,341	\$ -	\$ 345,000	\$ 196,667	\$ 548,008	\$ 35,000	\$ 8,554	\$ 65,000	\$ 152,824	\$ 261,378
2023	5,359	-	340,000	218,750	564,109	35,000	7,679	265,000	171,724	479,403
2024	5,359	-	375,000	201,750	582,109	35,000	6,804	275,000	158,425	475,229
2025	5,359	-	405,000	183,000	593,359	35,000	5,929	285,000	144,600	470,529
2026-2030	10,713	-	2,600,000	574,250	3,184,963	202,142	15,268	1,310,000	517,563	2,044,973
2031-2035	-	-	655,000	32,750	687,750	-	-	1,350,000	296,288	1,646,288
Thereafter	-	-	-	-	-	-	-	2,250,000	165,444	2,415,444
Total	\$ 33,131	\$ -	\$ 4,720,000	\$ 1,407,167	\$ 6,160,298	\$ 342,142	\$ 44,234	\$ 5,800,000	\$ 1,606,868	\$ 7,793,244

Note 7 - Risk Management

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

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

Note 8 - Defined Benefit Pension Plan

Plan Description

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 8 - Defined Benefit Pension Plan (Continued)

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

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

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	5
	<hr/>
Total employees covered by the plan	26
	<hr/>

Contributions

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

For the year ended June 30, 2021, the average active employee contribution rate was 6.59 percent of gross wages, and the City's minimum monthly required contribution was \$19,226.

Net Pension Liability

The City has chosen to use the December 31, 2020 measurement date as its measurement date for the net pension liability. The June 30, 2021 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 8 - Defined Benefit Pension Plan (Continued)

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

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

The plan's fiduciary net position represents 80.6 percent of the total pension liability.

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

For the year ended June 30, 2021, the City recognized pension expense of \$92,874.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (272,775)
Employer contributions to the plan subsequent to the measurement date	112,608	-
Total	<u>\$ 112,608</u>	<u>\$ (272,775)</u>

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

Years Ending June 30	Amount
2022	\$ (59,391)
2023	5,447
2024	(142,227)
2025	(76,604)
Total	<u>\$ (272,775)</u>

June 30, 2021

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

The total pension liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses but gross of administrative expenses) of 7.6 percent, and the Pub-2010 mortality tables using scale MP-2019. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted from December 31, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return net of inflation as of the December 31, 2020 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private Investments	20.00	7.25

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

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

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

June 30, 2021

Note 8 - Defined Benefit Pension Plan (Continued)***Pension Plan Fiduciary Net Position***

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

Assumption Changes

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

Note 9 - Defined Contribution Pension Plan

The City provides additional pension benefits to all full-time employees hired after July 1, 2013 through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Under the plan, all employees contribute 5 percent of gross earnings to the plan, and the City matches their contributions at a rate of 8 percent for police employees and 5 percent for all other employees. In accordance with these provisions, the City contributed \$55,592 and employees contributed \$54,755 for the year ended June 30, 2021.

Note 10 - Other Postemployment Benefit Plan***Plan Description***

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

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

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

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 10 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2021, the City made payments for postemployment health benefit premiums of \$136,024.

Net OPEB Liability

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

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2020	\$ 6,999,337	\$ -	\$ 6,999,337
Changes for the year:			
Service cost	80,712	-	80,712
Interest	184,803	-	184,803
Differences between expected and actual experience	(48,359)	-	(48,359)
Changes in assumptions	(299,252)	-	(299,252)
Contributions - Employer	-	336,024	(336,024)
Net investment income	-	13,080	(13,080)
Benefit payments, including refunds	(136,024)	(136,024)	-
Administrative expenses	-	(101)	101
Net changes	(218,120)	212,979	(431,099)
Balance at June 30, 2021	<u>\$ 6,781,217</u>	<u>\$ 212,979</u>	<u>\$ 6,568,238</u>

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

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

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

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

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

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

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability as of the June 30, 2021 measurement date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; a discount rate of 2.65 percent; a health care cost trend rate of 7.75 percent for 2021, decreasing 0.25 percentage points per year to an ultimate rate of 4.5 percent for 2034 and later years; and the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment section below, are summarized in the following tables:

Asset Class	Long-term Expected Real Rate of Return
Global equity	5.25 %
Global fixed income	1.25
Private investments	7.25

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.65 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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

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

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

	1 Percentage Point Decrease (6.75%)	Current Health Care Cost Trend Rate (7.75%)	1 Percentage Point Increase (8.75%)
Net OPEB liability of the City of Lathrup Village Retiree Healthcare Plan	\$ 5,530,781	\$ 6,568,238	\$ 7,873,361

City of Lathrup Village, Michigan

Notes to Financial Statements

June 30, 2021

Note 10 - Other Postemployment Benefit Plan (Continued)

Assumption Changes

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

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2021:

City of Lathrup Village Retiree Healthcare Plan

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

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 25.11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11 - Retirement Health Care Savings Plan

The City provides additional other postemployment benefits to all full-time employees hired after July 1, 2008 through a retiree health care savings plan administered by ICMA - Meritain Health. Under the plan, there are no employee contributions, and the City contributes 2 percent of employees' base salaries into eligible employees' health savings accounts for retirement health care. Contributions to the health savings accounts by the City were \$21,658 for the year ended June 30, 2021.

