

**City of Swartz Creek
AGENDA**

**Regular Council Meeting, Monday, October 26, 2020, 7:00 P.M.
Paul D. Bueche Municipal Building, 8083 Civic Drive Swartz Creek, Michigan 48473**

1. **CALL TO ORDER**
2. **INVOCATION:**
3. **ROLL CALL:**
4. **MOTION TO APPROVE MINUTES:**
4A. Council Meeting of September 28, 2020 MOTION Pg. 25
5. **APPROVE AGENDA:**
5A. Proposed / Amended Agenda MOTION Pg. 1
6. **REPORTS & COMMUNICATIONS:**
6A. City Manager's Report MOTION Pg. 3
6B. Staff Reports & Meeting Minutes Pg. 30
6C. Cross Connection Control Proposal Pg. 39
6D. 2020 Fiscal Year Audit Pg. 50
7. **MEETING OPENED TO THE PUBLIC:**
7A. General Public Comments
8. **COUNCIL BUSINESS:**
8A. Swartz Creek Women's Club G.F.W.C PROCLAMATION
8B. Fiscal Year 2020 Audit RESO Pg. 21
8C. Cross Connection Control Services RESO Pg. 22
8D. Election Pay Raise RESO Pg. 23
8E. Litigation Closed Session RESO Pg. 23
9. **MEETING OPENED TO THE PUBLIC:**
10. **REMARKS BY COUNCILMEMBERS:**
11. **ADJOURNMENT:** MOTION Pg. 24

Next Month Calendar

Metro Police Board:	Wednesday, October 28, 2020, 10:00 a.m., Metro HQ
Park Board:	Wednesday, November 4, 2020, 5:30 p.m., PDBMB
Planning Commission:	Tuesday, November 10, 2020, 7:00 p.m., PDBMB (one week later)
City Council:	Monday, November 9, 2020, 7:00 p.m., PDBMB
Downtown Development Authority:	Thursday, November 12 2020, 6:00 p.m., PDBMB
Fire Board:	Monday, November 16, 2020, 6:00 p.m., Public Safety Bldg
ZBA Board:	Wednesday, November 18, 2020, 6:00 p.m., PDBMB
City Council:	Monday, November 23, 2020, 7:00 p.m., PDBMB

City of Swartz Creek Mission Statement

The City shall provide a full range of public services in a professional and competent manner, assuring that the needs of our constituents are met in an effective and fiscally responsible manner, thus promoting a high standard of community life.

City of Swartz Creek Values

The City of Swartz Creek's Mission Statement is guided by a set of values which serve as a common operating basis for all City employees. These values provide a common understanding of responsibilities and expectations that enable the City to achieve its overall mission. The City's values are as follows:

Honesty, Integrity and Fairness

The City expects and values trust, openness, honesty and integrity in the words and actions of its employees. All employees, officials, and elected officials are expected to interact with each other openly and honestly and display ethical behavior while performing his/her job responsibilities. Administrators and department heads shall develop and cultivate a work environment in which employees feel valued and recognize that each individual is an integral component in accomplishing the mission of the City.

Fiscal Responsibility

Budget awareness is to be exercised on a continual basis. All employees are expected to be conscientious of and adhere to mandated budgets and spending plans.

Public Service

The goal of the City is to serve the public. This responsibility includes providing a wide range of services to the community in a timely and cost-effective manner.

Embrace Employee Diversity and Employee Contribution, Development and Safety

The City is an equal opportunity employer and encourages diversity in its work force, recognizing that each employee has unlimited potential to become a productive member of the City's team. Each employee will be treated with the level of respect that will allow that individual to achieve his/her full potential as a contributing member of the City staff. The City also strives to provide a safe and secure work environment that enables employees to function at his/her peak performance level. Professional growth opportunities, as well as teamwork, are promoted through the sharing of ideas and resources. Employees are recognized for his/her dedication and commitment to excellence.

Expect Excellence

The City values and expects excellence from all employees. Just "doing the job" is not enough; rather, it is expected that employees will consistently search for more effective ways of meeting the City's goals.

Respect the Dignity of Others

Employees shall be professional and show respect to each other and to the public.

Promote Protective Thinking and Innovative Suggestions

Employees shall take the responsibility to look for and advocate new ways of continuously improving the services offered by the City. It is expected that employees will perform to the best of his/her abilities and shall be responsible for his/her behavior and for fulfilling the professional commitments they make. Administrators and department heads shall encourage proactive thinking and embrace innovative suggestions from employees.

City of Swartz Creek
CITY MANAGER'S REPORT
Regular Council Meeting of Monday, October 26, 2020 - 7:00 P.M.

TO: *Honorable Mayor, Mayor Pro-Tem & Council Members*
FROM: Adam Zettel, City Manager
DATE: October 21, 2020

ROUTINE BUSINESS – REVISITED ISSUES / PROJECTS

✓ **MICHIGAN TAX TRIBUNAL APPEALS (Update)**

We have one appeal filed so far this year. It is a repeat appeal for an office at 5376 Miller Road. We may receive more since the state has extended the deadline to August 31st. An appraisal for this property has been ordered from Kevin Groves Appraisals, Inc. I will keep the council informed on the progress of this appeal.

I am including a resolution to approve this professional service so we can proceed.

✓ **STREETS (See Individual Category)**

✓ **2020-2023 TRAFFIC IMPROVEMENT PROGRAM (TIP) (No Change in Status)**

Morrish Road is slated for 2022 federal funding. Note that the total scope of the project is around \$1,050,000, with 20% being the city's contribution.

The city has committed the match portion to this project, which is 80-20. It is unclear what year this project will be undertaken, but we want it done subsequent to the USDA water main work. This MAY span two construction seasons. We have put the engineers on notice regarding our desire to widen Paul Fortino to the north so that a left turn lane may be added. This will occur whether or not the townhome project proceeds.

✓ **STREET PROJECT UPDATES (Update)**

This is a standing section of the report on the status of streets as it relates to our dedicated levy, 20 year plan, ongoing projects, state funding, and committee work. Information from previous reports can be found in prior city council packets.

The segment in Heritage Village has had the base coat installed. The final cap of asphalt will be placed at about the same time as the Village streets. This could start as early as Sunday.

Chelmsford and Oakview (to Seymour) will be completed next year.

The city accepted the low bid by Glaeser Dawes for 2020 and 2021 work projects, including our street reconstruction projects. This is the company that completed the first three phases of the street/water main reconstruction projects in the city since 2017.

Lighting contracts with Consumers Energy have been approved.

Note that the street work is tied to the USDA projects as well.

✓ **WATER – SEWER ISSUES PENDING** (*See Individual Category*)

✓ **SEWER REHABILITATION PROGRAM** (*No Change in Status*)

Work is complete on the sewer collectors on the west end of downtown (Fairchild, McLain, Ingalls, Brady, Hayes, and Holland).

We will also be inspecting and cleaning areas of high fat, oil, and grease concentration in the system, such as Elms and Miller. We will be able to ascertain if we have any restaurant grease trap maintenance issues/enforcement to contend with.

We are still working to geo-locate sewer lines, manholes, and some services so we can map them and track maintenance data on GIS. The Genesee County Drain Commission has verbally committed to reimbursing the city for some of the work related to water and sewer, since they plan to use it from time to time. I do not have a figure at this time, but I expect it to be half of what is related to sanitary sewer and water line mapping.

Note that the most recent inspections are PACP compliant (Pipeline Assessment Certification Program). These inspections provide a GIS based video, along with standard pipe and maintenance scoring for use by state agencies and our assessment management planning efforts.

✓ **SEWER CAPACITY INITIATIVE** (*No Change in Status*)

The scope of work is indeed smaller than originally thought. This means that the excavation and piping needs are smaller, as is the impact on property owners. Engineering services have been approved. Prior to commencing in full, we hope to acquire permanent easements for the run of the new line. We will be working with Springbrook and the Masonic Lodge. I will keep the council informed.

The previous report follows:

ROWE has a potential solution for the district three capacity problem. They recommend a by-pass of specific portions of the collection system that function as a choke point through the installation of a larger capacity sewer line. This will require a sizable construction effort, approaching \$500,000. It will also require cooperation with Springbrook Home Owners Association, the United Methodist Church, and the Masonic Lodge. I am hopeful all those property owners will be agreeable and have been communicating with all three groups, with positive feedback.

Rowe has begun their design. We would like to perform this work in 2021. Once crews can begin work, they will survey the area and prepare engineering documents that will get us to bid.

Concerning inflow and infiltration (I&I), the county met with communities about the current status and long term solutions for the sanitary sewer systems. This is something we have been actively reducing for years through manhole water

proofing and pipe lining. However, there are still issues, and the higher levels of government are pushing hard to reduce I&I.

In pursuing the 'general permit' that is issued by EGLE, the county will be mandating targets for I&I reduction. We do not know what this will look like for our community since many things come into play, including the current wet weather ratio, the ability of surface water management to effectively remove water from problem areas, and the capacity of the county interceptor. A plan is expected to be crafted by 2022. I will keep the council informed.

✓ **WATER MAIN REPLACEMENT - USDA (Update)**

Work is complete on:

Oakview from Winston to Daval (Complete)
Winston from Chesterfield to Oakview (Complete)
Oxford Court (Complete)

Work is underway on Miller Road, from Tallmadge to Dye.

Bristol from Elms to Miller will commence later in the year.

We have sent notice to all impacted properties of record.

UPDATE: MAIN ON CHELMSFORD, FROM WINSTON TO DAVAL, IS NOT BEING REPLACED BECAUSE IT WAS REPLACED IN 2000.

Chelmsford and Oakview (to Seymour) will be completed next year, along with the remainder of the water main work, which will include Morrish Road from Fortino to I-69 and Miller from Raubinger to Elms.

Prior system report findings follow:

The Genesee County Drain Commission - Water and Waste Services Division Water Master Plan, indicates they are considering a northern loop to provide redundancy and stability to the system. This is good news since Gaines and Clayton Township rely on the overstressed Miller line. There is currently not any cost or participation information available. I will keep the council informed.

The city has been working with the county to abandon the Dye Road water main in the vicinity of the rail line. Note that we are holding this action pending the master plan review. This line is prone to breaks, which can be very costly and dangerous near the rail spur. The intention would be to connect our customers to the other side of the street, onto the county line. It appears the transition cost would be about \$25,000. We will work with the county on this matter and report back on our findings.

✓ **UTILITY BILL PENALTIES, INTEREST, AND TURN OFFS (Update)**

As verbalized at the October 10 meeting, we have continued to refrain from water shut offs due to non-payment, despite the lifting of the executive order that compels

this practice. However, it is apparent that many folks are refraining from payments simply because it is a penalty and interest free prospect for the time being.

This raises the potential for issues of repayment down the road by renters, whose balances cannot be assessed. It also is a concern for any customer that may permit their balance to become substantial at the onset of applicable penalties and interest, just as it is with an interest limited free credit card promotion.

Moving forward, we will monitor the state legislation on the matter, if any, to see what we are obligated to do as it relates to unpaid utility bills. If no such mandates exist, we will likely look to implement our standard penalties and interest. Our plan would be to do so only after advance notice to those with existing balances and the general public. Subsequent to this action, we will reengage shut offs on a more lenient timeline that will enable payment plans beyond what is normally customary.

Again, we understand that there were allowances made to overcome hardships, so we do not wish to financially punish folks or take unreasonable action on collections or shut offs. However, we do need to move forward sooner or later. Further down the road, we shall need to consider if the outstanding balances will need to go on the July 2021 tax assessment roll, or if some delay will be necessary. We will keep the council informed.

✓ **HERITAGE VACANT LOTS** (*No Change in Status*)

The last of the lots acquired prior to the special assessment have been sold. We approved permits for single family homes on September 30th. The city also has two more lots that were acquired through the tax reversion process.

✓ **NEWSLETTER** (*Update*)

The October newsletter should be out!

✓ **CONSTRUCTION & DEVELOPMENT UPDATE** (*See Individual Category*)

This will be a standing section of the report that provides a consolidated list for a brief status on public and private construction/developmental projects in the city.

1. The city submitted another application for **DNR Trust funds for 2021 construction of the Genesee Valley Trail**. The MDOT grant is conditionally awarded. We seek to apply again for the Trust fund grant and combine this with the Safe Routes to School initiative for 2021 construction.
2. The **raceway has surrendered its 2020 race days due to a lack of beneficial state statutory changes**. They intend to use the site for thoroughbred horse racing. There is currently some pending legislation that could make this a reality, and they are optimistic. They held an equipment auction in late June.
3. Communities First has a purchase option for **Mary Crapo**. The zoning, site plan, and PILOT for the 40 unit building conversion have been approved by the city. The land purchase and state approvals are still pending. The park board recommends against the lease unless terms are dramatically improved to allow flexible public use. They have until 2/1/21 to make the purchase.
4. The **school bond** passed and many improvements are expected in 2020 throughout the district. Total investment for this effort will exceed \$50 million

over two to three years. Work has commenced on Syring and Elms School, as well as the high school athletic complex. Plans are being submitted for the Middle School. The schools in the city are in a rigorous state of improvement at the moment. It also appears that the school will be adding a walking path on their high school campus that should be integrated with other pedestrian features.

5. **Street repair in 2020** is to include part of Chelmsford, the remainder of Winston, Oakview east of Daval, and Oxford Ct. We will be completing the remainder of Chelmsford and Oakview to Seymour in 2021. The city also has grants and loans for about **\$5 million in water main work** to occur between 2020 and 2022. COVID 19 may put a stop to some or all work efforts.
6. The **Applecreek Station** development of 48 townhomes is seeking final review by the county. These units range in size from 1,389 to 1,630 square feet, with garages. Construction will occur on vacant land in the back of the development, by Springbrook Colony. Site engineering plans have just been submitted by the owner. Rents are expected to be about \$1.00 per square foot (~ \$1,600 a month) which matches rents in Winchester Village. This project is on hold pending the sewer relief project.
7. The **Brewer Condo Project** was given site plan approval and tentative purchase agreement approval (July 22, 2019). This includes 15 townhome condos off Morrish Road in downtown. They are approximately 1,750 square feet, with two car garages and basements. A drainage solution has just been approved by the county. The developer indicates they may be able to start soon. They will be working to finalize the master deed and condominium documents so that the purchase agreement can be executed and the property transferred. The resolutions and agreement still enable this activity, despite the delay. If council members wish to revisit this, please let the council know. Otherwise, we hope to have the transfer and start of construction occur this fall.
8. The next **Springbrook East** phase is under construction. They have pulled their first home permit.

✓ **TRAILS (Update)**

After added effort, GM has responded and is communicating as needed through their governmental liaison. They have also commissioned a traffic study to look at the situation. It is unclear if this is a sincere effort to work the problem and cooperate or if it is a justification for their initial reaction that trails are dangerous. Hopefully, we can meet with them and work something out that works for all parties.

In the meantime, we continue to negotiate easements with three other property owners. We are concurrently pursuing appraisals for these three easement requests, as well as General Motors. This is a requirement of the condemnation process. Hopefully, this will not be necessary, but we must maintain our timeline for improvements. I will keep the council informed.

In other news, we resubmitted our DNR grant and are hoping for a positive outcome.

The MDOT grant is still awarded and awaiting use. We hope to get all easements and the DNR funding with time to bid this winter and construct in 2021. It is unclear what the match will be at this point, but it will be at least \$200,000 by most accounts.

✓ **REDEVELOPMENT READY COMMUNITIES** *(No Change of Status)*

There is a buyer for the Lovegrove Building. We met with them onsite. Though they have not yet closed on the property, it appears that they will soon. They have plans for relatively robust maintenance and upgrades at the property, and they would like to cooperate on parking, site access, and downtown events.

Though it does not appear they have any immediate plans to engage in a larger scale transformative project, I do believe they have some good users coming to the site and will be investing sufficient resources to bring the building up to functional expectations. I think this is a good step forward.

We are still able to offer our RRC incentives. We will continue to work with property owners to educate and encourage them to consider the benefits of property enhancement and the incentives that can be leveraged to that end.

I have had conversations with them and they are entertaining the possibility of transforming the property in accordance with the Request for Proposals. Either way, we will be moving forward, and I am confident they will act as positive change agents for the building and downtown!

✓ **TAX REVERTED PROPERTY USE** *(No Change of Status)*

I am seeking release from the buyers of tax reverted property on Wade. I am doing so because the council granted sale approval over one year ago, but the purchase agreements remain unsigned after numerous requests. We can look to reoffer the properties or allow time to mature the prospects more.

✓ **8002 MILLER** *(Update)*

The city council extended the forbearance period through September 30th (the next payment will be to cover October, due October 1). The outstanding balance prior to forbearance was the month of March and half of February's payment (totaling \$3,000 without penalties or interest. As of writing, we have received \$400 dollars. There has not been any payment made toward October. However, the tenant has been awarded a \$10,000 grant from the county (CARES Act funding). This has been affirmed by the county to be remitted any day now.

The tenant has been responding to our inquiries and communicative. I have reached out to ascertain what their expectations are as we continue through COVID and the post-COVID world. Obviously, the current situation, even with CARES support, is not working.

While we still wish to see the property and business thrive, sustainable rents above ~\$50 a month (as observed between March and October), are required.

The previous report (July 27, 2020) contains details of the lease and circumstances regarding the options.

✓ **SCHOOL FACILITY PROPOSAL** *(No Change in Status)*

The water tower antennae is up. The school is also continuing with improvements district-wide. Athletic facility enhancements are underway. There are also big changes proposed to the middle school and high school grounds, including new parking/drop off arrangements and a trail link. The elementary schools in the city will see additional building and grounds improvements. Note that Elms will have a secondary entrance off an outlot to Elms Road.

One issue that has presented itself is the Residential Equivalent Unit (water and sewer connection and quarterly use factor) charges for Syring. Records indicate that this is a 2 unit building (which is very low for a school). The new county audit places this at 30 units, post construction. This results in additional charges of \$56,000 to be paid by the school to the county and \$84,000 to the city.

We have invoiced the school accordingly. However, I have apprehensions about this large connection fee for a building that has been previously permitted on the system since its construction. We are checking the records to see if we can determine the original unit factor/connection charge amount for the school. If nothing can be found, we may get a request for relief from the school district. I will keep the council informed.

✓ **BREWER TOWNHOMES** *(No Change in Status)*

County approvals have been granted for storm water. The developer now indicates they may be able to start soon. They will be working to finalize the master deed and condominium documents so that the purchase agreement can be executed and the property transferred. The resolutions and agreement still enable this activity, despite the delay. If council members wish to revisit this, please let the council know. Otherwise, we hope to have the transfer and start construction occur this fall.

✓ **CDBG** *(Update)*

We have released bids for the purchase of decorative street signs. This project includes the purchase and installation of decorative street signs throughout the downtown area. We hope to proceed as soon as orders can be made. The city council will have the final approval of any award.

We also have the next three year CDBG cycle planning phase upon us. We will post a notice for a public needs hearing in November. This is the first step to using CDBG funds for the next cycle, whether it is on senior services, infrastructure projects, or other purposes. The needs hearing will seek comment on prior and potential projects. Using this information, we will submit a pre-application packet to the Genesee County Metropolitan Planning Commission.