Note 12 - Joint Venture

The City is a member of Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of 12 municipalities in Oakland County. The Authority provides refuse disposal services for the benefit of member municipalities. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provided annual funding for its operations. During the current year, the City expensed approximately \$347,000 related to payments to the Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

City of Lathrup Village, Michigan**Notes to Financial Statements****June 30, 2021****Note 12 - Joint Venture (Continued)**

The City is a member of Southeastern Oakland County Water Authority (the "Water Authority"), which consists of 11 municipalities in Oakland County, Michigan. The City purchases water from the Water Authority. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provide annual funding for its operations. During the current year, the City expensed approximately \$395,000 related to payments to the Water Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Water Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

Required Supplemental Information

City of Lathrup Village, Michigan

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

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

See notes to required supplemental information.

City of Lathrup Village, Michigan

Required Supplemental Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 225,216	\$ 197,808	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182	\$ 67,092	\$ 81,305	\$ 121,932	\$ 124,034
Contributions in relation to the actuarially determined contribution	225,216	197,808	200,652	113,688	88,140	64,182	67,092	1,225,013	121,932	124,034
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,143,708	\$ -	\$ -
Covered Payroll	\$ 461,803	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381	\$ 877,424	\$ 840,997	\$ 1,102,601	\$ 1,135,812
Contributions as a Percentage of Covered Payroll	48.77 %	43.21 %	42.05 %	22.53 %	13.62 %	8.87 %	7.65 %	145.66 %	11.06 %	10.92 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

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

City of Lathrup Village, Michigan

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

Fiscal Years Ended June 30

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

City of Lathrup Village, Michigan

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 409,275	\$ 407,962	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836	\$ 259,097	\$ 422,732	\$ 318,021	\$ 457,917
Contributions in relation to the actuarially determined contribution	336,024	147,716	167,338	177,091	143,679	138,020	165,208	183,783	191,083	188,565
Contribution Deficiency	\$ (73,251)	\$ (260,246)	\$ (33,088)	\$ (4,749)	\$ (145,157)	\$ (150,816)	\$ (93,889)	\$ (238,949)	\$ (126,938)	\$ (269,352)
Covered-employee Payroll	\$ 340,772	\$ 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	98.61 %	43.33 %	53.77 %	55.88 %	19.86 %	19.08 %	18.83 %	21.85 %	17.33 %	- %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

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

City of Lathrup Village, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns

Last One Fiscal Year
Year Ended June 30

2021

Annual money-weighted rate of return - Net of investment expense

25.11 %

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

City of Lathrup Village, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

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

Year Ended June 30, 2021

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

City of Lathrup Village, Michigan

Notes to Required Supplemental Information

June 30, 2021

Budgetary Information

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

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance
General Fund - General government - Government service	\$ 532,555	\$ 648,488	\$ (115,933)

Pension Information

Changes in Assumptions

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

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

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

OPEB Information

Changes in Assumptions

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

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

City of Lathrup Village, Michigan**Notes to Required Supplemental Information****June 30, 2021**

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

October 18, 2021

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, 2021 and have issued our report thereon dated October 18, 2021. 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 Legislative and Informational Items

Sections I and II include information that we are required to communicate to those individuals charged with governance of the City. Section I communicates deficiencies we observed in the City's internal control that we believe are material weaknesses. 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, as well as updated legislative and informational items that we think will be of interest to you. 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 and Pam Bratschi, 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, 2021, 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in the City's internal control to be material weaknesses:

Bank Reconciliations and Segregation of Duties

A strong part of the City's internal controls in place is the monthly bank reconciliation process. During our audit procedures, we identified that bank reconciliations for periods during the year were not reconciled timely. Without the timely preparation and review of bank reconciliations, there is risk of misappropriation of assets not being identified and corrected on a timely basis. As part of the audit, we tested the June 30, 2021 bank reconciliation and did not identify any issues other than timeliness. We recommend that the City reconcile the bank statements to the general ledger on a monthly basis within 30 to 45 days after month end.