The hearing should be November 9th. The amount of funding available for the 2022-2024 cycle is \$42,025.

✓ **SAFE ROUTES TO SCHOOL** *(No Change of Status)*

A conditional award has been made by the MDOT! We are very happy to announce a grant for another \$600,000+ for trails and walkways in the community! This will enable installation of paths near the middle school, Elms, and Syring for student safety.

These connections will also enhance our trail network. Andy is working on easements at the moment, and we are getting some initial memorandums of understanding regarding the use of private property. We anticipate approving a proposal for engineering this fall so we can construct in 2022. This was a year later than anticipated, but we have observed delays in the process for some months that made this likely.

✓ **GIS MAPS** (*No Change of Status*)

Staff is now able to edit the maps and accompanying data fields for our GIS system. This includes underground water, sewer, and storm facilities. We are also mapping basic street data. This system is going to be accessible by our staff anywhere in the city by mobile device and will enable locational support, as well as important maintenance and related data fields related to infrastructure.

We are also exploring the use of work order applications with GIS that will save some time and better integrate data analytics for our infrastructure. Some of these features may be viewable by the public as well once we are established.

✓ **SHARED SERVICES AGREEMENT-MUNDY TOWNSHIP** (*No Change of Status*)

Mundy's park is substantially complete and they intend to be open in December. We have a draft agreement prepared that the staff of the city and township are working on that relates to the level of service and terms for park maintenance by city staff. Once we believe we have a suitable agreement, the city council and township board will then review our progress and make a determination concerning implementation. This agreement is modeled after our shared building service agreement.

I expect to have this agreement before the council in October or early November. Overall, the initial impact will not be significant. We expect to provide about 10 hours a week of seasonal or part-time labor and 4 hours of full time (overtime), with a single pickup truck for the season, May through November. We will likely provide 6-10 hours of part time labor and truck December through April. Services will initially be limited to waste collection and inspection in the summer. We expect to provide those services on a limited basis during the winter, along with the potential for limited parking lot snow/ice removal.

The previous report follows:

Mundy Township is very interested in utilizing our existing labor and equipment resources to support their new park facility on Hill Road. We have come to verbal terms with each other regarding expectations. I have also ensured we have the capacity and willingness from the DPW Director and union steward that represents the crew that will be doing the work. The city Treasurer is also equipped to track, report, and invoice such services by virtue of extending a system of accounting that we use to enable our staff to maintain the park and ride.

Moving forward, I expect to deliver a short shared services agreement that will enable city labor and equipment to be used to maintain the Mundy Township park. Again, this agreement will resemble the MDOT park-and-ride service expectation, while taking the form of the shared service agreement we have with Mundy Township for building services. Conceptually, I think this is a great idea to create efficiency for the township

and more capacity for the city, while ensuring costs are fairly and appropriately covered. The working plan appears to support the concept in terms of its functionality and demand on our resources.

✓ **DISC GOLF** *(No Change of Status)*

A parking area with two drives has been installed. Site grading, including the extension of the eastern berm continues. In addition, Woodside Builders has donated some culverts for drain crossings. Things are coming together! However, no fundraiser has been done this year, so there are no baskets or pads.

The park board is considering the purchase of the baskets and pads using budgeted funds. This might enable us to hit the ground running in 2021. The difficulty comes from the usage of the site for water main construction staging. While Glaeser Dawes is doing a great service in providing this, they have a heavy footprint there and will continue to do so most of the 2021 warm months. This makes recreational use problematic. We will work with GD and the volunteers to see what options we have this winter.

✓ **WELL-HEAD SITE** *(No Change of Status)*

The potential user is still considering the city property. If they proceed, they will conduct a full title search, partial survey, and environmental analysis. They agree to share all of their findings in exchange for access. If there is still interest, they will need to secure zoning approval from Vernon Township in Shiawassee County. They will look to seek a letter of agreement with the city at some point during this process.

With that said, no commitments have been made. The city council will still have ample opportunity to consider a tenant after a site design is completed and findings regarding water rights impact, zoning, and finance are considered. The previous report follows:

For some time, we have known that our well-head in Shiawassee County is of minimal value. A sale seems unlikely due to its circumstances. If Project Tim were a go, things would be different. However, that appears unlikely. In the meantime, the old pump house and fencing should probably be removed to make sure there are no risk factors left on the site.

As chance would have it, a company that provides high speed internet is interested in using this site for the purpose of installing a 25' x 28' enclosure with a satellite transmitter for area residents. They are offering to pay \$500/monthly to do so. They would also incur other incidental costs, including real and personal taxes that may be incurred. I am including their letter and concept plans. I indicated that the council may have an interest.

This is up for discussion at the meeting [January 13, 2020]. The upside is income. The downside is that it might encumber the site with a user that could compromise a future use. Even so, we could probably mitigate this.

✓ **MARY CRAPO** *(No Change of Status)*

The zoning, site plan, and PILOT have been approved for the 40 units of senior housing within the original building. The land sale is still pending by the school, and the state will be considering funding.

The developer offered a lease to the city, but this matter has stalled. While the maintenance and improvement of a recreational area in downtown has many intrinsic benefits, there are costs and limits as indicated in the lease mark up. I included this in the April 13th packet for discussion. In concept, a long term lease can make much sense to preserve this feature and make enhancements. However, the developer limited options for use (ballfield) and created some uncertainty with the limits on lease rights. There is also the ever-present matter of providing resources to maintain such a feature.

So, the real issue is, do we seek a ballfield area to be held in public trust (at the city's cost), or do we enable the developer to own it for their use. The park board considered this matter at their May and June meetings (with school administration input at the June meeting). There was no interest in leasing the park for a ballpark only. This appears to reflect a requirement that the owners maintain the ballfield for the school or pay the school to relocate it. If this is the case, they might see the city as a means to uphold their obligations.

The board resolved to reject the lease option as written at the May meeting and affirmed this stance in June. There is still a degree of interest for a lease if the city could maintain it as total green space or if the city had the ability to choose the recreational use.

Currently, Communities First feels the ballfield must be retained as the exclusive use of the site because that is what they feel the community desires. It appears Communities First will owe the school district \$70,000 if the ball field is removed. I communicated the findings of the park board to Communities First. They have until 2/1/21 to make the purchase.

✓ **COVID 19 (Update)**

The executive powers of the Michigan Governor have been limited in a recent Michigan Supreme Court ruling. However, we are already seeing supplemental legislations and orders from various state regulatory agencies that appear to replace features of the current executive orders. At best, the ability to regulate and enforce COVID provisions is quickly becoming a vague legal realm, one that contains much political and ideological strife.

Our position is to maintain the status quo for the time being. This means that all of the City of Swartz Creek protocols, policies, and practices shall remain in place for our employees, officials, and customers until further notice. We expect to have additional guidance on our best practice health practices, legal expectations, and liability risks over the next two to three weeks that will guide our position as it relates to practical and legal COVID measures. In the meantime, a continuation provides a degree of consistency and predictability with expectations of staff and visitors. This is especially true with election protocols, which are quite specific and rigorous.

As of writing, there is approved state legislation that enables our public bodies to meet virtually through the calendar year. After January 1, 2021, there are allowances for future state of emergencies, individual medical exemptions, and military service that

will be allowed virtually. Given the circumstances, we believe we can meet in the city offices for the time being.

Moving forward, we are looking to update the audio-visual capabilities for the city council chambers to be able to stream meeting audio and video to the public. Updates will also enable presentation and capture of a variety of other media types that can be presented within the chambers and remotely.

As always, this is a dynamic process that our staff shall monitor closely. While it may be an inconvenience to some or appear unnecessary, our position is one of caution for the general public and the city's exposure to risk from numerous positions. The previous report follows:

A recent executive order enables indoor events to be held in accordance with a density calculation instead of a numerical limit of 10. This will enable us to hold no more than 28 participants in the city council chambers for our public meetings. Barring an expectation of attendance that exceeds this, we shall be holding all of our public meetings in the council chambers moving forward. The previous report follows:

The amended opening plan is on the city website. I can happily report that our work operations and the overall function of the community appears to be stable and adequate, continues despite some remaining restrictions. At this point, we carefully watch the national and state trends in COVID impacts, as well as the resulting policy. Note that we do not expect to go back to 'normal' operations any time soon.

Moving forward we can expect a number of direct and indirect pressures and changes that will impact our community and our city operations. Among those, I expect limits on our staff production, especially should the virus directly impact employees. We are utilizing remote (home) work operations, flexible scheduling, single occupancy vehicles (DPW), cancellation of home appointments, closure of the municipal office/park facilities, and related actions. The public will feel the impact of the office and park limits, as well as the ability of staff to freely and openly engage in routine business. This will make life slow down, plain and simple.

We can expect revenue hits. The economy is taking a remarkable beating. This will result in hardships for the residents, businesses, and other service providers. We can expect reduced state general revenue sharing, Act 51 street revenues sharing, and property values. We can also expect late utility/tax payments, foreclosures, and building activities. We are already placing a more critical eye on our expenses.

✓ **8067 MILLER ROAD (Update)**

We have acquired the property and taken over maintenance and upkeep. I am holding off on the survey and any interior finishing, pending the plan for use of the Lovegrove Building. As of writing, it appears there is no desire to use this property to enhance the Lovegrove investments, beyond the need for a rear yard easement to Hayes Street.

With that said, I recommend that the city carve out the easement and sell the property with restrictions on the deed (residential only, no rentals, first right of refusal for city, etc.). This should be done once improvements are made or underway for the

Lovegrove building. Note that it is still possible to hold the building for future public use (museum, visitor center/restrooms, chamber building, etc.). IF THIS IS DESIRED, PLEASE SHARE YOUR OPINION WITH THE COUNCIL! We will not likely get another shot at this.

✓ **BLACK LIVES MATTER** *(No Change of Status)*

I met with the BLM affiliated group via Zoom since our last city council meeting (Mr. Farmer was also in attendance). The group has a stated policy position that they shared. They acknowledged that much of this agenda is not under our local purview. Many of the issues noted involved prosecutions, warrants, ICE, police tactics, and police equipment.

We engaged and were able to report that many of their desires are already met by Metro PD (officer business cards & psychological exams among others), some we could not speak to due to jurisdiction, and some we could not speak to due to expertise level. I suggested that they pursue change with other venues that have authority over respective features of prosecution & law enforcement.

Since then, the MML has been running a series of webinars on policing and community engagement. I have been sharing the webinars with the city council. It is prudent to become aware of the pressure on police departments, how some departments are handling this, and the desire to evolve police work (and related social work) moving forward.

✓ **CARES FUNDING** *(No Change of Status)*

We have learned that our initial reimbursement request for DPW staff, which was a grey area, is probably not fundable. We have received an allocation, but we will likely refuse this based upon the evolving expectations. It is the right thing to do.

We have also learned that the funds for payroll reimbursement of first responders are insufficient to reimburse all agencies fully. Metro has already received a prorated amount of over \$100,000. Their board is awaiting the final reimbursement and ascertaining other conditions before deciding what to do with those proceeds (pension support was at the top of the list). We are still waiting to hear if the fire department will be reimbursed. There is also a chance that the funding source could be increased.

The previous report follows:

We have fantastic news! Public Act 144 of 2020 was signed into law on July 31, 2020. This state law enables additional governmental units to now qualify for the First Responder Hazard Pay Premiums Program and the Public Safety and Public Health Payroll Reimbursement Program. Metro PD and SCAFD can now apply for payroll reimbursement for wages spent for the qualifying period. They were previously unable to do so. If successful, we can expect to get a refund from those agencies. This will be a big deal for us financially. Keep in mind that the expectation is that we shall maintain any such proceeds for future use when the inevitable revenue sharing cuts hit.

In addition to this outlet, we did submit payroll reimbursement for qualifying activities of our DPW staff. This appears to be a grey area for some, but we wish to get our tax

dollars back to the greatest extent possible. Deanna and her staff worked very diligently to get a submission into the state prior to the deadline of July 17th. We expect nothing, but we hope to get about \$25,000.

✓ **MASTER PLAN UPDATE** *(No Change of Status)*

The city master plan was last updated in 2016 and is expected to be revisited every five years. This provision could be as simple as accepting the plan as current and valid, or it could be as extensive as a complete rewrite. In speaking with the Mayor, it appears to be prudent to start this process later this year or the beginning of 2021. This will enable the new city council (November election) to consider the scale of the review based upon the post-election environment.

✓ **ORV ORDINANCE** *(No Change of Status)*

Per guidance from the city council, I am working with the attorney to draft an ordinance that would enable enclosed ORV's on select streets (shoulders or 25 mph speed limits and under) under select circumstances (operator, ORV features, etc). When this is ready for review, we shall bring it to the council for discussion.

✓ **RACEWAY LEGISLATION SUPPORT LETTER** *(Update)*

Based upon the input by Senator Ananich, we will await a later version of the bill prior to acting. It is apparent that there are four or more subcommittee versions that replace the public version which I included in the October 10 packet. I expect this to be on an agenda in November. The previous report follows:

Senate Bill 661 continues to have life in the senate. There is a hope and expectation that the bill will become law in calendar year 2020. I am including the draft bill as passed by the senate in the council packet. Though changes are likely, the bill would enable Sports Creek raceway to engage in historical wagering, a form of wagering on prior horse races (disguised against human or AI interpretation). The owners of the track believe that such wagering would make the facility economically viable when combined with live thoroughbred horse racing.

They owner is requesting a resolution of support from the city council for this legislation. They would like to use the existing facility for a use that reflects its intend and practical attributes. Doing so would certainly eliminate a depreciating, even blighting feature of our community. It MIGHT add some additional resources through additional property investment and the potential for 'breakage' tax revenues to the city as derived from the historical wagering.

Even during its hayday, the facility did not have a remarkable impact on the rest of the local economy (for good or ill). However, the site was maintained, paid its fair share of taxes, and had some economic impacts that were noted by local businesses. The new owner is proving to be an open and sincere communicator that has a willingness to cooperate with the community and invest. While the site has other obvious opportunities given its location and size, the current approvals, buildings, and ownership lean towards a return to racing.

This is clearly a council decision. However, circumstances and recent council and community action indicate that this is still the preferred course. I am including the resolution for approval.

✓ **OTHER COMMUNICATIONS & HAPPENINGS** *(See Individual Category)*

✓ **MONTHLY REPORTS** *(Update)*

There are some routine reports included for your information.

✓ **BOARDS & COMMISSIONS** *(See Individual Category)*

✓ **PLANNING COMMISSION** *(Update)*

The Planning Commission conditionally approved a site plan at their meeting on October 13th. The medical office at 7550 Miller Road was approved for expansion. In addition to the building expansion, the parking areas and landscaping will be improved. The office is to be the future home of Dr. Sharman.

The next meeting is scheduled for November 3rd, however, due to the election the November meeting will be on the 10th. Due to some confusion over a requirement for curbing versus parking blocks, the 7550 Miller site plan is expected to be revisited on the 10th.

✓ **DOWNTOWN DEVELOPMENT AUTHORITY** *(Update)*

The DDA did not meet in October. The next meeting is scheduled for November 12th.

✓ **ZONING BOARD OF APPEALS** *(No Change of Status)*

The ZBA did not have a March meeting due to COVID 19 mitigation. Their annual meeting was held on September 16th. The officers from last year were appointed for the current year, including Mr. Packer as Chair, Mr. Plumb as Vice-Chair, and Mr. Smith as Secretary. The ZBA engaged in standard training.

✓ **PARKS AND RECREATION COMMISSION** *(No Change of Status)*

The Park Board met in Abrams Park on October 7th. See the attached minutes for details. In short, the Crapo structure donation is on hold because the family is not committed to it. The city is likely to enhance forestry operations by working with an arborist more closely as we continue with tree trimming/removal/planting services. Disc golf is up in the air for 2021 due to the need to use the site for water main construction staging and trail construction.

The next meeting is slated for November 3rd at city hall.

✓ **BOARD OF REVIEW** *(No Change of Status)*

Board of Review was July 21 at 9:00 a.m. They have the authority to review principle residency exemptions, poverty exemptions, veteran exemptions and errors. Due to COVID, folks can also protest their assessment like they can in March.

The BoR had 6 people attend. Two people requested PREs, which were granted. Four people protested their assessment or taxable value; all were denied

except one that was a recapping issue. They also had one PRE request by letter that was granted.

✓ **CLERK'S OFFICE/ELECTION UPDATE (Update)**

As of 10/21/20 we have mailed out 1898 absentee ballots and have received 1380 ballots back. For the November 3rd election we have approximately 38% of our registered voters voting absentee.

✓ **DEPARTMENT OF COMMUNITY SERVICES/ENGINEERING UPDATE (Update)**

Hydrant flushing has commenced. The crew is engaging more rigorous COVID protocols based upon circumstances. Equipment is being readied for winter maintenance, and crews will soon be addressing park winterization and the wrapping up of summer services like wood chipping.

✓ **TREASURER UPDATE (Update)**

Staff has reviewed the State Letter 2020-3 on Single Audit Reporting, gathered information for Mundy Township park joint service proposal, worked with Jody to process credit balance accounts in utility billing, attended webinar on CARES Act UnCue System to be used for CARES Act reporting requirements, filed first quarterly CARES Act quarterly spending report with the State of Michigan, and developed a revised office work schedule for the remainder of the calendar year in an effort to keep staff healthy and provide uninterrupted service to our residents during this time of increasing Covid-19 cases. Routine duties were performed including but not limited to writing journal entries, processing tax distributions, bank wires, review of accounts payable invoices, review of payroll remittance payments, supervisory functions and other financial matters impacting the city.

NEW BUSINESS / PROJECTED ISSUES & PROJECTS

✓ **AMERICAN TOWER (Business Item)**

We have received a request to modify the lease from the lessee for the communications tower on Elms Road (east side, north of the Swartz Creek). American Tower operates the tower on behalf of the tele-communications users that occupy it. This lease has recently been amended to make the arrangement sustainable for the modern industry. This included a substantial lump-sum payment to the city in order to extend this lease.

Currently, they are seeking to amend the escalators (automatic rent increases) to 10% every 5 years instead of 20% every 5 years. In exchange for this, they offer to guarantee 10 years of lease payments, even if the tower is vacated. Based upon our experience in Elms Park and the advent of 5G, this is no small thing.

Deanna calculates the present cash value of this change to be \$22,966. It is this figure that we would be exchanging for a decade of guaranteed payments. There is no way to accurately speculate demand for this site, but it is clear there is risk to assuring payments. The Elms Park site vacancy and rent reduction is evidence of this. Given the current rate of inflation, a 10% escalator makes sense in exchange for mitigating this risk.

As of writing, I do not have a legal instrument to proceed with the change. However, I wish to keep the city council in the loop of what is being requested. After consideration of the industry drop in demand for towers, current inflation, and the lease history, I believe this is a reasonable request. I would like to hear from council members.

✓ **2020 FISCAL YEAR AUDIT (*Business Item*)**

Copies of the Fiscal Year 2020 audit are included with the packet. Findings for the city's processes and fiscal performance are outstanding and include an 'unmodified' opinion. This means that the city is maintaining solid practices related to our processes, accuracy, checks/balances, and security.