It was also noted that new vendors can be added by the same individuals who collect cash and prepare bank reconciliations. Although the City has tried to put mitigating controls in place, such as an independent review of new vendors added to the system, this is not always done timely, and staff turnover has placed further constraints on the City's ability to effectively segregate incompatible duties and maintain effective mitigating controls.

The lack of effective segregation of duties, coupled with the lack of controls to detect such errors, significantly heightens the risk of potential misappropriation of assets and/or inaccurate financial reporting occurring and going undetected.

Financial Reporting Function

The City should provide sufficient resources to its financial management function (accounting and financial reporting) and ensure that the appropriate processes and controls are in place over the financial reporting function, including adequate review of the prepared/reconciled financial records by somebody other than the preparer. Due to the departure of a key member of the finance team at the beginning of the calendar year and other turnover at the City, much of the financial reporting, reconciliation processes, and treasury functions are completed entirely by one individual. In addition to the segregation of duties concerns this creates, it also results in a greater likelihood that the financial records may not be maintained timely. Moreover, there is not an effective review process in place as there has been in the past, which could result in potential errors not being identified internally. We understand the City is planning to fill the vacant positions within the finance/treasury team and encourage the City to move forward with these plans as soon as possible, as the City's volume of activity will continue to increase with the new bonds issued, the related new debt millage, and significant related capital projects. If we can be of support to the City during this process, please do not hesitate to reach out.

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

Water and Sewer Utility Billing

During the fiscal year ended June 30, 2020 audit, the July 1, 2020 and July 1, 2021 council-approved water and sewer rates for the minimum-use customer class of four units had not been updated in the utility billing system until August 2020 for billings beginning in September 2020, resulting in customers who receive minimum bills being billed at rates below the council-approved rates for their water and sewer for two months during the year ended June 30, 2021. This was corrected for the balance of the fiscal year under audit.

As noted in prior years, during our analysis of the City's Water and Sewer Fund, we identified that the City continues to have significant and increased water loss, increasing from approximately 40 percent for the year ended June 30, 2020 to approximately 43 percent for the year ended June 30, 2021. The definition of a water loss is the percentage of water units purchased by the City that are not billed to customers. As the City continues to work through identifying and responding to the cause of these significant recurring water loss issues, including the meter audit and system monitoring review for leaks performed during the year ended June 30, 2021, we recommend that the City perform a review on a monthly basis to adequately track and respond to large water losses as they occur. Without this procedure and control in place, there is risk of accounts receivable and related revenue going unrecorded for amounts that have not yet been billed to customers.

Finally, based on our discussions with city personnel and review of select billing records, we understand that the City has identified past billing errors associated with meter readings and other items, including customer account adjustments, that city personnel are working to quantify and correct with customers. As these matters are further resolved, the City should ensure billing and general ledger records are updated accordingly. In addition to monitoring water loss, we recommend that the City implement a process to ensure that customer account adjustments are reviewed on a timely basis.

The continued significant water loss occurring over the past four years and the impact on the City, including a cumulative cost to the City of approximately \$1.4 million, 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 = 43 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
6/30/2021	Water units purchased by City = 226,903 Water units billed to customers = 128,782 Water loss = 43 percent	\$ 4.348	\$427,000

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 June 16, 2021, 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 10, 2021.

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. As described in Note 1, the City changed accounting policies related to the adoption of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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 estimate of the estimated annual required contribution, 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.

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.

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

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.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were uncorrected misstatements of the financial statements related to an adjustment to customer accounts receivable for a meter correction of \$27,517, an increase in current assets and increase in revenue for the business-type activities and water and sewer fund, a gross up of revenue and expenses for in-kind equipment grants passed through the City from Oakland County of \$4,672, and an increase in revenue and expenses for the Downtown Development Authority. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 October 18, 2021.

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 Legislative and Informational Items

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.

Recommendations

Duplicate Payment

During the audit, it was observed that the City paid a vendor invoice in the amount of \$6,500 twice, as the payment was authorized for payment by different individuals and processed for payment both times. It appears the City does not have controls in place to verify in the system that an invoice has not already been input or paid prior to approving and processing for payment.

Interfund Transactions

We noted that the City currently 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.

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 employees' 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.

COVID-19 Resource Center and ARPA

Throughout the COVID-19 pandemic, Plante & Moran, PLLC's COVID-19 task force of leaders across the firm has monitored, addressed, and provided insight related to the virus and the unique challenges our local governments have faced while continuing to provide essential services to their communities through our COVID-19 resource center at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/covid-19-government-resource-center>. This will continue as our nation emerges from this crisis.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

In March 2021, the president signed the American Rescue Plan Act (ARPA) into law, which included federal stimulus funding for state and local governments of all sizes. The largest of all funding streams, the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) represents a \$350 billion top-line allocation for state and local governments. Funding began to be distributed nationwide in May 2021, although smaller municipalities will need to wait for the funding to pass through their state governments. The U.S. Department of Treasury recently published the interim final rule (IFR), which establishes a framework for determining the types of programs and services that are eligible uses of the CSLFRF funding.

The ARPA award terms provide that payments from the Fiscal Recovery Funds as a general matter will be subject to the provisions of Title 2 U.S. Code of Federal Regulations Part Uniform 200, *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”), including the cost principles and restrictions on general provisions for selected items of cost. The City will need to understand these reforms and may be required to evaluate, document, and monitor internal procedures around compliance, including maintaining certain required policies.

The COVID-19 resource center is being continuously updated for the latest guidance and strategy related to CSLFRF and will help keep the City running smoothly through our nation’s recovery.

Want to receive relevant content directly to your email? Subscribe at <https://www.plantemoran.com/subscribe> where you can customize your subscription preferences based on your specific interests and industry selection.

2021 Public Sector Webinar Series - Insight to Help You Prepare for What is Next

Plante & Moran, PLLC is proud to have hosted a six-session CPE-eligible webinar series, [Public Sector Webinar Series](#), in which our experts break down what you need to know about regulatory updates, the impact of COVID-19 funds, and more. The webinar series covered the following topics:

- Charting GASB’s course - Available on demand
- Preparing for your single audit: A roadmap for funding compliance - Available on demand
- Navigating the AICPA’s revised *State and Local Government Client Affiliates* independence guidance - Available on demand
- GASB 87: Your advanced implementation questions answered - Available on demand
- 2021 Compliance Supplement and single audit update - Available on demand
- Financial sustainability: A framework to address budgetary and operational challenges - Available on demand

We welcome the City’s participation in what we hope are very informative programs.

Michigan’s COVID-19 Updates and Related Grant Programs

The Michigan Department of Treasury has developed a webpage with numbered letters, memorandums, webinars, and resources regarding COVID-19 updates and related grant programs: https://www.michigan.gov/treasury/0,4679,7-121-1751_98769---,00.html.

AICPA State and Local Government Client Affiliates

The AICPA has adopted a revised auditor independence interpretation that impacts entities reporting under the GASB framework. The new rules define four types of affiliates (entities affiliated with your financial statements) that may expand the scope of our required auditor independence related to your audit. The four types of affiliates defined by the AICPA include entities included in your financial statements and certain entities excluded from your financial statements and may also include certain of your investment holdings. Because auditor independence is a shared responsibility between your organization and Plante & Moran, PLLC, you should be aware of and understand these changes. In addition, we will need your help to perform an initial evaluation under these revised standards and will also likely need your continuing assistance to comply with these rules in the future. The changes are effective for years beginning after December 15, 2021, which means we must be independent of your affiliates as of the first day of the year of required adoption, or July 1, 2022. For more information on these changes, please view our on-demand webinar [here](#).

Section III - Other Recommendations and Legislative and Informational Items (Continued)

Auditor Reporting Standards

The AICPA Auditing Standards Board (ASB) issued several new standards that will be effective shortly, which will significantly change the independent auditor's report and make some changes to certain required audit procedures. The standards discussed below are both first effective for your fiscal year ending June 30, 2022.

Statement on Auditing Standards No. 137 addresses auditors' responsibilities relating to other information included in annual reports. This new standard may increase the scope of audit procedures and may result in some audit work being performed outside of the normal timing. To the extent that the City issues a document meeting the AICPA's definition of an annual report under the standard, additional audit procedures will need to be performed on that separate document before it is issued.

Statement on Auditing Standards No. 134 requires changes in the form and content of the auditor's report issued as a result of an audit of financial statements in order to provide financial statement users with more meaningful information about the audit process and meaning of auditor opinions. This is the first significant change to auditors' reports in years.

Significant elements of the new standard include the following:

- Revision of order for elements of the opinion letter, including moving the auditor's opinion to the top of the letter
- Expansion of information to be included within a basis of opinion section and notification to the user that the auditor is required to be independent of the entity and meet other ethical responsibilities
- Explanation of how misstatements to financial statements are determined to be material
- Addition of definition of "reasonable assurance" and identifying that the risk of material misstatement due to fraud is greater than the risk due to error
- Enhanced reporting related to going concern, including a description of management's responsibilities when required by the applicable reporting framework
- Description of the auditor's responsibilities, including responsibilities relating to professional judgment and professional skepticism, internal controls, identification of risks of material misstatement to the financial statements, evaluation of accounting policies used, conclusion on the entity's ability to continue as a going concern, and the auditor's communications with those charged with governance

We are happy to discuss these changes with you so that you are well prepared.