In addition, our funds continue to meet expectations related to maintaining positive operational cash flows and fund balances. However, we proceed with caution at present and into the next fiscal year due to uncertainties with the general economic outlook, COVID 19, and the state capacity to fund revenue sharing.

There is a lot of information in the audit so do not hesitate to ask or note questions. The auditors will be joining by Zoom to provide their formal presentation on October 26th. In addition to covering our internal processes, controls, and reporting, the auditors shall cover our revenues, expenses, short/long term obligations, pension/OPEB liabilities, and the outlook moving forward. Bring questions and a high level of scrutiny.

✓ **CROSS CONNECTION CONTROL PROGRAM PROPOSAL (*Business Item*)**

As the Council is aware, we have to maintain a Cross Connection Control Program (CCCP) in order to meet MI-Department of Environmental Quality requirements. Cross connections are connections to the water system that have the potential to draw unsafe sources of water into the system during a low pressure event. An example would be an irrigation system draining water from a lawn back into the public system during a water main break. To prevent this, there are requirements for back flow preventers, such as check valves, in the system. Common connections include restaurant soda fountain machines, irrigation systems, boilers, and industrial equipment.

We out-source inspection and enforcement of this to a company called HydroCorp (previously known as Hydro-Design). The current work involves commercial and industrial compliancy with back flow prevention into the public water system. The program is on-going and requires testing and inspection. The company has done a fantastic job and is currently performing ongoing inspections services for \$308 per month. This is based upon a 2017 contract that was extend once into the current year.

As is typical of state regulations, we have been informed that the Department of Environment, Great Lakes, and Energy is requiring the CCCP to extend to residential connections as well. This is a massive, and expensive undertaking. Doing so will require an initial inspection of all residential homes, a process that will take three years and cost about \$120,000.

Once initial inspections are complete, we shall maintain a smaller list of homes that have known cross connections, such as irrigation systems. Maintaining inspections on this smaller population will be much easier and should reduce ongoing costs by half or more.

We are not pleased with another such unfunded mandate from the state, but there is nothing we believe we can do. There is a silver lining. Due to the lead and copper rules, we are also required to determine internal plumbing compositions for all of our testing sites and for the service leads that enter homes. Engaging in the residential inspections shall enable this survey.

To move forward, we have received a proposal from HydroCorp. This is a service that can be bid out. However, as a professional service provider, we do believe we have a strong partner and a reasonable price to perform the work. Hydro Corp has been setting up inspections, entering private property, and engaging in corrective action with our customers for years without complaint. They do so with the city's backing. I recommend we proceed. A resolution is included with the agenda.

Note that the increased costs for this service are not budgeted. They amount to roughly 2% of our revenues in the water department. Combined with the addition lead and copper testing, this is beyond the ability of the department (fund) to absorb. Though I did not prepare a rate increase in tandem with this work proposal. I recommend we proceed with a 3% increase in water rates to cover the added costs of this program and other inflationary increases since the last increase (March 25, 2019). If there is no objection, I will prepare this for approval so it can be applied to usage starting after the next billing (December).

✓ **ELECTION WAGES (*Business Item*)**

The Swartz Creek Election Commission met again on October 7th. The commission voted unanimously to recommend another increase of pay for each election inspector. The increase is an additional \$25.00 hazard pay for the November 2020 elections due to Covid -19 Pandemic. This is the second such increase for the November election. However, the City Clerk applied for and received grant funding from Center for Technology and Civic Life that should cover such costs.

Given our difficulties in sustaining adequate election worker numbers in these uncertain times, this was an important facet of the November general election function. A resolution is included in the packet that will establish these rates. We are very grateful to have the dedicated election workers that we have, and we owe many thanks to the staff and folks that work hard to make the Creek elections safe, predictable, and comfortable for the inspectors.

✓ **CLOSED SESSION (*Business Item*)**

Mr. Gildner notified me that we may have litigation or mediation pending. He requests a closed session to provide additional detail about an advisable strategy. This is a purpose permitted for discussion in a closed session, and I find it to be advisable to do so in this case. A resolution is included to move the council into a closed session for this purpose.

Council Questions, Inquiries, Requests, Comments, and Notes

Winter Events: The buck pole at the Kincaid fair grounds is on for November 15th. It is unclear if there will be a Christmas parade or other seasonal events.

Miller Road Camper: The camper had to be removed by a towing company. However, it was relocated almost immediately down the road. We are seeking input from the prosecutor regarding the applicability of the court order to the new site.

Miller Road Water Main: As I write this, we have another break in the 7000 block of Miller Road. Valve operations are not as effective for isolation as needed. Thankfully, this main will be replaced with the USDA funds.

**City of Swartz Creek
RESOLUTIONS
Regular Council Meeting, Monday, October 26, 2020, 7:00 P.M.**

Resolution No. 201026-4A MINUTES – October 12, 2020

Motion by Councilmember: _____

I Move the Swartz Creek City Council approve the Minutes of the Regular Council Meeting held Monday, October 12, 2020, to be circulated and placed on file.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-5A AGENDA APPROVAL

Motion by Councilmember: _____

I Move the Swartz Creek City Council approve the Agenda as presented / printed / amended for the Regular Council Meeting of October 26, 2020, to be circulated and placed on file.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-6A CITY MANAGER’S REPORT

Motion by Councilmember: _____

I Move the Swartz Creek City Council accept the City Manager’s Report of October 26, 2020, including reports and communications, to be circulated and placed on file.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

**Resolution No. 201026-8B RESOLUTION TO ACCEPT THE 2019-2020 FISCAL
YEAR AUDIT BY INDEPENDENT AUDITOR PLANTE-
MORAN**

Motion by Councilmember: _____

WHEREAS, Section 8.13 of the City Charter requires an audit of all accounts of the city government; and

WHEREAS, independent auditors, retained by the city per a qualified bidding selection process, have completed said audit for the most recent fiscal year, 2020; and

WHEREAS, said audit contains financials for related public utilities, enterprise accounts, and the Downtown Development Authority; and

WHEREAS, the audit, as presented to the city council on October 26, 2020, has been found to meet generally accepted accounting standards and required reporting provisions of state and local law.

NOW, THEREFORE, BE IT RESOLVED, the City of Swartz Creek approve the 2019-2020 Fiscal Audit Report prepared by Plante-Moran, a copy of which is attached hereto, and further, direct such to be published, distributed, circulated and placed on file in a manner prescribed by law.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-8C

RESOLUTION TO APPROVE AN EXPANDED CROSS CONNECTION PROGRAM AGREEMENT

Motion by Councilmember: _____

WHEREAS, to remain compliant to the Safe Drinking Water Act of 1976, PA 339, the City of Swartz Creek instituted a Cross Connection Control and Compliancy Program, and solicited and awarded sealed bids to HydroCorp of Troy, Michigan to implement the program, and;

WHEREAS, HydroCorp has brought the City into full compliancy with the Act and MI-DEQ Regulations, and;

WHEREAS, it is mandatory for the City to continue the program in order to remain compliant with the Act and MI-DEQ Regulations, and;

WHEREAS, additional guidance from the Michigan Department of Environment, Great Lakes, and Energy requires that the city expand its cross connection control program to residential users, and;

WHEREAS, the work performed by HydroCorp is a specialized professional service and cannot be done by regularly employed crews of the City, and;

WHEREAS, it is efficient and desirable for the City to remain with a single company to maintain compliancy and continued continuity of the established records currently maintained by HydroCorp, Inc.

NOW THEREFORE, BE IT RESOLVED the City of Swartz Creek appropriate an amount not to exceed \$3,347 per month for 36 months, total accrued amount not to exceed \$120,492, payment for expansion and continuation of the City's Cross Connection Compliancy and Control Program, to HydroCorp, a Michigan corporation

located in Troy, Michigan, agreement period to run from February 1, 2021 through January 31, 2023, funds to be appropriated from 590, Water Supply Fund.

BE IT FURTHER RESOLVED THAT, the City Council approves the cross connection professional services agreement included in the October 26, 2020 city council packet and direct the Mayor and City Clerk to execute said agreement on behalf of the city.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-8D ELECTION WORKER PAY ADJUSTMENTS

Motion by Councilmember: _____

WHEREAS, the City Clerk applied for and received grant funding from Center for Technology and Civic Life; and

WHEREAS, grant funding will cover expenses incurred due to the COVID-19 Pandemic; and

WHEREAS, the City of Swartz Creek Election Commission met on October 7, 2020 and voted unanimously to recommend another increase and pay each election inspector an additional \$25.00 hazard pay for the November 2020 elections due to COVID -19 Pandemic.

THEREFORE BE IT RESOLVED, the Swartz Creek City Council hereby authorizes that each election inspector receives an additional \$25.00 hazard pay for the November 2020 elections due to the COVID 19 Pandemic, effective October 26, 2020.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-8E CLOSED SESSION TO STRATEGIZE WITH THE CITY ATTORNEY (ROLL CALL VOTE)

Motion by Councilmember: _____

WHEREAS, the City of Swartz Creek City Council and City Attorney desire to consider options related to potential/pending litigation, and;

WHEREAS, the MCL 15.268(e) permits a governing body to enter a closed session to consult with the city attorney regarding a trial or settlement strategy in connection with pending litigation, finding that an open meeting would have a detrimental financial effect on the settlement position of the city.

NOW THEREFORE, BE IT RESOLVED the City of Swartz Creek City Council exit the regular session of the city council and enter into a closed session for the purpose of discussion with the city attorney.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

Resolution No. 201026-11A ADJOURN

Motion by Councilmember: _____

I Move the Swartz Creek City Council adjourn the regular council meeting of October 26, 2020, and set _____(location) as the venue for the next regularly scheduled council meeting of November 9, 2020.

Second by Councilmember: _____

Voting For: _____

Voting Against: _____

**CITY OF SWARTZ CREEK
SWARTZ CREEK, MICHIGAN
MINUTES OF THE REGULAR COUNCIL MEETING
DATE 10/12/2020**

The meeting was called to order at 7:00 p.m. by Mayor Krueger in the Swartz Creek City Council Chambers, 8083 Civic Drive.

Invocation and Pledge of Allegiance.

Councilmembers Present: Cramer, Farmer, Gilbert, Hicks, Krueger, Pinkston, Henry.

Councilmembers Absent: None.

Staff Present: City Manager Adam Zettel, Clerk Connie Olger.

Others Present: Lania Rocha, Samantha Fountain, Steve Long.

APPROVAL OF MINUTES

Resolution No. 201012-01

(Carried)

Motion by Councilmember Henry
Second by Councilmember Gilbert

I Move the Swartz Creek City Council approve the Minutes of the Regular Council Meeting held Monday September 28, 2020 to be circulated and placed on file.

YES Farmer, Gilbert, Hicks, Krueger, Pinkston, Henry, Cramer.
NO: None. Motion Declared Carried.

APPROVAL OF AGENDA

Resolution No. 201012-02

(Carried)

Motion by Councilmember Cramer
Second by Councilmember Gilbert

I Move the Swartz Creek City Council approve the Agenda as, amended for the Regular Council Meeting of October 12, 2020, to be circulated and placed on file.

YES: Gilbert, Hicks, Krueger, Pinkston, Henry, Cramer, Farmer.
NO: None. Motion Declared Carried.

CITY MANAGER'S REPORT

Draft Minutes

Resolution No. 201012-03

(Carried)

Motion by Councilmember Farmer
Second by Councilmember Cramer

I Move the Swartz Creek City Council accept the City Manager’s Report of October 12, 2020, including reports and communications to be circulated and placed on file.

Discussion Ensued.

YES: Hicks, Krueger, Pinkston, Henry, Cramer, Farmer, Gilbert.
NO: None. Motion Declared Carried.

MEETING OPENED TO THE PUBLIC:

None.

COUNCIL BUSINESS:

RESOLUTION TO APPROVE APPRAISAL FOR 5376 MILLER ROAD

Resolution No. 201012-04

(Carried)

Motion by Councilmember Hicks
Second by Councilmember Cramer

WHEREAS, the city assesses property and collects taxes per the Michigan General Property Tax Act; and

WHEREAS, the City Assessor is charged with determining values for property to be taxed under the same act and rules promulgated by the Michigan Department of Treasury, with the intent of valuing real and personal property in the city accurately, fairly, and consistently; and

WHEREAS, from time to time, the city finds it necessary to defend valuations that are appealed by owner interests in order to achieve those intentions.

NOW, THEREFORE, BE IT RESOLVED, the City of Swartz Creek City Council amend the budget to allocate \$5,000 of unencumbered, unreserved general fund monies to the assessing department for the purpose of contesting the tax appeals by parties commonly referred to as the 5376 Miller Road, PID 58-29-551-011, costs to include an appraisal, legal services, and other related expenses to be provided by the city’s legal counsel and an appraisal firm, as selected by the city

manager or assessor, with the authority of the city council under Section 2-402(a)(2) of the city ordinances.

BE IT FURTHER RESOLVED, the City of Swartz Creek City Council approve the proposal from Kevin Groves Appraisals, Inc., as included in the city council packet of October 12, 2020 and further direct the Mayor to execute said proposal on behalf of the city.

Discussion Ensued.

YES: Krueger, Pinkston, Henry, Cramer, Farmer, Gilbert, Hicks.

NO: None. Motion Declared Carried.

A RESOLUTION TO CONDUCT APPRAISALS FOR PARTIAL TAKINGS TO CONSTRUCT AND MAINTAIN THE GENESEE VALLEY TRAIL EXTENSION

Resolution No. 201012-05

(Carried)

Motion by Councilmember Gilbert

Second by Councilmember Hicks

WHEREAS, the City of Swartz Creek has formally planned for, acquired funds for, and intends to construct an extension of the Genesee Valley Regional Trail, and

WHEREAS, the trail is a high priority regional asset that functions as an integral part of a non-motorized transportation network, as well as a recreational asset, and

WHEREAS, the trail extension will provide value public use for walkers, bikers, joggers, and other users by providing a direct health and recreational benefit and by providing access to non-motorized travel between key destinations, and

WHEREAS, MDOT standards for construction require a substantial and ridged footprint to accommodate the 10 foot wide path and accompanying shoulders, and

WHEREAS, some sections of the path lack the proper right-of-way to accommodate the path, and

WHEREAS, some permanent easements may not be acquired through donation or good faith offers acquisition, necessitating the condemnation of permanent and/or temporary easements from land owners.

THEREFORE, BE IT RESOLVED that the City of Swartz Creek approves the engagement letter from Jeffrey G. Genzink, MAI (Integra Realty Resources) to conduct the required market appraisals for the easements necessary.

BE IT FURTHER RESOLVED that the Swartz Creek City Council authorizes expenditures of up to \$15,000 for this purpose, including the initial appraisals and supplemental or hourly work as necessary to complete the process.

BE IT FURTHER RESOLVED that the Swartz Creek City Council authorizes and directs the Mayor to execute the letter on behalf of the city.

Discussion Ensued.

YES: Pinkston, Henry, Cramer, Farmer, Gilbert, Hicks, Krueger.
NO: None. Motion Declared Carried.

RACEWAY

DISCUSSION

Senator Ananich updated council on Bill No. 661.

RESOLUTION TO AFFIRM THE ASSESSOR ACCESSIBILITY POLICY

Resolution No. 201012-06

(Carried)

Motion by Mayor Pro Tem Pinkston
Second by Councilmember Hicks

WHEREAS, the State Tax Commission (STC) regulates and audits the governmental assessing profession in the State of Michigan; and

WHEREAS, the City of Swartz Creek operates the assessing function as the local unit of government; and

WHEREAS, the STC released STC Guideline 2020-1, which outlines a set of guidelines and expectations for the assessing function as conducted by local governments; and

WHEREAS, the City of Swartz Creek intends to fully comply with all such expectations and guidelines.

NOW, THEREFORE, I MOVE that the City of Swartz Creek City Council approves the Policy of accessibility for the City of Swartz Creek Assessment Department to taxpayers of the City of Swartz Creek, as included in the City Council Packet of October 12, 2020 and directs the Clerk to make such policy available to the public.

YES: Henry, Cramer, Farmer, Gilbert, Hicks, Krueger, Pinkston.
NO: None. Motion Declared Carried.

MEETING OPENED TO THE PUBLIC:

Steve Long, 5356 Worchester, requested the City call Consumers Energy about an issue he is having.

REMARKS BY COUNCILMEMBERS:

Councilmember Henry wanted to clarify that he feels the city has no preferential treatment on enforcements.

Councilmember Cramer 911 had a great fundraiser. Trunk or Treat turnout was fantastic.

Councilmember Farmer is happy to be meeting in person in the council chambers and to hear from Senator Ananich.

Councilmember Hicks the new roads look great. She also commented on signs in the right of way.

Councilmember Gilbert spoke of a resident who inquired if city had a noise ordinance and that he has called the police about the noise and gets no response. He wants everyone stay healthy and safe.

Mayor Pro Tem Pinkston streets are fabulous and the residents in the village are showing such pride in ownership. He also couldn't believe the turnout for the Trunk or Treat

Mayor Krueger gives a shout out in regards to the census. We are over 99% which is great.

Councilmember Henry asked Mr. Zettel to take a look at the sign on the corner of Fairchild and Cappy. He feels it blocks the view of traffic. Mr. Zettel responded he will look into it.

ADJOURNMENT

Resolution No. 201012-07

(Carried)

Motion by Councilmember Gilbert
Second by Councilmember Farmer

I Move the Swartz Creek City Council adjourn the regular meeting at 8:12 p.m.

Unanimous Voice Vote.