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 their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also 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.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

Michigan's Virtual Meeting Legislation (PA 228 of 2020)

Public Act 228 of 2020 was adopted on October 16, 2020 by Governor Whitmer, providing authorization for virtual meetings for certain circumstances. For virtual meetings, each member of the public body that is meeting remotely must announce the county, city, township, or village and state from which the member is attending remotely, and this must be included in the meeting minutes. Specifically, this legislation provides the following circumstances for virtual meetings:

- March 31, 2021 - December 31, 2021 - For only those circumstances requiring accommodation of members absent due to military duty, a medical condition, or a statewide or local state of emergency (SOE) or state of disaster. If absence is due to military duty or a medical condition, the accommodation only applies to that individual, and the other members must be physically present at the meeting.
- After December 31, 2021, only for reason of military duty

On April 19, 2021, the Michigan Department of Health and Human Services amended its Gatherings and Face Mask Order, continuing the exemption subject to certain limitations for gatherings of public bodies and attendees of meetings held by public bodies in compliance with the Open Meetings Act from the indoor and outdoor gatherings limits on number of persons through May 24, 2021.

The City should ensure it is familiar with this legislation to ensure compliance.

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.

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.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

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 the 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 their fiscal year end.

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 final release of the chart of accounts was issued in November 2020 and is available at this link: https://www.michigan.gov/documents/uniformchart_24524_7.pdf. This final version follows various exposure drafts and revisions in order to comply with changing GASB standards and statutory changes and reformats the document to make it more user-friendly. The Treasury will provide alerts for any guidance and resources, and local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscribe/new?qsp=MITREAS_1.

Rules Governing Management of Federal Programs

The Office of Management and Budget (OMB) issued significant reforms to the compliance requirements that must be followed by nonfederal entities receiving federal funding related to awards on or after December 26, 2014. While these revisions were not too recent, the revisions were the most significant change to occur to federal grants management in recent history. While many communities have historically been below the \$750,000 single audit threshold, recent legislation provides for an increase in federal spending and, therefore, may be subject to an audit requirement; the City will need to understand these reforms and may be required to make changes to internal procedures, processes, and controls.

- Cost principles - There were certain changes made to allowable costs and significant changes in the area of time and effort reporting and indirect costs.
- Administrative requirements - Nonfederal entities receiving federal funding must adhere to revised rules related to administering federal awards. Most notably, the requirements may impact the City's procurement systems, including maintaining written conflict of interest policies and disclosures.

The City will need to ensure that consideration of the implementation of these regulations has occurred; if it has not, the City needs to work quickly to put the requirements into practice. Plante & Moran, PLLC has many experts in this area and welcomes any questions or needs you may have.

Federal Procurement Threshold Changes

The Office of Management and Budget (OMB) has issued significant reforms to the compliance requirements that must be followed by nonfederal entities. The Office of Management and Budget recently issued Memorandum M-18-18, which provides guidance on changes to micropurchases and simplified acquisition threshold requirements. The key changes are as follows:

- Threshold for micropurchases is increased to \$10,000.
- Threshold for simplified acquisitions (small purchase procedures limit) increased to \$250,000.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

Key adoption considerations for micropurchase and simplified acquisition thresholds include the following:

- During the original adoption of the Uniform Guidance (UG) procurement standards, were specific amounts included within the City's procurement policy, or were references to the UG sections or amounts as adjusted referenced? If specific amounts were referenced, the procurement policy will need to be updated to take advantage of the changes.
- If the City's procurement policy was written to allow for changes in amounts, the procedures will need to be updated to conform.
- If this change is inconsistent with other procurement policies within the organization, the City must decide how the policy will be enacted. Remember local ordinances in place may limit full utilization of changes.
- If the City has chosen not to fully adopt the change and maintain a lower threshold, then the City is not required to use these thresholds but cannot exceed them.

Legacy Cost Reporting

Public Act 530 of 2016

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as Public Employee Retirement System Investment Act (PERSIA). This act was effective on March 29, 2017.

Under the prior act, communities were required to publish a summary annual report setting forth key information related to pension and retiree health care plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable time frame.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which were primary components of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

Local units began reporting funded ratios and contributions in accordance with these uniform assumptions starting with their fiscal year 2019 if their audited financial statements were based on an actuarial valuation issued after December 31, 2018. If their fiscal year 2019 audited financial statements were based on an actuarial valuation issued prior to December 31, 2018, the local units will begin reporting on these uniform assumptions starting with their fiscal year 2020.