David A. Krueger, Mayor

Connie Olger, City Clerk

REVENUE AND EXPENDITURE REPORT FOR CITY OF SWARTZ CREEK
PERIOD ENDING 09/30/2020

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
Fund 101 - General Fund					
000.000 - General	2,322,610.27	2,322,610.27	1,565,576.67	757,033.60	67.41
215.000 - Administration and Clerk	40.00	40.00	0.40	39.60	1.00
301.000 - Police Dept	4,100.00	4,100.00	4,257.00	(157.00)	103.83
336.000 - Fire Department	0.00	0.00	40,883.00	(40,883.00)	100.00
345.000 - PUBLIC SAFETY BUILDING	25,050.00	25,050.00	4,814.46	20,235.54	19.22
410.000 - Building & Zoning & Planning	65,200.00	65,200.00	16,476.00	48,724.00	25.27
444.000 - Sidewalks	900.00	900.00	0.00	900.00	0.00
448.000 - Lighting	9,870.00	9,870.00	1,930.38	7,939.62	19.56
523.000 - Grass, Brush & Weeds	4,500.00	4,500.00	3,030.00	1,470.00	67.33
694.000 - Community Development Block Grant	33,300.00	33,300.00	0.00	33,300.00	0.00
728.005 - Holland Square Streetscape	40,000.00	40,000.00	40,000.00	0.00	100.00
782.000 - Facilities - Abrams Park	140.00	140.00	140.00	0.00	100.00
783.000 - Facilities - Elms Rd Park	6,700.00	6,700.00	3,160.00	3,540.00	47.16
790.000 - Facilities-Senior Center/Libr	6,200.00	6,200.00	923.46	5,276.54	14.89
790.012 - CDBG Senior Center Operations	1,440.95	0.00	0.00	0.00	0.00
794.000 - Community Promotions Program	0.00	0.00	1,000.00	(1,000.00)	100.00
TOTAL REVENUES	2,520,051.22	2,518,610.27	1,682,191.37	836,418.90	
000.000 - General	14,160.00	14,160.00	3,410.37	10,749.63	24.08
101.000 - Council	22,585.73	22,585.73	8,426.46	14,159.27	37.31
172.000 - Executive	109,424.96	252,233.81	174,417.58	77,816.23	69.15
215.000 - Administration and Clerk	36,221.00	36,221.00	4,400.77	31,820.23	12.15

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
228.000 - Information Technology	15,875.00	15,875.00	7,486.38	8,388.62	47.16
247.000 - Board of Review	3,658.85	3,658.85	322.96	3,335.89	8.83
253.000 - Treasurer	93,323.00	93,323.00	24,925.84	68,397.16	26.71
257.000 - Assessor	47,959.00	47,959.00	8,241.01	39,717.99	17.18
262.000 - Elections	47,202.00	47,202.00	15,487.93	31,714.07	32.81
266.000 - Legal Council	14,000.00	14,000.00	2,604.00	11,396.00	18.60
301.000 - Police Dept	7,900.00	7,900.00	3,925.30	3,974.70	49.69
301.266 - Legal Council PSFY	5,000.00	5,000.00	3,408.36	1,591.64	68.17
301.851 - Retiree Employer Health Care PSFY	19,670.00	19,670.00	5,732.42	13,937.58	29.14
334.000 - Metro Police Authority	1,019,475.00	1,019,475.00	253,711.00	765,764.00	24.89
336.000 - Fire Department	206,650.00	206,650.00	65,803.52	140,846.48	31.84
345.000 - PUBLIC SAFETY BUILDING	39,132.39	88,822.39	59,833.75	28,988.64	67.36
410.000 - Building & Zoning & Planning	128,884.00	128,884.00	10,081.27	118,802.73	7.82
410.025 - 2017 CDBG 5157 Morrish Demo	375.00	0.00	0.00	0.00	0.00
444.000 - Sidewalks	1,200.00	1,200.00	0.00	1,200.00	0.00
448.000 - Lighting	105,000.00	105,000.00	16,506.81	88,493.19	15.72
523.000 - Grass, Brush & Weeds	1,200.00	1,200.00	550.00	650.00	45.83
694.000 - Community Development Block Grant	33,300.00	33,300.00	0.00	33,300.00	0.00
728.000 - Economic Development	0.00	0.00	55.91	(55.91)	100.00
781.000 - Facilities - Pajtas Amphitheat	1,468.00	1,468.00	375.64	1,092.36	25.59
782.000 - Facilities - Abrams Park	37,785.87	37,785.87	10,139.01	27,646.86	26.83
783.000 - Facilities - Elms Rd Park	80,732.00	80,732.00	17,098.48	63,633.52	21.18
784.000 - Facilities - Bicentennial Park	1,324.00	1,324.00	172.97	1,151.03	13.06

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
786.000 - Non-Motorized Trailway	30,000.00	30,000.00	0.00	30,000.00	0.00
787.000 - Veterans Memorial Park	2,840.00	2,840.00	742.93	2,097.07	26.16
788.000 - Disc Golf Park	10,000.00	10,000.00	0.00	10,000.00	0.00
790.000 - Facilities-Senior Center/Libr	36,620.58	36,620.58	6,711.00	29,909.58	18.33
790.012 - CDBG Senior Center Operations	1,440.95	0.00	0.00	0.00	0.00
793.000 - Facilities - City Hall	19,802.88	19,802.88	3,742.58	16,060.30	18.90
794.000 - Community Promotions Program	50,059.00	50,059.00	10,311.76	39,747.24	20.60
796.000 - Facilities - Cemetary	1,901.70	1,901.70	328.32	1,573.38	17.26
797.000 - Facilities - City Parking Lots	5,600.00	8,890.00	905.84	7,984.16	10.19
851.000 - Retired Employee Health Care	25,900.00	25,900.00	2,852.96	23,047.04	11.02
965.000 - Transfers Out	175,367.50	175,367.50	75,000.00	100,367.50	42.77
TOTAL EXPENDITURES	2,453,038.41	2,647,011.31	797,713.13	1,849,298.18	
Fund 101 - General Fund:					
TOTAL REVENUES	2,520,051.22	2,518,610.27	1,682,191.37	836,418.90	66.79
TOTAL EXPENDITURES	2,453,038.41	2,647,011.31	797,713.13	1,849,298.18	30.14
NET OF REVENUES & EXPENDITURES	67,012.81	(128,401.04)	884,478.24	(1,012,879.28)	
Fund 202 - Major Street Fund					
000.000 - General	450,475.00	450,475.00	106,853.91	343,621.09	23.72
441.000 - Miller Rd Park & Ride	5,000.00	5,000.00	421.96	4,578.04	8.44
474.000 - Traffic Services	0.00	0.00	364.36	(364.36)	100.00
478.000 - Snow & Ice Removal	2,400.00	2,400.00	0.00	2,400.00	0.00
TOTAL REVENUES	457,875.00	457,875.00	107,640.23	350,234.77	
228.000 - Information Technology	1,000.00	1,000.00	326.18	673.82	32.62
441.000 - Miller Rd Park & Ride	5,058.24	5,058.24	659.07	4,399.17	13.03
448.000 - Lighting	15,000.00	58,330.00	43,330.00	15,000.00	74.28

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
449.500 - Right of Way - General	10,000.00	10,000.00	2,400.00	7,600.00	24.00
449.501 - Right of Way - Storms	20,000.00	20,000.00	252.19	19,747.81	1.26
463.000 - Routine Maint - Streets	158,025.87	158,025.87	15,259.73	142,766.14	9.66
463.307 - Oakview - Seymour to Chelmsford	50,000.00	113,758.21	113,758.21	0.00	100.00
463.308 - Winston - Oakview to Chesterfield	20,000.00	20,000.00	10,503.10	9,496.90	52.52
473.000 - Routine Maint - Bridges	1,000.00	1,000.00	0.00	1,000.00	0.00
474.000 - Traffic Services	40,202.00	56,021.08	7,649.53	48,371.55	13.65
478.000 - Snow & Ice Removal	81,307.00	81,307.00	711.23	80,595.77	0.87
482.000 - Administrative	17,762.00	17,762.00	3,191.42	14,570.58	17.97
538.500 - Intercommunity storm drains	12,500.00	12,500.00	1,125.19	11,374.81	9.00
965.000 - Transfers Out	100,000.00	100,000.00	100,000.00	0.00	100.00
TOTAL EXPENDITURES	531,855.11	654,762.40	299,165.85	355,596.55	
Fund 202 - Major Street Fund:					
TOTAL REVENUES	457,875.00	457,875.00	107,640.23	350,234.77	23.51
TOTAL EXPENDITURES	531,855.11	654,762.40	299,165.85	355,596.55	45.69
NET OF REVENUES & EXPENDITURES	(73,980.11)	(196,887.40)	(191,525.62)	(5,361.78)	
Fund 203 - Local Street Fund					
000.000 - General	143,500.00	143,500.00	31,061.30	112,438.70	21.65
449.000 - Right of Way Telecomm	15,000.00	15,000.00	0.00	15,000.00	0.00
478.000 - Snow & Ice Removal	500.00	500.00	0.00	500.00	0.00
931.000 - Transfers IN	500,000.00	500,000.00	100,000.00	400,000.00	20.00
TOTAL REVENUES	659,000.00	659,000.00	131,061.30	527,938.70	
228.000 - Information Technology	1,000.00	1,000.00	326.18	673.82	32.62
429.000 - Occupational Safety	0.00	0.00	38.10	(38.10)	100.00
448.000 - Lighting	15,000.00	22,222.00	7,222.00	15,000.00	32.50

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
449.500 - Right of Way - General	22,500.00	22,500.00	1,200.00	21,300.00	5.33
463.000 - Routine Maint - Streets	285,870.05	285,870.05	13,372.42	272,497.63	4.68
463.107 - Chelmsford - Seymour to Oakview	50,000.00	80,148.30	80,148.30	0.00	100.00
463.108 - Oxford Court	55,000.00	79,736.32	79,736.32	0.00	100.00
474.000 - Traffic Services	20,006.00	20,130.20	2,105.43	18,024.77	10.46
478.000 - Snow & Ice Removal	68,999.00	68,999.00	649.38	68,349.62	0.94
482.000 - Administrative	20,319.75	20,319.75	2,393.46	17,926.29	11.78
538.500 - Intercommunity storm drains	10,000.00	10,000.00	1,125.19	8,874.81	11.25
TOTAL EXPENDITURES	548,694.80	610,925.62	188,316.78	422,608.84	
Fund 203 - Local Street Fund:					
TOTAL REVENUES	659,000.00	659,000.00	131,061.30	527,938.70	19.89
TOTAL EXPENDITURES	548,694.80	610,925.62	188,316.78	422,608.84	30.82
NET OF REVENUES & EXPENDITURES	110,305.20	48,074.38	(57,255.48)	105,329.86	
Fund 204 - MUNICIPAL STREET FUND					
000.000 - General	651,580.00	651,580.00	668,415.62	(16,835.62)	102.58
TOTAL REVENUES	651,580.00	651,580.00	668,415.62	(16,835.62)	
905.000 - Debt Service	167,917.11	167,917.11	320.83	167,596.28	0.19
965.000 - Transfers Out	500,000.00	500,000.00	0.00	500,000.00	0.00
TOTAL EXPENDITURES	667,917.11	667,917.11	320.83	667,596.28	
Fund 204 - MUNICIPAL STREET FUND:					
TOTAL REVENUES	651,580.00	651,580.00	668,415.62	(16,835.62)	102.58
TOTAL EXPENDITURES	667,917.11	667,917.11	320.83	667,596.28	0.05
NET OF REVENUES & EXPENDITURES	(16,337.11)	(16,337.11)	668,094.79	(684,431.90)	
Fund 226 - Garbage Fund					
000.000 - General	415,025.00	415,025.00	416,613.07	(1,588.07)	100.38
TOTAL REVENUES	415,025.00	415,025.00	416,613.07	(1,588.07)	

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
000.000 - General	10,036.75	10,036.75	0.00	10,036.75	0.00
101.000 - Council	3,169.93	3,169.93	1,631.26	1,538.67	51.46
172.000 - Executive	7,850.00	7,850.00	2,563.37	5,286.63	32.65
215.000 - Administration and Clerk	3,735.00	3,735.00	1,156.73	2,578.27	30.97
228.000 - Information Technology	2,075.00	2,075.00	822.95	1,252.05	39.66
253.000 - Treasurer	15,705.00	15,705.00	4,756.53	10,948.47	30.29
257.000 - Assessor	800.00	800.00	0.00	800.00	0.00
528.000 - Sanitation Collection	292,202.58	292,202.58	52,194.17	240,008.41	17.86
530.000 - Wood Chipping	52,484.50	52,484.50	13,732.10	38,752.40	26.16
782.000 - Facilities - Abrams Park	9,092.00	9,092.00	2,345.68	6,746.32	25.80
783.000 - Facilities - Elms Rd Park	12,140.00	12,140.00	4,089.12	8,050.88	33.68
793.000 - Facilities - City Hall	4,045.09	4,045.09	871.70	3,173.39	21.55
TOTAL EXPENDITURES	413,335.85	413,335.85	84,163.61	329,172.24	
Fund 226 - Garbage Fund:					
TOTAL REVENUES	415,025.00	415,025.00	416,613.07	(1,588.07)	100.38
TOTAL EXPENDITURES	413,335.85	413,335.85	84,163.61	329,172.24	20.36
NET OF REVENUES & EXPENDITURES	1,689.15	1,689.15	332,449.46	(330,760.31)	
Fund 248 - Downtown Development Fund					
000.000 - General	66,962.00	66,962.00	50,319.24	16,642.76	75.15
728.004 - Family Movie Night	2,000.00	2,000.00	0.00	2,000.00	0.00
TOTAL REVENUES	68,962.00	68,962.00	50,319.24	18,642.76	
173.000 - DDA Administration	2,820.00	2,820.00	2,515.50	304.50	89.20
728.002 - Streetscape	40,945.00	40,945.00	40,000.00	945.00	97.69
728.004 - Family Movie Night	3,450.00	11,510.00	4,880.00	6,630.00	42.40
TOTAL EXPENDITURES	47,215.00	55,275.00	47,395.50	7,879.50	

GL NUMBER	2020-21 ORIGINAL BUDGET	2020-21 AMENDED BUDGET	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
Fund 248 - Downtown Development Fund:					
TOTAL REVENUES	68,962.00	68,962.00	50,319.24	18,642.76	72.97
TOTAL EXPENDITURES	47,215.00	55,275.00	47,395.50	7,879.50	85.74
NET OF REVENUES & EXPENDITURES	21,747.00	13,687.00	2,923.74	10,763.26	
Fund 350 - City Hall Debt Fund					
000.000 - General	7.00	7.00	0.05	6.95	0.71
931.000 - Transfers IN	100,357.50	100,357.50	0.00	100,357.50	0.00
TOTAL REVENUES	100,364.50	100,364.50	0.05	100,364.45	
905.000 - Debt Service	101,117.50	101,117.50	0.00	101,117.50	0.00
TOTAL EXPENDITURES	101,117.50	101,117.50	0.00	101,117.50	
Fund 350 - City Hall Debt Fund:					
TOTAL REVENUES	100,364.50	100,364.50	0.05	100,364.45	0.00
TOTAL EXPENDITURES	101,117.50	101,117.50	0.00	101,117.50	0.00
NET OF REVENUES & EXPENDITURES	(753.00)	(753.00)	0.05	(753.05)	
Fund 402 - Fire Equip Replacement Fund					
000.000 - General	11.00	11.00	4.12	6.88	37.45
931.000 - Transfers IN	75,000.00	75,000.00	75,000.00	0.00	100.00
TOTAL REVENUES	75,011.00	75,011.00	75,004.12	6.88	
336.000 - Fire Department	3,500.00	3,500.00	0.00	3,500.00	0.00
TOTAL EXPENDITURES	3,500.00	3,500.00	0.00	3,500.00	
Fund 402 - Fire Equip Replacement Fund:					
TOTAL REVENUES	75,011.00	75,011.00	75,004.12	6.88	99.99
TOTAL EXPENDITURES	3,500.00	3,500.00	0.00	3,500.00	0.00
NET OF REVENUES & EXPENDITURES	71,511.00	71,511.00	75,004.12	(3,493.12)	
Fund 590 - Water Supply Fund					
000.000 - General	6,000.00	6,000.00	16.99	5,983.01	0.28
540.000 - Water System	2,226,000.00	2,226,000.00	590,623.12	1,635,376.88	26.53
TOTAL REVENUES	2,232,000.00	2,232,000.00	590,640.11	1,641,359.89	

GL NUMBER	2020-21	2020-21	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
	ORIGINAL BUDGET	AMENDED BUDGET			
000.000 - General	25,091.88	25,091.88	0.00	25,091.88	0.00
101.000 - Council	13,503.00	13,503.00	4,078.76	9,424.24	30.21
172.000 - Executive	29,826.00	29,826.00	9,033.85	20,792.15	30.29
215.000 - Administration and Clerk	19,583.00	19,583.00	3,984.39	15,598.61	20.35
228.000 - Information Technology	5,675.00	5,675.00	2,167.15	3,507.85	38.19
253.000 - Treasurer	56,381.50	56,381.50	14,560.90	41,820.60	25.83
540.000 - Water System	2,037,955.66	2,037,955.66	303,126.57	1,734,829.09	14.87
542.000 - Read and Bill	51,475.00	51,475.00	4,247.20	47,227.80	8.25
543.230 - Water Main Repair USDA Grant	243,800.00	315,102.19	333,561.30	(18,459.11)	105.86
793.000 - Facilities - City Hall	10,289.20	10,289.20	2,147.89	8,141.31	20.88
905.000 - Debt Service	99,579.23	99,579.23	0.00	99,579.23	0.00
TOTAL EXPENDITURES	2,593,159.47	2,664,461.66	676,908.01	1,987,553.65	
Fund 590 - Water Supply Fund:					
TOTAL REVENUES	2,232,000.00	2,232,000.00	590,640.11	1,641,359.89	26.46
TOTAL EXPENDITURES	2,593,159.47	2,664,461.66	676,908.01	1,987,553.65	25.41
NET OF REVENUES & EXPENDITURES	(361,159.47)	(432,461.66)	(86,267.90)	(346,193.76)	
Fund 591 - Sanitary Sewer Fund					
000.000 - General	5,700.00	5,700.00	339.55	5,360.45	5.96
536.000 - Sewer System	1,267,000.00	1,267,000.00	342,687.10	924,312.90	27.05
TOTAL REVENUES	1,272,700.00	1,272,700.00	343,026.65	929,673.35	
000.000 - General	25,091.88	25,091.88	0.00	25,091.88	0.00
101.000 - Council	12,930.82	12,930.82	4,078.20	8,852.62	31.54
172.000 - Executive	29,964.00	29,964.00	8,802.35	21,161.65	29.38
215.000 - Administration and Clerk	18,433.00	18,433.00	3,984.59	14,448.41	21.62
228.000 - Information Technology	5,375.00	5,375.00	2,167.15	3,207.85	40.32

GL NUMBER	2020-21	2020-21	YTD BALANCE 09/30/2020	AVAILABLE BALANCE	% BDGT USED
	ORIGINAL BUDGET	AMENDED BUDGET			
253.000 - Treasurer	55,919.00	55,919.00	14,560.85	41,358.15	26.04
536.000 - Sewer System	994,754.59	994,754.59	11,547.94	983,206.65	1.16
537.000 - Sewer Lift Stations	10,982.00	10,982.00	1,861.43	9,120.57	16.95
542.000 - Read and Bill	63,122.00	63,122.00	14,509.86	48,612.14	22.99
543.310 - Sewer District Rehabilitation	0.00	26,263.00	6,556.50	19,706.50	24.96
543.400 - Reline Existing Sewers	183,128.00	183,128.00	0.00	183,128.00	0.00
543.401 - Flush & TV Sewers	90,000.00	90,000.00	14,058.00	75,942.00	15.62
793.000 - Facilities - City Hall	9,790.16	9,790.16	2,137.44	7,652.72	21.83
TOTAL EXPENDITURES	1,499,490.45	1,525,753.45	84,264.31	1,441,489.14	
Fund 591 - Sanitary Sewer Fund:					
TOTAL REVENUES	1,272,700.00	1,272,700.00	343,026.65	929,673.35	26.95
TOTAL EXPENDITURES	1,499,490.45	1,525,753.45	84,264.31	1,441,489.14	5.52
NET OF REVENUES & EXPENDITURES	(226,790.45)	(253,053.45)	258,762.34	(511,815.79)	
Fund 661 - Motor Pool Fund					
000.000 - General	234,250.00	234,250.00	26,073.10	208,176.90	11.13
TOTAL REVENUES	234,250.00	234,250.00	26,073.10	208,176.90	
172.000 - Executive	10,300.00	10,300.00	9,736.00	564.00	94.52
228.000 - Information Technology	1,070.00	1,070.00	270.54	799.46	25.28
253.000 - Treasurer	7,788.00	7,788.00	1,601.26	6,186.74	20.56
795.000 - Facilities - City Garage	386,681.00	386,681.00	48,108.00	338,573.00	12.44
TOTAL EXPENDITURES	405,839.00	405,839.00	59,715.80	346,123.20	
Fund 661 - Motor Pool Fund:					
TOTAL REVENUES	234,250.00	234,250.00	26,073.10	208,176.90	11.13
TOTAL EXPENDITURES	405,839.00	405,839.00	59,715.80	346,123.20	14.71
NET OF REVENUES & EXPENDITURES	(171,589.00)	(171,589.00)	(33,642.70)	(137,946.30)	

PROPOSAL

DEVELOPED FOR
Adam Zettel, AICP
City Manager
City of Swartz Creek, MI

8083 Civic Center Drive
Swartz Creek, MI 48473

October 8, 2020

KEEPING DRINKING WATER SAFE FOR INDUSTRIES AND MUNICIPALITIES

For over 30 years, HydroCorp™ has been dedicated to safe drinking water for companies and communities across North America. Fortune 500 firms, metropolitan centers, utilities, small towns and businesses – all rely on HydroCorp to protect their water systems, averting backflow contamination and the acute health risks and financial liabilities it incurs.