On October 21, 2019, the Michigan Department of Treasury released the updated uniform assumptions to be used for fiscal year 2020. Beginning with fiscal year 2020 reporting, all local governments must utilize the updated fiscal year 2020 uniform assumptions. Each year moving forward, the annual uniform assumptions will be updated and are expected to be utilized within Form 5572, where indicated, for that fiscal year. Local governments may utilize roll-forward procedures in nonvaluation years utilizing any updates to the uniform assumptions to calculate the data.

This means that the local unit potentially may need three calculations: a funding valuation (if the local unit chooses to have different assumptions for funding purposes), a valuation that complies with GAAP to be used for financial statement reporting, and a calculation that complies with the State's new uniform assumptions.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

The releases by the Department of Treasury include the letters titled “Public Act 202: Selection of the Uniform Assumptions” and “Public Act 202: Selection of the Uniform Assumptions for Fiscal Year 2020,” Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

Form 5572 is due annually for both pension and OPEB plans provided by an employer no later than six months after the end of the fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information either on its website or in a public place if it does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

Public Act 202 defines that a local unit of government is in underfunded status if any of the following apply:

1. OPEB - Total plan assets are less than 40 percent of total plan liabilities according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government’s governmental funds operations revenue.
2. Retirement pension plans - Total plan assets are less than 60 percent of total plan liabilities according to the most recent annual report, and, for primary units of government, the annual required contribution for all of the retirement pension systems of the local unit is greater than 10 percent of the local unit of government’s governmental funds operations revenue.

*Primary units of government are cities, villages, townships, and counties.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a waiver under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan (CAP) and must begin implementation within 180 days of CAP approval. The corrective action plan will be monitored by the Municipal Stability Board for substantial compliance with the Act every two years, which will require the local unit to complete the CAP Monitoring Form. If, at any time after a CAP has been approved, the local unit determines its previous submission is no longer substantially in effect, the local unit may file an updated CAP.

For governments with OPEB plans, Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. The actuary likely will need to calculate this number in order for governments to comply. In addition, if communities must essentially prefund this additional cost, those communities without a qualifying OPEB trust will need to consider where these contributions will go.

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting its website at www.Michigan.gov/LocalRetirementReporting.

Numbered Letter 2018-3

On March 13, 2020, the Treasury issued Numbered Letter 2018-3 (Revised) as a revision to Numbered Letter 2018-3 that was first issued in September 2018. This revised numbered letter provides additional clarity and guidance for compliance with Public Act 202 related to the calculation and reporting of the actuarial determined contribution (ADC) for other postemployment benefit (OPEB) systems. The revision emphasized the following two key points:

1. The ADC, regardless of funding policy, must be calculated as the normal cost plus the amortization of the unfunded liability.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

2. The ADC, calculated in accordance with the Act, must be reported in the audited financial statements. Note that OPEB plans that are not administrated through a trust are not required by GAAP to disclose the ADC in the required supplemental information section of the audited financial statements, but those plans should disclose this information in the footnotes to the financial statements, as required by this revised numbered letter.

Failure to calculate the ADC in compliance with this Numbered Letter 2018-3 (Revised) will be considered statutory noncompliance and shall be reported in the notes to the financial statements and result in an auditor finding for statutory noncompliance. Failure to report a compliance ADC in audited financial statements may result in the rejection of Form 5572 submissions and noncompliance with the Act and/or rejection of the local government's audited financial statements.

Public Act 57 Consolidation of Tax Increment Authorities

Public Act 57 of 2018, otherwise known as The Recodified Tax Increment Financing Act (PA 57), went into effect on January 1, 2019. PA 57 consolidated the ability to create and operate tax increment authorities (other than brownfield redevelopment authorities) into a single statute. All previously created authorities will remain; however, the following acts were repealed, and the corresponding authorities will now operate under PA 57:

- Downtown Development Authority Act (PA 197 of 1975)
- Tax Increment Finance Authority Act (PA 450 of 1980)
- Local Development Finance Authority Act (PA 281 of 1986)
- Nonprofit Street Railway Act (PA 35 of 1867)
- Corridor Improvement Authority Act (PA 280 of 2005)
- Water Resource Improvement Tax Increment Finance Authority Act (PA 94 of 2008)
- Neighborhood Improvement Authority Act (PA 61 of 2007)

Note that the above acts were repealed and recodified into PA 57. The acts listed below were repealed; however, they were not recodified:

- Historical Neighborhood Tax Increment Finance Authority Act (PA 530 of 2004)
- Private Investment Infrastructure Funding Act (PA 250 of 2010)

Any obligation, or refunding of an obligation, that was issued by an authority or by the municipality that created the authority, under a statute that was repealed by Public Act 57, will continue in effect under its original terms under the corresponding part of PA 57.