CROSS-CONNECTION
CONTROL / BACKFLOW
PREVENTION

WATER SYSTEM
SURVEYS / AUDITS

PIPE SYSTEM MAPPING
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WATER SAMPLING
AND ANALYSIS / RISK
ASSESSMENTS

PROGRAM
AND PROJECT
MANAGEMENT

COMPLIANCE
ASSISTANCE /
DOCUMENTATION



MICHIGAN CORPORATE OFFICE
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info@hydrocorpinc.com EMAIL



SCOPE OF WORK3

PROFESSIONAL SERVICE AGREEMENT..... 4-10

QUALIFICATIONS 11



SCOPE OF WORK

Based on your current program, HydroCorp™ will provide the following services to the City of Swartz Creek. This project is a continued effort for an ongoing Cross-Connection Control Program and will provide the City of Swartz Creek with the necessary data and information to maintain compliance with the Michigan Department of Environment, Great Lakes, and Energy (EGLE) Water Bureau Cross Connection Control Regulations. Once this project has been approved and accepted by the City and HydroCorp, you may expect completion of the following elements within a three (3) year period. The components of the project include:

1. Annually, perform a minimum of **34** initial inspections, compliance inspections, and re-inspections at individual industrial, commercial, institutional facilities and miscellaneous water users within the City served by the public water supply for cross-connections. Inspections will be conducted in accordance with the EGLE Water Bureau Cross Connection Control regulations.
2. Annually, perform a minimum of **498** initial inspections, compliance inspections, and re-inspections at individual residential homes located within the City served by the public water supply for cross-connections. Inspections will be conducted in accordance with the EGLE Water Bureau Cross Connection Control regulations. Inspections will include an inventory of the incoming service line material (wall to meter), plumbing service material (downstream of meter), and sump discharge locations.
3. Generate all backflow prevention assembly test notices, non-compliance notices and coordinate/monitor backflow prevention assembly testing compliance for all backflow prevention assemblies.
4. Perform administrative functions including: answering water user telephone calls, scheduling of inspections, mailing of all notices, verification of backflow prevention assembly tester credentials & proper testing results and general customer service and program education inquiries.
5. Generate and document the required program data for the facilities using the HydroCorp Software Data Management Program.
6. Submit comprehensive management reports on a quarterly basis.
7. Conduct an annual review meeting to discuss overall program status and recommendations.
8. Provide up to six- (6) ASSE approved hose bibb vacuum breakers or anti-frost hose bibb vacuum breakers, (i.e. combination) per non-residential facility and four – (4) per residential home as required, in order to place a facility into immediate compliance at the time of inspection. Up to 2,050 vacuum breakers are included in this proposal.
9. Prepare the annual State of Michigan, EGLE Water Bureau Cross Connection Report.
10. Assist the City with a community wide public relations program including general awareness brochures and customized web site cross connection control program overview content and resources.
11. Provide ongoing support via phone, fax, internet, text or email.

The above services will be provided for:

Monthly Amount: \$ 3,347.00	Annual Amount: \$ 40,164.00	Contract Total: \$ 120,492.00
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Contract Amount is based upon a 36-month period. HydroCorp will invoice in 36 equal amounts of \$ 3,347.00



PROFESSIONAL SERVICE AGREEMENT

This agreement, made and entered into this (Date) by and between the City of Swartz Creek organized and existing under the laws of the State of Michigan referred to as “Utility”, and HydroCorp™ a Michigan Corporation, referred to as “HydroCorp”.

WHEREAS, the Utility supplies potable water throughout its corporate boundary to property owners; and desires to enter into a professional services contract for cross connection control program inspection, reporting and management services.

WHEREAS, HydroCorp is experienced in and capable of supplying professional inspection of potable water distribution systems and cross connection control program management to the Utility and the Utility desires to engage HydroCorp to act as its independent contractor in its cross connection control program.

WHEREAS, the Utility has the authority under the laws of the State of Michigan and its local governing body to enter into this professional services contract.

NOW THEREFORE, in consideration of the mutual agreements herein contained, and subject to the terms and conditions herein stated, the parties agree as follows:

ARTICLE I. Purpose

During the term of this Agreement, the Utility agrees to engage HydroCorp as an independent contractor to inspect and document its findings on its potable water distribution system in public, commercial and industrial facilities within the community. Each party to this Agreement agrees that it will cooperate in good faith with the other, its agents, and subcontractors to facilitate the performance of the mutual obligations set forth in this Agreement. Both Parties to this Agreement recognize and acknowledge that the information presented to them is complete and accurate, yet due to the inaccessible nature of water piping or due to access constraints within water users’ facilities, complete and accurate data is not always available.

ARTICLE II. Scope of Services

The scope of services to be provided by HydroCorp under this Agreement will include the inspections/surveys, program administration, answering telephone call inquiries, scheduling of inspections, program compliance review, public education materials, preparation of quarterly management reports, and annual cross connection reports with respect to the facilities to the extent specifically set forth in this Article II (hereinafter the “Scope of Services”). Should other reports/services be included within the Scope of Services, the same shall be appended to this Agreement as Exhibit 1.

2.1 PROGRAM REVIEW/PROGRAM START UP MEETING. HydroCorp will conduct a Program Startup Meeting for the Cross-Connection Control/Backflow Prevention Program. Items for discussion/review will include the following:

- Review state & local regulations
- Review and/or provide assistance in establishing local Cross-Connection Control Ordinance
- Review/establish wording and timeliness for program notifications including:
 - Inspection Notice
 - Compliance Notice
 - Non-Compliance Notices 1-2, Penalty Notices
- Special Program Notices
- Electronic use of notices/program information
- Obtain updated facility listing, address information and existing program data from Utility
- Prioritize Inspections (City buildings, schools, high hazard facilities, special circumstances.)



- Review/establish procedure for vacant facilities
- Establish facility inspection schedule
- Review/establish procedures and protocol for addressing specific hazards
- Review/establish high hazard, complex facilities and large industrial facility inspection/containment procedures including supplemental information/notification that may be requested from these types of facilities in order to achieve program compliance.
- Review/establish program reporting procedures including electronic reporting tools
- Review/establish educational and public awareness brochures

2.2 INSPECTIONS. HydroCorp will perform initial inspections, compliance inspections, and re-inspections at individual industrial, commercial, institutional facilities and miscellaneous water users within the utility served by the public water supply for cross-connections. Inspections will be conducted in accordance with Michigan Department of Environment, Great Lakes, and Energy Cross Connection Control Rules.

- *Initial Inspection* – the first time a HydroCorp representative inspects a facility for cross connections. Degree of Hazard will be assigned and/or verified during this facility visit. The Degree of Hazard will dictate future re-inspection frequency/schedule of facility, (facility will be either compliant or non-compliant after this inspection).
- *Compliance Inspection* – subsequent visit by a HydroCorp representative to a facility that was non-compliant during the *Initial Inspection* to verify that corrective action was completed and meets the program requirements.
- *Re-Inspection* – Revisit by a HydroCorp representative to a facility that was previously inspected. The re-inspection frequency/schedule is based on the degree of hazard assigned to the facility during the initial inspection (one, five or ten-year re-inspection cycle).

2.3 INSPECTION SCHEDULE. HydroCorp shall determine and coordinate the inspection schedule. Inspection personnel will check in/out on a daily basis with the Utility’s designated contact person. The initial check in will include a list of inspections scheduled. An exit interview will include a list of inspections completed.

2.4 PROGRAM DATA. HydroCorp will generate and document the required program data for the Facility Types listed in the Scope of Services using the HydroCorp Software Data Management Program. Program Data shall remain property of the Utility; however, the HydroCorp Software Data Management program shall remain the property of HydroCorp and can be purchased for an additional fee. Data services will include:

- Prioritize and schedule inspections
- Notify users of inspections, backflow device installation and testing requirements if applicable
- Monitor inspection compliance using the HydroCorp online software management program.
- Maintain program to comply with all EGLE regulations

2.5 MANAGEMENT REPORTS. HydroCorp will submit comprehensive management reports in electronic, downloadable format on a quarterly & annual basis to the Utility. Reports to include the following information:

- Name, location and date of inspections
- Number of facilities inspected/surveyed
- Number of facilities compliant/non-compliant

2.6 REVIEW OF CROSS-CONNECTION CONTROL ORDINANCE. HydroCorp will review or assist in the development of a cross-connection control ordinance. Items for review include: Code adoption references, standard operational procedures, program notice documentation, reporting procedures and preference standards and penalties for non-compliance.



- 2.7 VACUUM BREAKERS.** HydroCorp will provide up to six (6) ASSE approved hose bibb vacuum breakers or anti-frost hose bibb vacuum breakers per non-residential facility and four (4) per residential home as required, in order to place a facility into immediate compliance at the time of inspection if no other cross-connections are identified. A total of 2,050 vacuum breakers are included in this agreement.
- 2.8 PUBLIC RELATIONS PROGRAM.** HydroCorp will assist the Utility with a community-wide public relations program including general awareness brochures and website cross connection control program content.
- 2.9 SUPPORT.** HydroCorp will provide ongoing support via phone, fax, text, website or email for the contract period.
- 2.10 FACILITY TYPES.** The facility types included in the program are as follows:
- Industrial
 - Institutional
 - Commercial
 - Miscellaneous Water users
 - Multifamily
 - Residential
- Complex Facilities.** Large industrial and high hazard complexes or facilities may require inspection/survey services outside the scope of this Agreement. An independent cross connection control survey (at the business owner's expense) may be required at these facilities and the results submitted to the Utility to help verify program compliance.
- 2.11 INSPECTION TERMS.** HydroCorp will perform a minimum of **102 Non-Residential and 1494 Residential** total inspections over a **three (3) year** contract period. The total inspections include all initial inspections, compliance and re-inspections.
- 2.12 COMPLIANCE WITH DEPARTMENT OF ENVIRONMENT GREAT LAKES AND ENERGY (EGLE).** HydroCorp will assist in compliance with EGLE and Michigan Plumbing Code cross connection control program requirements for all commercial, industrial, institutional, residential, multifamily and public authority facilities.
- 2.13 POLICY MANUAL.** HydroCorp will review and/or develop a comprehensive cross connection control policy manual/plan and submit to the appropriate regulatory agency for approval on behalf of the Utility.
- 2.14 INVENTORY.** HydroCorp shall inventory all accessible (ground level) backflow prevention assemblies and devices. Documentation will include: location, size, make, model and serial number if applicable.
- 2.15 DATA MANAGEMENT.** HydroCorp shall provide data management and program notices for all inspection services throughout the contract period.
- 2.16 ANNUAL YEAR END REVIEW.** HydroCorp will conduct an on-site annual year-end review meeting to discuss overall program status and specific program recommendations.
- 2.17 CROSS CONNECTION CONTROL BROCHURES.** HydroCorp will provide approximately **1500** cross-connection control educational brochures for the duration of the Agreement.



- 2.18 INSURANCE.** HydroCorp will provide all required copies of general liability, workers compensation and errors and omissions insurance naming the Utility as an additional insured if required.

ARTICLE III. Responsibilities of the Utility

- 3.1 UTILITY'S REPRESENTATIVE.** On or before the date services are to commence under this Agreement, the Utility shall designate an authorized representative ("Authorized Representative") to administer this Agreement.
- 3.2 COMPLIANCE WITH LAWS.** The Utility, with the technical and professional assistance of HydroCorp, shall comply with all applicable local, state, and federal laws, codes, ordinances, and regulations as they pertain to the water inspection and testing, and shall pay for any capital improvements needed to bring the water treatment and delivery system into compliance with the aforementioned laws.
- 3.3 NOTICE OF LITIGATION.** In the event that the Utility or HydroCorp has or receives notice of or undertakes the prosecution of any actions, claims, suits, administrative or undertakes the prosecution of any actions, claims, suits, administrative or arbitration proceedings, or investigations in connection with this Agreement, the party receiving such notice or undertaking of such prosecution shall give the other party timely notice of such proceedings and will inform the other party in advance of all hearings regarding such proceedings.
- 3.4 FACILITY LISTING.** The Utility must provide HydroCorp a complete list of facilities to be inspected, including facility name, type of service connection, address, contact person, and phone number, (if available). *Electronic file format such as Microsoft Excel, etc. is required. An additional one-time fee to manually enter facility listing will be charged at the rate of \$80.00 per hour. Incorrect facility addresses will be returned to the Utility contact and corrected address will be requested.*
- 3.5 LETTERHEAD/LOGO.** The Utility will provide HydroCorp with an electronic file copy of the utility logo or utility letterhead and all envelopes for the mailing of all official program correspondence only. (300 dpi in either .eps, or other high quality image format for printing.)

ARTICLE IV. Term, Compensation and Changes in Scope of Services

- 4.1 TERM AND TERMINATION TERM.** Services by HydroCorp under this Agreement shall commence on **02/01/2021** and end three (3) years from such date, unless this Agreement is renewed or terminated as provided herein. The terms of this Agreement shall be valid only upon the execution of this Agreement within ninety (90) days of its receipt. Failure to execute this Agreement within the ninety (90) day period shall deem the proposed terms void.
- 4.2 RENEWAL.** Upon the expiration of this Agreement the utility will have the option to renew this agreement for two (2) consecutive one (1) year period. Increases in fees for each additional term will be based on the consumer price index, but no more than 3% annually.
- 4.3 TERMINATION.** The Utility or HydroCorp may terminate this Agreement at any time and on any date in the initial and renewal terms of this Agreement, with or without any cause, by giving written notice of such intent to terminate to the other party at least thirty (30) days prior to the effective date of termination. Notice of the intent to terminate shall be given in writing by personal service, by an authorized agent, or by certified mail, return receipt requested. The Utility shall pay the balance of any outstanding accounts for work performed by HydroCorp.



- 4.4 BASE COMPENSATION.** From the Beginning thirty (30) days after execution of this Agreement, the Utility shall pay HydroCorp as compensation (“Base Compensation”) for labor, equipment, material, supplies, and utilities provided and the services performed pursuant to this Agreement, the sum of **\$3,347.00** per month, **\$40,164.00** annually for a three (3) year contract period totaling **\$120,492.00**.
- 4.5 PAYMENT OF INVOICES.** Upon presentation of invoices by HydroCorp, all payments including base and other compensation shall be due and payable on the first day of each month (due date) after the month for which services have been rendered. All such payments shall be made no later than thirty (30) days after the due date. Failure to pay shall be deemed a default under this Agreement. For any payment to HydroCorp which is not made within thirty (30) calendar days after the due date, HydroCorp, shall receive interest at one and one-half (1½) percent per month on the unpaid balance.
- 4.6 CHANGES IN SCOPE OF SERVICES.** In the event that the Utility requests and HydroCorp consents to perform additional work or services involving the consulting, management, operation, maintenance, and repair of the Utility’s water delivery system where such services or work exceeds or changes the Scope of Services contemplated under this Agreement, HydroCorp shall be provided additional compensation. Within thirty (30) calendar days from the date of notice of such additional work or services, the parties shall mutually agree upon an equitable sum for additional compensation. This amount shall be added to the monthly sum effective at the time of change in scope. Changes in the Scope of Service include, but are not limited to, requests for additional service by the Utility or additional costs incurred in meeting new or changed government regulations or reporting requirements.
- 4.7 CLIENT CONFIDENTIALITY.** Disclosure of all communications between HydroCorp and the Utility regarding business practices and other methods and forms of doing business is subject to the provisions of Michigan Public Records Law. HydroCorp agrees to make available for inspection and copying all records in its possession created, produced, collected or otherwise related to this Agreement to the same extent as if the records were maintained by the Utility. HydroCorp expressly acknowledges and agrees that its obligations concerning Public Records Law and compliance under this Agreement should not be limited by copyright, license, privacy and/or confidentiality except as authorized under the Public Records Law.
- 4.8 ACCESSIBILITY.** Backflow prevention device information will be completed in full only when the identifying information (i.e. data plate, brass tag, etc.) is accessible and visible from ground level or from a fixed platform/mezzanine.
- 4.9 CONFINED SPACES.** – HydroCorp personnel will not enter confined spaces.

ARTICLE V. Risk Management and General Provisions

- 5.1 INFORMATION.** Both Parties to this Agreement recognize and acknowledge that the information presented to them is complete to the best of their knowledge, yet due to the inaccessible nature of water piping or lack of access provided by property owner/water user, complete accurate data is not always available. Cross-connection control inspection and results are documented as of a specific date. The property owner and/or water user may make modifications to the potable water system after the inspection date that may impact compliance with the program.
- 5.2 INDEMNIFICATION.** HydroCorp agrees to and shall hold the Utility, its elected and appointed officers, and employees harmless from any liability for claims or damages for personal injury or property damage which is caused by or arises from the sole negligence of HydroCorp in the performance of its services under this Agreement. The Utility agrees to and shall hold HydroCorp, its officers, and employees harmless from any liability for claims or damages for personal injury or property damage which is caused by, or arises from, the sole negligence of the Utility. In the event that both HydroCorp and the Utility are



found by a fact finder to be negligent and the negligence of both is a proximate cause of such claim for damage, then in such event each party shall be responsible for the portion of the liability equal to its comparative share of the total negligence. HydroCorp’s liability to the Utility for any loss, damage, claim, or expense of any kind or nature caused directly or indirectly by the performance or non-performance of obligations pursuant to this Agreement shall be limited to general money damages in an amount not exceed or within the limits of the insurance coverage provided hereunder. HydroCorp shall in no event be liable for indirect or consequential damages, including but not limited to, loss of profits, loss of revenue, or loss of facilities, based upon contract, negligence, or any other cause of action.

5.3 HYDROCORP INSURANCE. HydroCorp currently maintains the following insurance coverage’s and limits:

	Occurrence	Aggregate
Comprehensive General Liability	\$1 Million	\$2 Million
Excess Umbrella Liability	\$5 Million	\$5 Million
Automobile Liability (Combined Single Limit)	\$1 Million	
Worker’s Compensation/ Employer’s Liability	\$1 Million	
Errors and Omissions	\$2 Million	\$2 Million

Within thirty (30) calendar days of the start of the project, HydroCorp shall furnish the Utility with satisfactory proof of such insurance, and each policy will require a 30-day notice of cancellation to be given to the Utility while this Agreement is in effect. The Utility shall be named as an additional insured according to its interest under the general liability policy during the term of this Agreement.

5.4 UTILITY INSURANCE. The Utility will maintain liability insurance on an all risk basis and including extended coverage for matters set forth in this Agreement. The Utility and HydroCorp agree that with respect to insurance coverage carried by either party in connection with the Facilities, such insurance will provide for the waiver by the insurance carrier of any subrogation rights against the Utility or against HydroCorp as the case may be.

5.5 RELATIONSHIP. The relationship of HydroCorp to the Utility is that of independent contractor and not one of employment. None of the employees or agents of HydroCorp shall be considered employees of the Utility. For the purposes of all state, local, and federal laws and regulations, the Utility shall exercise primary management, and operational and financial decision-making authority.

5.6 ENTIRE AGREEMENT AMENDMENTS. This Agreement contains the entire Agreement between the Utility and HydroCorp, and supersedes all prior or contemporaneous communications, representations, understandings, or agreements. This Agreement may be modified only by a written amendment signed by both parties.

5.7 HEADINGS, ATTACHMENTS, AND EXHIBITS. The heading contained in this Agreement is for reference only and shall not in any way affect the meaning or interpretation of this Agreement. The Attachments and Exhibits to this Agreement shall be construed as integral parts of this Agreement.

5.8 WAIVER. The failure on the part of either party to enforce its rights as to any provision of this Agreement shall not be construed as a waiver of its rights to enforce such provisions in the future.

5.9 ASSIGNMENT. This Agreement shall not be assigned by either party without the prior written consent of the other unless such assignment shall be to the affiliate or successor of either party.

5.10 FORCE MAJEURE. A party’s performance under this Agreement shall be excused if, and to the extent that, the party is unable to perform because of actions due to causes beyond its reasonable control such as, but not limited to, Acts of God, the acts of civil or military authority, loss of potable water sources, water



system contamination, floods, quarantine restrictions, riot, strikes, commercial impossibility, fires, explosions, bombing, and all such interruptions of business, casualties, events, or circumstances reasonably beyond the control of the party obligated to perform, whether such other causes are related or unrelated, similar or dissimilar, to any of the foregoing. In the event of any such force majeure, the party unable to perform shall promptly notify the other party of the existence of such force majeure and shall be required to resume performance of its obligations under this Agreement upon the termination of the aforementioned force majeure.

5.11 AUTHORITY TO CONTRACT. Each party warrants and represents that it has authority to enter into this Agreement and to perform the obligations, including any payment obligations, under this Agreement.

5.12 GOVERNING LAW AND VENUE. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, regardless of the fact that any of the parties hereto may be or may become a resident of a different state or jurisdiction. Any suit or action arising shall be filed in a court of competent jurisdiction within the State of Michigan, venue by the presiding County. The parties hereby consent to the personal jurisdiction of said court within the State of Michigan.

5.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

5.14 NOTICES. All notices, requests, demands, payments and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or sent by nationally recognized overnight carrier, or mailed by certified mail, postage prepaid, return receipt requested, as follows:

If to HydroCorp:

HydroCorp
c/o John Hudak
5700 Crooks Road, Ste. 100
Troy, MI 48337
(248) 250-5005

If to Utility:

Adam Zettel, AICP
City Manager
City of Swartz Creek
8083 Civic Center Drive
Swartz Creek, MI 48473

5.15 SEVERABILITY. Should any part of this Agreement for any reason, be declared invalid or void, such declaration will not affect the remaining portion, which will remain in full force and effect as if the Agreement has been executed with the invalid portion eliminated.

SIGNATURES

IN WITNESS WHEREOF, the parties have duly executed this Agreement effective as of the date first above written.

City of Swartz Creek

By:
Title:

By:
Title:

HydroCorp

By: Paul M. Patterson
Its: Senior Vice President



Qualifications/Experience

HydroCorp™ is a professional service organization that specializes in Cross Connection Control Programs. Cross Connection Control Program Management & Training is the main core and focus of our business. We are committed to providing water utilities and local communities with a cost effective and professionally managed cross connection control program in order to assist in protecting the public water supply.

- HydroCorp conducts over 30,000 Cross Connection Control Inspections **annually**.
- HydroCorp tracks and manages over 35,000+ backflow prevention assemblies for our Municipal client base.
- Our highly trained staff works in an efficient manner in order to achieve maximum productivity and keep program costs affordable. We have a detailed **system** and **process** that each of our field inspectors follow in order to meet productivity and quality assurance goals.
- Our municipal inspection team is committed to providing outstanding customer service to the water users in each of the communities we serve. We teach and train customer service skills in addition to the technical skills since our team members act as representatives of the community that we service.
- Our municipal inspection team has attended training classes and received certification from the following recognized Cross Connection Control Programs: UF TREEO, UW-Madison, and USC – Foundation for Cross Connection Control and Hydraulic Research, American Backflow Prevention Association (ABPA), American Society for Sanitary Engineering (ASSE). HydroCorp recognizes the importance of Professional Development and Learning. We invest heavily in internal and external training with our team members to ensure that each Field Service and Administrative team member has the skills and abilities to meet the needs of our clients.
- We have a trained administrative staff to handle client needs, water user questions and answer telephone calls in a professional, timely and courtesy manner. Our administrative staff can answer most technical calls related to the cross connection control program and have attended basic cross connection control training classes.
- HydroCorp currently serves over 200 communities in Michigan, Wisconsin, Maryland, Delaware, Virginia & Florida. We still have our first customer!
- HydroCorp and its' staff are active members in many water industry associations including: National Rural Water Association, State Rural Water Associations, National AWWA, State AWWA Groups, HydroCorp is committed to assisting these organizations by providing training classes, seminars and assistance in the area of Cross Connection Control.
- Several Fortune 500 companies have relied on HydroCorp to provide Cross Connection Control Surveys, Program Management & Reporting to assist in meeting state/local regulations as well as internal company guidelines.

Insert Opinion Date

To the City Council

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

Section I – Required Communications with Those Charged With Governance

Section II – Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the City Council of the City of Swartz Creek, Michigan.

Section II contains updated legislative items that we believe will be of interest to you.

We would like to take this opportunity to thank the City's staff, especially Deanna, Adam and Connie, 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 City Council and management of the City of Swartz Creek, Michigan 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 any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Pamela L Hill, CPA
Partner

Ashley Frase, CPA
Manager

Michael Machala, CPA
Manager

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Section I - Required Communications with Those Charged With Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 16, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 12, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements.

During the year, the City changed accounting policies related to the adoption of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the financial statements and related disclosures have been updated to reflect these changes.

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.

Section I - Required Communications with Those Charged With Governance (Continued)

The most sensitive estimates affecting the financial statements were the useful lives of capital assets, the net pension liability, and the other postemployment benefit liabilities. Management's estimate of the useful lives of capital assets is based on management's estimate of their lives. The estimate for the net pension liability was based on an actuarial valuation. The significant assumptions used in that calculation include future rate of return on investments, employee eligibility rates, life expectancies, and projected salary increases. The estimate for the other postemployment benefit obligation was based on the use of the GASB 75 actuarial valuation for calculating the net OPEB liability, required contribution using healthcare premiums, personnel information, and interest rates. We evaluated the key factors and assumptions used to develop the estimates of useful lives, net pension liability, and other postemployment benefits obligation 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.

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. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement with management each year prior to 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 **Insert Opinion Date**.

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

**Section I - Required Communications with Those Charged With Governance
(Continued)**

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.

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Section II – Legislative and Informational Items (Continued)

Section II – Legislative and Informational Items

COVID-19 Resource Center

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

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

Cybersecurity and Information Technology Controls

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

Act 51 Report Due Date

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

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

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 which sets an implementation date for fiscal years ending October 31, 2022 and

Section II – Legislative and Informational Items (Continued)

thereafter. The State has committed to releasing various tools to help local units with implementation, including FAQs and clarification on what accounts should be used when implementing GASB 84. A significant revision to the current version of the chart of accounts will be issued in the future which will incorporate feedback that Treasury has received. This revision will include significant changes to the expenditure accounts 700-999 which will now mirror the old approach that allowed for various numbers within certain ranges. Going forward, Treasury will issue the following 3 documents for any future revisions: revised chart of accounts, a marked-up version of the chart showing the changes, a summary of the revisions report. Local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1

Revenue Sharing

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

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 healthcare 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 timeframe.

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 was a primary component 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.

Section II – Legislative and Informational Items (Continued)

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 non-valuation years utilizing any updates to the uniform assumptions to calculate the data.

This means that the local unit may potentially 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.

The releases by the Department of Treasury includes the letter 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 your fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information on its website, or in a public place if the local unit 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 plan total 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 newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

Section II – Legislative and Informational Items (Continued)

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 will likely need to calculate this number in order for governments to comply. In addition, if your community 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 their website at www.Michigan.gov/LocalRetirementReporting.

Numbered Letter 2018-3

On March 13, 2020, 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 two key points:

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

Section II – Legislative and Informational Items (Continued)

Upcoming Accounting Standards Requiring Preparation

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

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

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

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

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

GASB Statement No. 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 related to all significant lease agreements now in order to more efficiently implement this new standard once it becomes effective.

Plante Moran will be providing trainings and other resources to our clients over the coming months in order 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.

**Section II – Legislative and Informational Items
(Continued)**

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, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

DRAFT

City of Swartz Creek, Michigan

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with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the City Council
City of Swartz Creek, 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 Swartz Creek, Michigan (the "City") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Swartz Creek, 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 Swartz Creek, Michigan as of June 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2020, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.



To the City Council
City of Swartz Creek, Michigan

Other Matters

Required Supplemental Information

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

Other Information

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

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

Plante & Morse, PLLC

September 30, 2020

Our discussion and analysis of the City of Swartz Creek, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2020:

- The City's total net position is approximately \$28.7 million.
- The City's overall unrestricted net position is approximately \$4.8 million.
- The City's General Fund revenue exceeded expenditures by \$67,097 before transfers in and out. After transfers in and out, the net decrease in fund balance was \$59,671, leaving the General Fund with a fund balance of \$1,521,100.

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.

Government-wide Overall Financial Analysis

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

The City's Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
Assets				
Current and other assets	\$ 4,591,842	\$ 4,677,670	\$ 85,828	1.9
Capital assets	12,725,408	12,804,600	79,192	0.6
Total assets	17,317,250	17,482,270	165,020	1.0
Deferred Outflows of Resources	429,552	155,177	(274,375)	(63.9)
Liabilities				
Current liabilities	489,145	125,803	(363,342)	(74.3)
Noncurrent liabilities	2,700,715	2,439,017	(261,698)	(9.7)
Total liabilities	3,189,860	2,564,820	(625,040)	(19.6)
Deferred Inflows of Resources	75,938	69,139	(6,799)	(9.0)
Net Position				
Net investment in capital assets	11,324,908	11,617,700	292,792	2.6
Restricted	1,732,113	1,964,412	232,299	13.4
Unrestricted	1,423,983	1,421,376	(2,607)	(0.2)
Total net position	\$ 14,481,004	\$ 15,003,488	\$ 522,484	3.6

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2019	2020	Change	Percent Change
Assets				
Current and other assets	\$ 4,012,835	\$ 4,717,512	\$ 704,677	17.6
Capital assets	10,890,292	10,936,586	46,294	0.4
Total assets	14,903,127	15,654,098	750,971	5.0
Deferred Outflows of Resources	186,768	17,984	(168,784)	(90.4)
Liabilities				
Current liabilities	487,080	800,126	313,046	64.3
Long-term liabilities	826,918	1,151,797	324,879	39.3
Total liabilities	1,313,998	1,951,923	637,925	48.5
Deferred Inflows of Resources	-	8,650	8,650	-
Net Position				
Net investment in capital assets	10,520,792	10,223,223	(297,569)	(2.8)
Restricted	-	130,250	130,250	-
Unrestricted	3,255,105	3,358,036	102,931	3.2
Total net position	<u>\$ 13,775,897</u>	<u>\$ 13,711,509</u>	<u>\$ (64,388)</u>	(0.5)

Governmental Activities

The governmental net position increased from a year ago, from approximately \$14.5 million to approximately \$15.0 million. In comparison, last year's net position increased by less than 2 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$2,607 for the governmental activities. This represents a decrease of less than 1 percent. The current level of unrestricted net position for our governmental activities stands at \$1,421,376, or about 35 percent of expenditures.

Business-type Activities

The net position of business-type activities decreased less than 1 percent from a year ago, from approximately \$13.78 million to approximately \$13.71 million.

Current liabilities included payments in process for sewer relining projects.

Long-term liability increases were due to debt issuances.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by approximately \$103,000. This represents an increase of approximately 3 percent. The current level of unrestricted net position stands at approximately \$3.4 million, or about 95 percent of operating expenditures.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 309,881	\$ 333,578	\$ 23,697	7.6
Operating grants	678,666	631,851	(46,815)	(6.9)
General revenue:				
Property taxes	2,437,298	2,508,966	71,668	2.9
State-shared revenue	592,140	582,966	(9,174)	(1.5)
Investment earnings	18,069	20,058	1,989	11.0
Other revenue	282,783	450,985	168,202	59.5
Total revenue	4,318,837	4,528,404	209,567	4.9
Expenses				
General government	980,939	1,165,981	185,042	18.9
Legislative	20,942	33,669	12,727	60.8
Public safety	1,536,160	1,288,290	(247,870)	(16.1)
Public works	1,387,434	1,438,701	51,267	3.7
Recreation and culture	120,892	41,735	(79,157)	(65.5)
Interest on long-term debt	43,524	37,544	(5,980)	(13.7)
Total expenses	4,089,891	4,005,920	(83,971)	(2.1)
Change in Net Position	228,946	522,484	293,538	128.2
Net Position - Beginning of year	14,252,058	14,481,004	228,946	1.6
Net Position - End of year	<u>\$ 14,481,004</u>	<u>\$ 15,003,488</u>	<u>\$ 522,484</u>	3.6

	Business-type Activities			
	2019	2020	Change	Percent Change
Revenue				
Operating revenue	\$ 3,497,726	\$ 3,426,827	\$ (70,899)	(2.0)
General revenue	34,624	48,962	14,338	41.4
Total revenue	3,532,350	3,475,789	(56,561)	(1.6)
Expenses				
Operating expenses - Other than depreciation	3,007,635	3,009,456	1,821	0.1
Depreciation	502,052	522,589	20,537	4.1
Interest expense	8,676	8,132	(544)	(6.3)
Debt service charge	115	-	(115)	(100.0)
Total expenses	3,518,478	3,540,177	21,699	0.6
Change in Net Position	13,872	(64,388)	(78,260)	(564.2)
Net Position - Beginning of year	13,762,025	13,775,897	13,872	0.1
Net Position - End of year	<u>\$ 13,775,897</u>	<u>\$ 13,711,509</u>	<u>\$ (64,388)</u>	(0.5)

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue increased by approximately \$209,567. The majority of this can be attributed to the increase in property taxes and joint ventures.

The property tax revenue is composed of the following: general operating revenue of \$761,973, garbage collection revenue of \$401,606, public safety special assessment revenue of \$696,366, and local street millage revenue of \$648,347, with the remainder of \$674 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed a decrease \$247,870 between the fiscal years ended June 30, 2019 and June 30, 2020. The majority of this change is the result of the prior fiscal year contribution to Swartz Creek Area Fire Department for the purpose of purchasing a new fire truck and air compressor.

Business-type Activities

Operating revenue decreased by approximately \$71,000 due to a decrease in the sale of water. Expenses increased mainly due to current year depreciation expense. Other revenue saw an increase from 2019 due to the increase in investment interest and FMV changes in 2020.

Financial Analysis of Individual Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2020 include the General Fund, the Major Streets Fund, the Local Streets Fund, the Garbage Collection Fund, and the Local Streets Millage Fund.

The General Fund pays for most of the City's governmental services, such as public safety, which includes police and fire services. Governmental services also include streetlights, all city parks, community promotions, elections, assessing, building and zoning, and other administrative departments. The most significant is public works activities, which include major and local streets. Public works activities incurred expenses of approximately \$2.1 million in 2020, followed by public safety at approximately \$1.2 million.

The most significant increase is related to the City's ongoing local and major street reconstruction and repairs. The local street reconstruction is part of a road improvement plan receiving funding from the passage of a 20-year local street millage beginning in tax year 2016 and a 10-year bond issued in 2017.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall exceeded the budget, resulting in total expenditures of approximately \$2,000 above budget. Revenue was slightly lower than anticipated. These events caused the General Fund's fund balance to increase, before transfers, by approximately \$67,000. Overall, General Fund fund balance decreased from approximately \$1.58 million a year ago to approximately \$1.52 million at June 30, 2020.

Capital Assets and Debt Administration

At the end of 2020, the City had approximately \$23.8 million invested in a broad range of capital assets, including land, buildings, equipment, and water and sewer lines. In the past year, the City has invested significantly in roads and water and sewer lines within the City. Additional information on the City's capital assets can be found in Note 4 of this report.

Also, at the end of 2020, the City had \$3,590,814 in long-term liabilities. A total of \$1.90 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$1,690,551 is related to accumulated compensated absences of \$66,649, net pension liability of \$571,857, and the net other postemployment benefits liability of \$1,052,045.

Economic Factors and Next Year's Budget and Rates

The COVID-19 pandemic will likely affect the City's finances and budgets significantly in fiscal year 2021. State revenue sharing is projected to decrease, and the economic impact of the pandemic on the general public may result in increased delinquency rates for property tax collections and utility payments. Between the existing cash reserves and the ability to adjust certain expense categories, the City is well positioned to navigate the postpandemic financial landscape.

Overall, we expect no significant change in total revenue with the exception of USDA Grant funding for water main replacement. Property tax revenue is expected to be unchanged. Due to the phase-out of taxable personal property, we expect to see a continued reduction in personal property revenue. In the next fiscal year, the City will begin the work on several major and local roads, as well as water main reconstruction in those areas. In addition, preventive maintenance on other streets will continue as part of the City's 20-year street improvement plan.