Transparency and Reporting Requirements

1. By April 1, 2019, each authority was required to submit its currently adopted development plan or tax increment finance plan to the Department of Treasury.
2. Annually, after January 1, 2019, each authority must submit a comprehensive annual report to the Treasury, the governing bodies of its related municipality, and each taxing unit levying taxes that are captured by the authority. This report must contain detailed information on the capture and use of tax increment revenue and is due concurrent with the authority's audit report due date (typically six months after the fiscal year end).
3. Within 180 days after the authority's fiscal year end, subsequent to January 1, 2019, the municipality that created the authority must give public access (either on its website or at a physical location within the municipality) to the following documents:
 - Minutes of all authority board meetings
 - Current authority staff contact information
 - Authority's approved budgets and annual audits
 - Currently adopted development and/or tax increment financing plans
 - Current contracts with descriptions

Section III - Other Recommendations and Legislative and Informational Items (Continued)

- Annual synopsis of the authority's activity, which includes the following:
 - For any tax increment revenue not expended within 5 years of receipt, include the reasoning for accumulating the funds, their expected uses, and a time frame of when they will be expended.
 - For any tax increment revenue not expended within 10 years of receipt, include the amount of those funds, along with a written explanation for the reason the funds have not been expended.
 - For the immediately preceding fiscal year, a list of the authority's accomplishments, projects, investments, events, and promotional campaigns
4. The authority must hold, at a minimum, two informational meetings each year and give a 14-day advance notice to the public and to the governing body of each taxing unit. These meetings may be held in conjunction with other public meetings of the authority or municipality.

Any authority not in compliance with the above reporting requirements will receive a notice from the Department of Treasury. If the authority is still in noncompliance status 60 days after receipt of the notice, the authority will be prohibited from capturing tax increment revenue in excess of the amounts needed to pay bonded indebtedness and other obligations of the authority during this period of noncompliance.

Additional Information

To view Public Act 57 of 2018, regarding the consolidation of tax increment authorities and additional reporting requirements, visit the State of Michigan's website: [http://www.legislature.mi.gov/\(S\(nhboq4doz1h4bwbqb0gcxqim\)\)/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018](http://www.legislature.mi.gov/(S(nhboq4doz1h4bwbqb0gcxqim))/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018).

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*

Section III - Other Recommendations and Legislative and Informational Items (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. 89 - Interest Incurred during Construction

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019 (December 15, 2020 after extension within GASB Statement No. 95). This statement eliminates capitalized interest and instead requires all interest expense, including the portion incurred during construction of a capital asset, to be expensed. Early adoption is encouraged.

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.

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs)

This new accounting pronouncement will be effective for the City's year ending June 30, 2023. This statement defines SBITAs and provides accounting and financial reporting for SBITAs by governments, including requiring a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs.

GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

Certain aspects of this standard impacting defined contribution pension and OPEB plans and other employee benefit plans were effective immediately in June 2020, but the provisions of this statement related to 457 plans clarifying when a 457 plan should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 are effective for reporting periods beginning after June 15, 2021.

Significant GASB Proposals Worth Watching

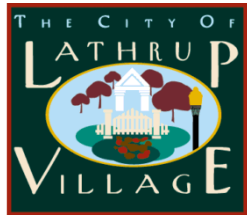
The GASB is working on three interrelated projects that result in a comprehensive look at financial reporting for state and local governments. Of these three efforts, two are likely to result in significant changes to governmental financial statements in the future.

The Financial Reporting Model is currently in exposure draft stage and is expected to be issued as a final statement next year. While this standard proposes changes to many aspects of the City's financial statements, this proposed standard will most significantly impact the City's governmental fund financial statements.

Section III - Other Recommendations and Legislative and Informational Items (Continued)

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. Currently, the GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions.

Plante & Moran, PLLC has spent significant time digesting these new proposed standards and recently testified to the GASB about our feedback. We strongly encourage the City to monitor developments with these standards, as the potential impacts are quite broad.



A HERITAGE OF GOOD LIVING

Dr. Sheryl L. Mitchell Theriot

City Administrator

City of Lathrup Village

27400 Southfield Road | Lathrup Village, MI 48076

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Item B.

COUNCIL COMMUNICATION:

TO: Mayor Garrett and City Council Members

FR: Sheryl Mitchell Theriot, City Administrator

DA: November 1, 2021

RE: Resolution Establishing Cannabis Application and Scoring Criteria

City Council previously adopted ordinances relative to Cannabis Businesses

[City Ordinance 465-21](#) and [Zoning Ordinance 466-21](#)

The license limits were established at two (2) retail/provisioning and two (2) safety compliance facilities. In the event of collocated facilities, the City may issue two (2) adult use cannabis retail establishment licenses and two (2) medical cannabis provisioning establishment licenses. (Ordinance 465-21, Section. 18-289)

The Council is now considering the application process and scoring procedures. Applicants are required to achieve 85 points out of an available base of 100 points.

Points are available in the sections below. Items marked with an * are mandatory and have no points associated.

SECTION		POINTS
1	Contact and Property Information*	0
2	Ownership of Property and/or Business*	0
3	Community Health and Education	6
4	Business Plan	6
5	Community Benefits	34
6	Security Plan	10
7	Building and Site Improvements	44 (max)
TOTAL AVAILABLE POINTS		100

Suggested Motion:

To approve the Resolution Establishing Cannabis Application and Scoring Criteria

**CITY OF LATHRUP VILLAGE
OAKLAND COUNTY, MICHIGAN**

RESOLUTION NO. ____-21

**RESOLUTION ESTABLISHING
CANNABIS APPLICATION AND SCORING CRITERIA**

At a regular meeting of the City Council of the City of Lathrup Village, Oakland County, Michigan, (the "City"), held on the 18th day of October, 2021.

PRESENT: _____

ABSENT: _____

The following Resolution was offered by _____ and seconded by _____.

WHEREAS, the City of Lathrup Village Council has adopted Ordinance 18-288 which allows the City Council by a resolution to utilize a point-based system to evaluate Cannabis Business applications.

WHEREAS, the City Council has discussed the contents and standards for the application and scoring criteria.

NOW, THEREFORE, BE IT RESOLVED that in accordance with City of Lathrup Village Code of Ordinances Section 18-288 the City Council approves the attached application and scoring criteria to be utilized in the evaluation of applications to operate a Cannabis Business in the City of Lathrup Village

YEAS: _____

NAYS: _____

ABSENT: _____

ABSTAIN: _____

STATE OF MICHIGAN)

)ss

COUNTY OF OAKLAND

I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the City Council of the City of Lathrup Village, Oakland County, Michigan at a special meeting duly called and held on the 18th day of October, 2021, the original of which resolution is on file in my office, and that notice of said meeting was given, the meeting was held and the minutes filed in accordance with the Open Meetings Act, Act No. 267, Public Acts of Michigan, 1976, as amended.

Yvette Talley
City Clerk



A HERITAGE OF GOOD LIVING

Dr. Sheryl L. Mitchell Theriot

City Administrator

City of Lathrup Village

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Item C.

COUNCIL COMMUNICATION:

TO: Mayor Garrett and City Council Members

FR: Sheryl Mitchell Theriot, City Administrator

DA: November 1, 2021

RE: Resolution Establishing the Initial Cannabis Business License Application Period

City Council previously adopted ordinances relative to Cannabis Businesses [City Ordinance 465-21](#) and [Zoning Ordinance 466-21](#).

Ordinance 465-21, Section 18-286(a), provides:

The city will accept applications for license(s) for cannabis business over a 30-day period, as established by resolution of the city council, after the effective date of this article. At the end of the 30-day period, all properly submitted and complete applications shall be subject to examination and review by the city.

The resolution establishes the 30-day initial application period will commence on January 3, 2022 and will close on February 1, 2022.

Suggested Motion:

To adopt the Resolution Establishing the Initial Cannabis Business License Application Period

**CITY OF LATHRUP VILLAGE
OAKLAND COUNTY, MICHIGAN**

RESOLUTION NO. ____-21

**RESOLUTION ESTABLISHING
INITIAL APPLICATION PERIOD**

At a regular meeting of the City Council of the City of Lathrup Village, Oakland County, Michigan, (the "City"), held on the 18th day of October, 2021.

PRESENT: _____

ABSENT: _____

The following Resolution was offered by _____ and seconded by _____.

WHEREAS, the City of Lathrup Village Council has adopted Ordinance 18-286 which allows the City Council by a resolution to establish a 30-day period to accept application to obtain a license to operate a Cannabis Business in the City of Lathrup Village.

WHEREAS, the City Council has discussed the issue and has determined the initial application period will commence on January 3, 2022 and will close on February 1, 2022.

NOW, THEREFORE, BE IT RESOLVED that in accordance with City of Lathrup Village Code of Ordinances Section 18-286 the City Council has determined the initial application period will commence on January 3, 2022 and will close on February 1, 2022.

YEAS: _____

 NAYS: _____

ABSENT: _____

ABSTAIN: _____

STATE OF MICHIGAN)

)ss

COUNTY OF OAKLAND

I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the City Council of the City of Lathrup Village, Oakland County, Michigan at a special meeting duly called and held on the 18th day of October, 2021, the original of which resolution is on file in my office, and that notice of said meeting was given, the meeting was held and the minutes filed in accordance with the Open Meetings Act, Act No. 267, Public Acts of Michigan, 1976, as amended.

 Yvette Talley
 City Clerk