Contacting the City of Swartz Creek, Michigan's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

City of Swartz Creek, Michigan

Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 3,120,055	\$ 1,639,597	\$ 4,759,652	\$ 29,500
Investments (Note 3)	600,000	1,875,000	2,475,000	-
Receivables:				
Property taxes receivable	21,994	-	21,994	-
Customer receivables	-	1,003,132	1,003,132	-
Accrued interest receivable	1,752	4,644	6,396	-
Other receivables	53,697	-	53,697	-
Due from other governments	158,303	24,817	183,120	-
Internal balances	727	(727)	-	-
Inventory	1,424	32,880	34,304	-
Prepaid expenses and other assets	33,171	7,919	41,090	-
Restricted cash (Note 1)	-	130,250	130,250	-
Investment in joint ventures (Note 8)	489,176	-	489,176	-
Land held for resale	197,371	-	197,371	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,687,962	353,678	2,041,640	-
Assets subject to depreciation - Net	11,116,638	10,582,908	21,699,546	9,450
Total assets	17,482,270	15,654,098	33,136,368	38,950
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	21,935	14,616	36,551	-
Deferred OPEB costs (Note 11)	133,242	3,368	136,610	-
Total deferred outflows of resources	155,177	17,984	173,161	-
Liabilities				
Accounts payable	86,105	365,466	451,571	610
Due to other governmental units	-	401,607	401,607	-
Deposits payable	-	20,100	20,100	-
Accrued liabilities and other	39,698	12,953	52,651	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	39,040	27,609	66,649	-
Current portion of long-term debt	237,294	80,706	318,000	-
Due in more than one year:				
Net pension liability (Note 9)	343,115	228,742	571,857	-
Net OPEB liability	869,962	182,083	1,052,045	-
Long-term debt (Note 6)	949,606	632,657	1,582,263	-
Total liabilities	2,564,820	1,951,923	4,516,743	610
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	11,386	7,590	18,976	-
Deferred OPEB cost reductions (Note 11)	57,753	1,060	58,813	-
Total deferred inflows of resources	69,139	8,650	77,789	-
Net Position				
Net investment in capital assets	11,617,700	10,223,223	21,840,923	9,450
Restricted:				
Roads	1,610,049	-	1,610,049	-
Garbage collection	341,479	-	341,479	-
Weed control and sidewalks	12,884	-	12,884	-
Debt service	-	130,250	130,250	-
Unrestricted	1,421,376	3,358,036	4,779,412	28,890
Total net position	\$ 15,003,488	\$ 13,711,509	\$ 28,714,997	\$ 38,340

City of Swartz Creek, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,165,981	\$ 144,347	\$ -	\$ -
Legislative	33,669	-	-	-
Public safety	1,288,290	141,064	-	-
Public works	1,438,701	36,383	631,851	-
Recreation and culture	41,735	11,784	-	-
Interest on long-term debt	37,544	-	-	-
Total governmental activities	4,005,920	333,578	631,851	-
Business-type activities:				
Water Fund	2,256,854	2,155,699	-	12,751
Sewer Fund	1,283,323	1,271,128	-	6,100
Total business-type activities	3,540,177	3,426,827	-	18,851
Total primary government	<u>\$ 7,546,097</u>	<u>\$ 3,760,405</u>	<u>\$ 631,851</u>	<u>\$ 18,851</u>
Component units - Downtown Development Authority	\$ 59,947	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 Income from joint ventures
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2020

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,021,634)	\$ -	\$ (1,021,634)	\$ -
(33,669)	-	(33,669)	-
(1,147,226)	-	(1,147,226)	-
(770,467)	-	(770,467)	-
(29,951)	-	(29,951)	-
(37,544)	-	(37,544)	-
(3,040,491)	-	(3,040,491)	-
-	(88,404)	(88,404)	-
-	(6,095)	(6,095)	-
-	(94,499)	(94,499)	-
(3,040,491)	(94,499)	(3,134,990)	-
-	-	-	(59,947)
2,508,966	-	2,508,966	46,513
582,966	-	582,966	-
20,058	30,111	50,169	15
114,015	-	114,015	-
199,376	-	199,376	-
137,594	-	137,594	-
3,562,975	30,111	3,593,086	46,528
522,484	(64,388)	458,096	(13,419)
14,481,004	13,775,897	28,256,901	51,759
\$ 15,003,488	\$ 13,711,509	\$ 28,714,997	\$ 38,340

City of Swartz Creek, Michigan

Governmental Funds
Balance Sheet

June 30, 2020

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
Assets							
Cash and cash equivalents (Note 3)	\$ 843,286	\$ 686,122	\$ 775,998	\$ 313,408	\$ 68,462	\$ 116,400	\$ 2,803,676
Investments (Note 3)	425,000	-	-	45,000	-	-	470,000
Receivables:							
Property taxes receivable	11,249	-	-	5,427	5,318	-	21,994
Accrued interest receivable	193	-	-	5	-	-	198
Other receivables	46,990	935	-	-	-	5,772	53,697
Due from other governments	71,299	66,011	20,993	-	-	-	158,303
Prepaid expenses and other assets	10,859	4,033	1,150	4,727	321	-	21,090
Land held for resale	197,371	-	-	-	-	-	197,371
Total assets	\$ 1,606,247	\$ 757,101	\$ 798,141	\$ 368,567	\$ 74,101	\$ 122,172	\$ 3,726,329
Liabilities							
Accounts payable	\$ 45,097	\$ 3,632	\$ 11,370	\$ 23,950	\$ -	\$ -	\$ 84,049
Due to other funds	304	294	1,070	1,171	-	-	2,839
Accrued liabilities and other	28,427	1,234	1,694	1,967	-	-	33,322
Total liabilities	73,828	5,160	14,134	27,088	-	-	120,210
Deferred Inflows of Resources (Note 1)	11,319	-	-	5,427	5,318	2,310	24,374
Fund Balances							
Nonspendable:							
Prepays	10,859	4,033	1,150	4,727	321	-	21,090
Land held for resale	197,371	-	-	-	-	-	197,371
Restricted:							
Roads	-	747,908	782,857	-	68,462	-	1,599,227
Garbage collection	-	-	-	331,325	-	-	331,325
Weed control and sidewalks	-	-	-	-	-	10,574	10,574
Assigned:							
Debt service	-	-	-	-	-	2,338	2,338
Capital projects	-	-	-	-	-	106,950	106,950
Unassigned	1,312,870	-	-	-	-	-	1,312,870
Total fund balances	1,521,100	751,941	784,007	336,052	68,783	119,862	3,581,745
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,606,247	\$ 757,101	\$ 798,141	\$ 368,567	\$ 74,101	\$ 122,172	\$ 3,726,329

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

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 3,581,745
Amounts reported for governmental activities in the statement of net position are difference because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	21,285,551
Accumulated depreciation	<u>(8,570,007)</u>
Net capital assets used in governmental activities	12,715,544
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	24,374
Investments in joint ventures are not financial resources and are not reported in the funds	489,176
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,186,900)
Accrued interest is not due and payable in the current period and is not reported in the funds	(5,588)
Some employee fringe benefits are payable over a long period of year and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(37,095)
Net pension liability	(337,396)
Net OPEB liability	(840,590)
Deferred inflows of resources related to pension and OPEB	(68,767)
Deferred outflows of resources related to pension and OPEB	154,264
Internal service funds are included as part of governmental activities:	
Capital assets-related items	89,056
All other items	<u>425,665</u>
Net Position of Governmental Activities	<u>\$ 15,003,488</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
Revenue							
Property taxes	\$ 1,458,945	\$ -	\$ -	\$ 401,935	\$ 648,866	\$ -	\$ 2,509,746
Special assessments	-	-	-	-	-	4,700	4,700
State-shared revenue and grants	552,719	481,440	171,690	13,246	-	-	1,219,095
Charges for services	134,682	2,410	-	-	-	-	137,092
Licenses and permits	260,808	-	-	-	-	-	260,808
Investment income	23,364	460	84	2,186	132	29	26,255
Other revenue	146,941	39,627	23,651	-	-	1,215	211,434
Total revenue	2,577,459	523,937	195,425	417,367	648,998	5,944	4,369,130
Expenditures							
Current services:							
General government	358,783	-	-	41,060	-	-	399,843
Legislative	33,669	-	-	-	-	-	33,669
Public safety	1,211,274	-	-	-	-	8,214	1,219,488
Public works	758,581	346,691	600,154	371,402	385	-	2,077,213
Recreation and culture	148,055	-	-	-	-	-	148,055
Debt service:							
Principal	-	-	-	-	138,600	75,000	213,600
Interest on long-term debt	-	-	-	-	27,225	10,319	37,544
Total expenditures	2,510,362	346,691	600,154	412,462	166,210	93,533	4,129,412
Excess of Revenue Over (Under) Expenditures	67,097	177,246	(404,729)	4,905	482,788	(87,589)	239,718
Other Financing Sources (Uses)							
Transfers in (Note 5)	34,000	-	540,000	-	-	160,768	734,768
Transfers out (Note 5)	(160,768)	(100,000)	-	-	(440,000)	(34,000)	(734,768)
Total other financing (uses) sources	(126,768)	(100,000)	540,000	-	(440,000)	126,768	-
Net Change in Fund Balances	(59,671)	77,246	135,271	4,905	42,788	39,179	239,718
Fund Balances - Beginning of year	1,580,771	674,695	648,736	331,147	25,995	80,683	3,342,027
Fund Balances - End of year	\$ 1,521,100	\$ 751,941	\$ 784,007	\$ 336,052	\$ 68,783	\$ 119,862	\$ 3,581,745

City of Swartz Creek, Michigan

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$	239,718
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		996,785
Depreciation expense		(959,850)
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		(1,170)
Decrease in deferred inflows of resources related to pension and OPEB		7,161
Decrease in deferred outflows of resources related to pension and OPEB		(270,616)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		213,600
Increase in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment		(13,538)
The change in the net pension liability is recorded when incurred in the statement of activities		74,513
The change in the net OPEB liability is recorded when incurred in the statement of activities		4,455
Increase in equity interest in joint ventures		199,376
Internal service funds are included as part of governmental activities		32,050
Change in Net Position of Governmental Activities	\$	<u>522,484</u>

Proprietary Funds
Statement of Net Position

June 30, 2020

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 741,668	\$ 897,929	\$ 1,639,597	\$ 316,379
Investments (Note 3)	750,000	1,125,000	1,875,000	130,000
Receivables:				
Customer receivables	638,199	364,933	1,003,132	-
Accrued interest receivable	190	4,454	4,644	1,554
Due from other governments	24,817	-	24,817	-
Due from other funds	-	-	-	3,566
Inventory	31,694	1,186	32,880	1,424
Prepaid expenses and other assets	4,631	3,288	7,919	12,081
Total current assets	2,191,199	2,396,790	4,587,989	465,004
Noncurrent assets:				
Restricted cash	130,250	-	130,250	-
Capital assets - Net (Note 4)	5,015,009	5,921,577	10,936,586	89,056
Total noncurrent assets	5,145,259	5,921,577	11,066,836	89,056
Total assets	7,336,458	8,318,367	15,654,825	554,060
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	7,308	7,308	14,616	370
Deferred OPEB costs (Note 11)	1,847	1,521	3,368	543
Total deferred outflows of resources	9,155	8,829	17,984	913
Liabilities				
Current liabilities:				
Accounts payable	43,230	322,236	365,466	2,056
Due to other governmental units	248,424	153,183	401,607	-
Due to other funds	536	191	727	-
Deposits payable	17,600	2,500	20,100	-
Accrued liabilities and other	4,943	8,010	12,953	788
Compensated absences (Note 6)	14,832	12,777	27,609	-
Current portion of long-term debt (Note 6)	80,706	-	80,706	-
Total current liabilities	410,271	498,897	909,168	2,844
Noncurrent liabilities:				
Compensated absences (Note 6)	-	-	-	1,945
Net pension liability (Note 9)	114,371	114,371	228,742	5,719
Net OPEB liability	99,850	82,233	182,083	29,372
Long-term debt (Note 6)	632,657	-	632,657	-
Total noncurrent liabilities	846,878	196,604	1,043,482	37,036
Total liabilities	1,257,149	695,501	1,952,650	39,880
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	3,795	3,795	7,590	201
Deferred OPEB cost reductions (Note 11)	581	479	1,060	171
Total deferred inflows of resources	4,376	4,274	8,650	372
Net Position				
Net investment in capital assets	4,301,646	5,921,577	10,223,223	89,056
Restricted - Debt service	130,250	-	130,250	-
Unrestricted	1,652,192	1,705,844	3,358,036	425,665
Total net position	\$ 6,084,088	\$ 7,627,421	\$ 13,711,509	\$ 514,721

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,145,369	\$ -	\$ 2,145,369	\$ -
Sewage disposal charges	-	1,264,155	1,264,155	-
Interest and penalty charges	10,541	6,973	17,514	-
Equipment rental	-	-	-	178,082
Total operating revenue	2,155,910	1,271,128	3,427,038	178,082
Operating Expenses				
Cost of water	1,805,959	-	1,805,959	-
Cost of sewage treatment	-	786,375	786,375	238
General operations and maintenance	49,812	29,837	79,649	125,876
Meter reading and billing	153,522	183,951	337,473	-
Depreciation	239,429	283,160	522,589	23,396
Total operating expenses	2,248,722	1,283,323	3,532,045	149,510
Operating (Loss) Income	(92,812)	(12,195)	(105,007)	28,572
Nonoperating Revenue (Expense)				
Investment interest and FMV changes	11,701	18,410	30,111	3,478
Interest expense	(8,132)	-	(8,132)	-
Debt service charge	(211)	-	(211)	-
Total nonoperating revenue	3,358	18,410	21,768	3,478
(Loss) Income - Before capital contributions	(89,454)	6,215	(83,239)	32,050
Capital Contributions - Tap fees	12,751	6,100	18,851	-
Change in Net Position	(76,703)	12,315	(64,388)	32,050
Net Position - Beginning of year	6,160,791	7,615,106	13,775,897	482,671
Net Position - End of year	\$ 6,084,088	\$ 7,627,421	\$ 13,711,509	\$ 514,721

City of Swartz Creek, Michigan

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2020

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,152,111	\$ 1,262,785	\$ 3,414,896	\$ 1,036
Receipts from interfund services and reimbursements	536	191	727	173,480
Payments to suppliers	(1,885,709)	(414,255)	(2,299,964)	(73,546)
Payments to employees	(70,056)	(188,739)	(258,795)	(42,877)
Net cash and cash equivalents provided by operating activities	196,882	659,982	856,864	58,093
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	385,263	-	385,263	-
Tap fees	12,750	6,100	18,850	-
Purchase of capital assets	(158,434)	(410,449)	(568,883)	(65,653)
Principal and interest paid on capital debt	(49,531)	-	(49,531)	-
Debt service charge	(211)	-	(211)	-
Net cash and cash equivalents provided by (used in) capital and related financing activities	189,837	(404,349)	(214,512)	(65,653)
Cash Flows from Investing Activities				
Interest received on investments	15,566	17,804	33,370	3,456
Purchases of investment securities	(1,740,000)	(975,000)	(2,715,000)	(50,000)
Proceeds from sale and maturities of investment securities	1,665,000	700,000	2,365,000	95,000
Net cash and cash equivalents (used in) provided by investing activities	(59,434)	(257,196)	(316,630)	48,456
Net Increase (Decrease) in Cash and Cash Equivalents	327,285	(1,563)	325,722	40,896
Cash and Cash Equivalents - Beginning of year	544,633	899,492	1,444,125	275,483
Cash and Cash Equivalents - End of year	\$ 871,918	\$ 897,929	\$ 1,769,847	\$ 316,379
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 741,668	\$ 897,929	\$ 1,639,597	\$ 316,379
Restricted cash	130,250	-	130,250	-
Total cash and cash equivalents	\$ 871,918	\$ 897,929	\$ 1,769,847	\$ 316,379

City of Swartz Creek, Michigan

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2020

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (92,812)	\$ (12,195)	\$ (105,007)	\$ 28,572
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	239,429	283,160	522,589	23,396
Changes in assets and liabilities:				
Receivables	(28,616)	(8,343)	(36,959)	-
Due to and from other funds	536	191	727	(3,566)
Inventories	317	317	634	633
Prepaid and other assets	2,187	1,197	3,384	(11,529)
Accrued and other liabilities	80,218	78,955	159,173	21,774
Accounts payable	(4,377)	316,700	312,323	(1,187)
Total adjustments	289,694	672,177	961,871	29,521
Net cash and cash equivalents provided by operating activities	\$ 196,882	\$ 659,982	\$ 856,864	\$ 58,093

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2020

	Custodial Funds - Property Tax Collection Funds
Assets - Receivables	\$ 80,433
Liabilities - Unremitted tax collections	<u>80,433</u>
Net Position	<u><u>\$ -</u></u>

City of Swartz Creek, Michigan

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	Custodial Funds - Property Tax Collection Funds
Additions - Property tax collections	\$ 5,415,041
Deductions - Tax distributions to other governments	<u>5,415,041</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Swartz Creek, 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 (GASB). The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City of Swartz Creek, Michigan was incorporated in 1959 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a council-manager form of government and provides the following services, as authorized by its charter: public safety, highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

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

For financial reporting purposes, the City of Swartz Creek Building Authority (the "Building Authority") has been reported as if it were a part of the City's operations because:

- The City pledged its full faith and credit as a guarantee for the Building Authority's outstanding debt.
- The City is obligated to fund deficits of the Building Authority.

Discretely Presented Component Unit

The Swartz Creek Downtown Development Authority (the "Authority") was established in accordance with state law to promote and rehabilitate the downtown area. State law provides for a specific tax levy for the operations of the Authority. The City appoints the board and has to approve the annual budget and the issuance of any debt. Any surplus funds remaining at the termination of the Authority vest 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.

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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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 of the general government, except those required to be accounted for in another fund.
- The Major Streets Fund accounts for the portion of the City's share of proceeds from gas and weight tax levied by the State and distributed to local governmental units to be used for major streets. State law requires that these taxes be used for major street maintenance and construction.
- The Local Streets Fund accounts for the portion of the City's share of proceeds from gas and weight tax levied by the State and distributed to local governmental units to be used for local streets. State law requires that these taxes be used for local street maintenance and construction.
- The Garbage Collection Fund accounts for a special property tax millage allowed to provide garbage and compost collection services.
- The Local Streets Millage Fund accounts for a special property tax millage for local street improvements.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as major enterprise funds:

- The Water Fund accounts for the operations of the water distribution system.
- The Sewer Fund accounts for the operations of the sewage pumping collection system.

The City's Internal Service Fund is used to account for services provided to other departments of the City on a cost-reimbursement basis. The City has a Motor Pool internal service fund that allocates costs to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

- The custodial funds account for assets held by the City in a trustee capacity.

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. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type 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 government 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: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, delinquent property taxes, delinquent special assessments, and miscellaneous receivables will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds and fiduciary 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 and Cash Equivalents

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

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value or estimated fair value.

Receivables and Payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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.

Land Held for Resale

Land held for resale is valued at the lower of cost or market and is recorded as another asset in both the government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have 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 \$2,500 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, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Infrastructure	15-25
Water and sewer lines	40
Buildings and improvements	39
Machinery and equipment	3-7
Vehicles	3-5
Land improvements	10-40

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and Local Streets Millage Fund are generally used to liquidate governmental 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 a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has deferred outflows of resources related to the defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 11, respectively.

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 a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City has deferred inflows of resources related to the defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 11. The governmental funds report unavailable revenue from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consist 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. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. 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 (e.g., restricted bond or grant proceeds) 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, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government'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. In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned: Intent to spend resources on specific purposes expressed by the City Council

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of July 1. Taxes are also levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

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

Purpose	Millage Rate	Revenue
General operating	4.8289 \$	730,785
Garbage collection	2.6270	397,578
Local streets	4.2200	646,915
Public safety	4.9000	696,366
Total		\$ 2,471,644

Note 1 - Significant Accounting Policies (Continued)

Pension

The City offers a defined benefit pension plan to its employees hired before July 1, 1997. 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 City's 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. The General Fund, major and nonmajor governmental funds, Water Fund, Sewer Fund, and Internal Service Fund are used to liquidate the pension obligation.

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. The General Fund, Water Fund, Sewer Fund, and Internal Service Fund are used to liquidate the OPEB obligation.

Compensated Absences (Vacation and Sick Leave)

In accordance with contracts negotiated with the various employee groups of the City, individual employees have a vested right upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vacation and sick 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. The General Fund is used to liquidate the obligation.

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 the Water Fund, Sewer Fund, and Internal Service Fund is charges to customers for sales and services. The Water Fund and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and 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 reporting period. Actual results could differ from those estimates.

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

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 property tax collection fund now reports additions and deductions within the statement of changes in fiduciary net position.

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 provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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 were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Note 2 - Stewardship, Compliance, and Accountability

During the year, the City incurred expenditures in the General Fund and major special revenue funds, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - General government	\$ 358,673	\$ 358,783
General Fund - Public safety	1,209,978	1,211,274
General Fund - Recreation and culture	147,892	148,055
Major Streets - Public works	345,841	346,691

Budget overruns related to unanticipated expenditures for which the City did not amend the budget.

June 30, 2020

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Construction Code Fees

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

Cumulative shortfall at July 1, 2019	\$ (365,024)
Current year permit revenue	88,058
Related expenses - Direct costs	<u>75,272</u>
Current year surplus	<u>12,786</u>
Cumulative shortfall June 30, 2020	<u>\$ (352,238)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated several banks for the deposit of its funds. The investment policy adopted by the board 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 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, including its component unit, had \$4,165,299 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City, including its component unit, 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.

Note 3 - Deposits and Investments (Continued)

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, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan CLASS pool	\$ 850	AAAm	S&P

The Michigan CLASS investments pool interests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,519,035	\$ -	\$ -	\$ -	\$ 1,519,035
Construction in progress	412,866	(361,336)	117,397	-	168,927
Subtotal	1,931,901	(361,336)	117,397	-	1,687,962
Capital assets being depreciated:					
Infrastructure	13,677,203	361,336	225,407	-	14,263,946
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	1,019,733	-	4,277	(92,596)	931,414
Vehicles	495,647	-	65,297	-	560,944
Land improvements	1,089,806	-	650,060	-	1,739,866
Subtotal	19,015,320	361,336	945,041	(92,596)	20,229,101
Accumulated depreciation:					
Infrastructure	4,851,320	-	807,526	-	5,658,846
Buildings and improvements	1,388,458	-	54,747	-	1,443,205
Machinery and equipment	912,504	-	23,297	(92,596)	843,205
Vehicles	449,277	-	23,199	-	472,476
Land improvements	620,254	-	74,477	-	694,731
Subtotal	8,221,813	-	983,246	(92,596)	9,112,463
Net capital assets being depreciated	10,793,507	361,336	(38,205)	-	11,116,638
Net capital assets	\$ 12,725,408	\$ -	\$ 79,192	\$ -	\$ 12,804,600

June 30, 2020

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Construction in progress	\$ 222,011	\$ 131,667	\$ -	\$ 353,678
Capital assets being depreciated:				
Water and sewer lines	17,317,147	369,507	-	17,686,654
Machinery and equipment	180,282	67,709	-	247,991
Subtotal	17,497,429	437,216	-	17,934,645
Accumulated depreciation:				
Water and sewer lines	6,681,954	499,526	-	7,181,480
Machinery and equipment	147,194	23,063	-	170,257
Subtotal	6,829,148	522,589	-	7,351,737
Net capital assets being depreciated	10,668,281	(85,373)	-	10,582,908
Net capital assets	<u>\$ 10,890,292</u>	<u>\$ 46,294</u>	<u>\$ -</u>	<u>\$ 10,936,586</u>

Component Unit

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets being depreciated:					
Machinery and equipment	\$ -	\$ -	\$ 8,272	\$ -	\$ 8,272
Vehicles	4,721	-	-	-	4,721
Subtotal	4,721	-	8,272	-	12,993
Accumulated depreciation:					
Machinery and equipment	-	-	1,182	-	1,182
Vehicles	1,416	-	945	-	2,361
Subtotal	1,416	-	2,127	-	3,543
Net capital assets	<u>\$ 3,305</u>	<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ -</u>	<u>\$ 9,450</u>

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

Governmental activities:	
General government	\$ 692,262
Public safety	11,688
Public works	234,074
Recreation and culture	21,826
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	23,396
Total governmental activities	<u>\$ 983,246</u>

June 30, 2020

Note 4 - Capital Assets (Continued)

Business-type activities:		
Water	\$	239,429
Sewer		<u>283,160</u>
Total business-type activities	\$	<u>522,589</u>
Component unit activities - Community development	\$	<u>2,127</u>

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Watermain project	\$ 124,580	\$ 4,934,504
Water improvement programs	247,928	448,472

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Motor Pool Fund	General Fund	\$ 304
	Major Street Fund	294
	Local Street Fund	1,070
	Garbage Collection Fund	1,171
	Water Fund	536
	Sewer Fund	<u>191</u>
	Total	<u>\$ 3,566</u>

These balances result from the timing 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.

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 160,768
Major Streets Fund	Local Streets Fund	100,000
Local Streets Millage Fund	Local Streets Fund	440,000
Nonmajor governmental funds	General Fund	<u>34,000</u>
	Total	<u>\$ 734,768</u>

The transfers from the General Fund to the nonmajor governmental funds were for resources to service debt and the use of unrestricted resources to fund purchase of fire equipment in accordance with budgetary authorizations.

The transfers from the Local Streets Millage Fund and Major Streets Fund to the Local Streets Fund were to finance local street projects.

June 30, 2020

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. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt:					
General obligations - 2001 Building Authority Bond, used to renovate city hall, bearing interest from 4.25 to 5.65 percent, maturing in 2021	\$ 170,000	\$ -	\$ (75,000)	\$ 95,000	\$ 95,000
General obligations - 2017 General Obligation Limited Tax Bonds, used to fund a portion of certain capital improvements in the City, bearing interest from 1.15 to 2.75 percent, maturing in 2027	1,230,500	-	(138,600)	1,091,900	142,294
Total bonds and contracts payable - Other debt	1,400,500	-	(213,600)	1,186,900	237,294
Compensated absences	26,006	26,764	(13,730)	39,040	39,040
Total governmental activities long-term debt	\$ 1,426,506	\$ 26,764	\$ (227,330)	\$ 1,225,940	\$ 276,334

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt:					
General obligations - 2017 General Obligation Limited Tax Bonds, used to fund a portion of certain capital improvements in the City, bearing interest from 1.15 to 2.75 percent, maturing in 2027	\$ 369,500	\$ -	\$ (41,400)	\$ 328,100	\$ 42,706
General obligations - Water Supply System Revenue Bond, Series 2020, used to fund a portion of City water supply system construction and improvements, bearing interest not to exceed 3.125 percent, maturing in 2060	-	385,263	-	385,263	38,000
Total bonds and contracts payable - Other debt	369,500	385,263	(41,400)	713,363	80,706
Compensated absences	18,994	18,325	(9,710)	27,609	27,609
Total business-type activities long-term debt	<u>\$ 388,494</u>	<u>\$ 403,588</u>	<u>\$ (51,110)</u>	<u>\$ 740,972</u>	<u>\$ 108,315</u>

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water Fund, net of operating expenses, to repay the water revenue bonds listed below. Proceeds from the bonds provided financing for the construction of the water system and a drinking water program. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds total \$5,190,594. During the current year, net revenue of the system was \$142,177, compared to annual debt requirements of \$0.

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. 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 City.

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			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 237,294	\$ 26,595	\$ 263,889	\$ 80,706	\$ 99,048	\$ 179,754
2022	146,154	21,277	167,431	82,846	97,071	179,917
2023	150,000	18,277	168,277	85,000	94,952	179,952
2024	157,692	14,888	172,580	89,308	92,686	181,994
2025	161,538	11,056	172,594	91,462	90,223	181,685
2026-2030	334,222	9,172	343,394	335,778	416,315	752,093
Thereafter	-	-	-	2,503,000	1,389,875	3,892,875
Total	\$ 1,186,900	\$ 101,265	\$ 1,288,165	\$ 3,268,100	\$ 2,280,170	\$ 5,548,270

Included in the maturity table above is the entire amount of the Water Supply System Revenue Bond, Series 2020, even though the entire bond had not been drawn upon as of June 30, 2020. Therefore, there is a difference between the outstanding principal in the maturity table and the current year activity table.

Significant Terms

Other Debt

The outstanding Water Supply System Revenue Bond, Series 2020, used to fund a portion of city water supply system construction and improvements in the amount of \$385,263, contains a provision that, in an event of default, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the system on behalf of the issuer, under the direction of the court, and by and with the approval of the court, to perform the duties of the officers of the issuer more particularly set forth herein and in Act 94.

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 participates in a public entity risk pool that assumes the risk of loss for these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City has purchased commercial insurance for property, liability, wrongful acts, and health care. The City participates in the Michigan Municipal Workers' Compensation Self-Insurer's Fund administered by the Michigan Municipal League. The fund provides coverage for workers' compensation claims subject to a maximum limit of \$500,000 per occurrence.

June 30, 2020

Note 8 - Joint Venture Agreements

The Swartz Creek Area Fire Department (the "Fire Department")

The Fire Department has been organized as a joint venture of the City of Swartz Creek, Michigan and the Township of Clayton. The organization agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Fire Department's board are appointed by the City and the Township of Clayton. The participating units provide revenue to the Fire Department on the basis of fire runs and general contributions. The City and the Township of Clayton have provided the Fire Department with the use of several vehicles and real property. Title to these vehicles remains with the contributing unit of governments.

The equity interest is calculated based on the City's total contributions as a percentage of all contributions received by the Fire Department. The City's equity interest of \$489,176 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2020, the City was billed \$40,326 for fire runs by the Fire Department. The City contributed an additional \$100,826 toward operating costs and an additional \$5,839 toward capital costs.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at the Fire Department's headquarters.

The Metro Police Authority of Genesee County (the "Police Authority")

The Police Authority has been organized as a joint venture of the City of Swartz Creek, Michigan and the Township of Mundy. The organization agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the authority board are appointed by the City and the Township of Mundy. The participating units provide revenue to the Police Authority on the basis of monthly police service charges and general contributions. The City and the Township of Mundy have provided the Police Authority with capital contributions of several vehicles and real property. Title to these vehicles transferred to the Police Authority.

The equity interest is calculated based on the City's net book value of contributed assets as of June 30, 2019, as set forth in the interlocal agreement. The City's equity interest in those assets is now \$28,714,997.

During the year ended June 30, 2020, the City was billed \$992,886 for police services by the Police Authority.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at the Police Authority's headquarters.

Note 9 - Defined Benefit Pension Plan

Plan Description

The City of Swartz Creek, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers some 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.mersofmich.com or by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Note 9 - Defined Benefit Pension Plan (Continued)

Benefits Provided

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

The MERS plan covers general employees hired prior to July 1, 1997 and supervisor employees hired prior to July 1, 1997.

Retirement benefits for general employees hired prior to July 1, 1997 are calculated as 2 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 55 with 30 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Retirement benefits for supervisor employees hired prior to July 1, 1997 are calculated as 2.5 percent 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. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial valuation.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date for supervisor employees hired prior to July 1, 1997. The annual adjustments are 2.5 percent, noncompounding.

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.

Employees Covered by Benefit Terms

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan
Inactive plan members or beneficiaries currently receiving benefits	15
Active plan members	2
Total employees covered by MERS	17

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service 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.

Note 9 - Defined Benefit Pension Plan (Continued)

For general employees hired prior to July 1, 1997, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. General employees hired prior to July 1, 1997 are required to deposit 2 percent of all monetary compensation, including overtime. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. The City's average monthly contribution was approximately \$592 for general employees hired prior to July 1, 1997.

For supervisor employees hired prior to July 1, 1997, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Supervisor employees hired prior to July 1, 1997 are required to contribute 4 percent of all monetary compensation, including overtime. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. The City currently does not have a required monthly contribution for supervisor employees hired prior to July 1, 1997, although the City's average monthly contribution was approximately \$5,500 for supervisor employees.

For the defined contribution plan, the City contributes 7 percent of supervisors' wages and 5 percent of AFSCME employees' annual compensation. No employee contributions are required, but voluntary contributions can be made by the participants in accordance with IRS regulations. Participants vest in the employer contribution at the rate of 20 percent for each year of employment, becoming fully vested after five years. Contribution requirements and plan provisions are established and may be amended by the City Council.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2020 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 6,618,095	\$ 5,919,948	\$ 698,147
Changes for the year:			
Service cost	8,408	-	8,408
Interest	508,630	-	508,630
Differences between expected and actual experience	(14,093)	-	(14,093)
Changes in assumptions	216,306	-	216,306
Contributions - Employer	-	73,104	(73,104)
Contributions - Employee	-	2,168	(2,168)
Net investment income	-	783,758	(783,758)
Benefit payments, including refunds	(528,836)	(528,836)	-
Administrative expenses	-	(13,489)	13,489
Net changes	190,415	316,705	(126,290)
Balance at December 31, 2019	\$ 6,808,510	\$ 6,236,653	\$ 571,857

June 30, 2020

Note 9 - Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$396,158. At June 30, 2020, the City reported deferred outflows 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	\$ -	\$ (18,976)
Employer contributions to the plan subsequent to the measurement date	36,551	-
Total	\$ 36,551	\$ (18,976)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$36,551 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2021	\$ (38,975)
2022	9,074
2023	81,243
2024	(70,318)
Total	\$ (18,976)

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return net of investment expenses of 7.60 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted from 2009-2013.

Mortality rates were based on the 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 employer 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.

Note 9 - Defined Benefit Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2019, the measurement date, for each major asset class are summarized in the following table:

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 1,175,861	\$ 571,857	\$ 49,294

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 pensions, 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

As of December 31, 2019 measurement date, the investment rate of return was reduced to 7.60 percent, and the assumed rate of wage inflation was reduced from 3.75 to 3.0 percent.

Note 10 - Defined Contribution Pension Plan

The City has adopted, by ordinance, a defined contribution money purchase pension plan administered by MERS and deferred compensation 457 retirement plans administered by MERS and ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is for all full-time supervisors and employees represented by AFSCME hired after July 1, 1997. The City contributes 7 percent of supervisors' wages and 5 percent of AFSCME employees' annual compensation. No employee contributions are required, but voluntary contributions can be made by the participants in accordance with IRS regulations. Participants vest in the employer contribution at the rate of 20 percent for each year of employment, becoming fully vested after five years. Contribution requirements and plan provisions are established and may be amended by the City Council.

Note 10 - Defined Contribution Pension Plan (Continued)

The City's total payroll during the current year was \$669,549. The current year contribution was calculated based on covered payroll of \$595,526, resulting in an employer contribution of \$35,932. The 457 deferred compensation plan is open to all of the employees of the City on a voluntary basis.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the City OPEB Plan, a single-employer plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The City OPEB Plan provides health care benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and a portion of the cost of the benefits is covered by the plan. As of June 30, 2017, the plan was closed to new entrants.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>City OPEB Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	8
Active plan members	<u>4</u>
Total plan members	<u><u>12</u></u>

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The actuarially determined contribution (ADC), calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability, was \$35,983 for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$38,440 into the City OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$587,370 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

June 30, 2020

Note 11 - Other Postemployment Benefit Plan (Continued)

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

City OPEB Plan

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2019	\$ 513,465
Changes for the year:	
Service cost	6,639
Interest	17,462
Changes in benefits	39,417
Differences between expected and actual experience	(22,410)
Changes in assumptions	71,238
Contributions - Employer	(38,441)
Net changes	73,905
Balance at June 30, 2020	\$ 587,370

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$104,896. At June 30, 2020, the City reported deferred inflows and deferred outflows of resources related to the City's OPEB plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (3,419)
Changes in assumptions	10,867	-
Total	\$ 10,867	\$ (3,419)

Year Ending June 30	Amount
2021	\$ 7,448

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses) of 2.66 percent; a health care cost trend rate of 8.5 percent for pre-65 participants and 7.0 percent for post-65 participants in 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for pre-65 participants in 2037 and post-65 participants in 2030 and later years; and the PUB-2010 mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of the valuation date.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.66 percent for the City OPEB Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (1.66%)	Current Discount Rate (2.66%)	1 Percentage Point Increase (3.66%)
Total OPEB liability of the City OPEB Plan	\$ 649,298	\$ 587,370	\$ 531,963

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

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

	1 Percentage Point Decrease (7.5%)	Current Health Care Cost Trend Rate (8.5%)	1 Percentage Point Increase (9.5%)
Total OPEB liability of the City OPEB Plan	\$ 584,690	\$ 587,370	\$ 590,148

Metro Police Authority OPEB Plan - Special Funding Situation

The City participates in the Metro Police Authority OPEB Plan, which was established during fiscal year 2017 and is administered by the Police Authority as a single-employer OPEB plan. At June 30, 2020, the City reported a liability of \$464,675 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2020, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$55,394 and deferred outflows of \$125,743 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2020 was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net OPEB liability was based on the portion of the liability for the Police Authority that related to police officers transferred from the City to the new Police Authority calculated by the City's proportionate share of the actuarial determined contribution. At December 31, 2019, the City's proportion was 13.00 percent of the Police Authority in total. As this arrangement meets the definition of a special funding situation per GASB Statement No. 75, the City did not pay any OPEB expense to the Police Authority as of June 30, 2019, as there are no retirees in the Police Authority at that date.

Note 12 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the City's operations have not been significantly impacted, but the City continues to monitor the situation. No impairments were recorded as of the statement of net position/balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the City's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Required Supplemental Information

City of Swartz Creek, Michigan

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,414,884	\$ 1,458,620	\$ 1,458,945	\$ 325
State-shared revenue and grants	585,277	569,446	552,719	(16,727)
Charges for services	122,347	133,242	134,682	1,440
Licenses and permits	222,000	262,793	260,808	(1,985)
Investment income	4,800	23,364	23,364	-
Other revenue	63,250	135,725	146,941	11,216
Total revenue	2,412,558	2,583,190	2,577,459	(5,731)
Expenditures				
Current services:				
General government	382,531	358,673	358,783	(110)
Legislative	34,371	33,671	33,669	2
Public safety	1,269,482	1,209,978	1,211,274	(1,296)
Public works	588,730	758,581	758,581	-
Recreation and culture	151,243	147,892	148,055	(163)
Total expenditures	2,426,357	2,508,795	2,510,362	(1,567)
Excess of Revenue (Under) Over Expenditures	(13,799)	74,395	67,097	(7,298)
Other Financing Sources (Uses)				
Transfers in	38,000	34,000	34,000	-
Transfers out	(164,930)	(160,768)	(160,768)	-
Total other financing uses	(126,930)	(126,768)	(126,768)	-
Net Change in Fund Balance	(140,729)	(52,373)	(59,671)	(7,298)
Fund Balance - Beginning of year	-	-	1,580,771	1,580,771
Fund Balance - End of year	\$ (140,729)	\$ (52,373)	\$ 1,521,100	\$ 1,573,473

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 430,871	\$ 462,621	\$ 481,440	\$ 18,819
Charges for services	500	2,410	2,410	-
Investment income	500	460	460	-
Other revenue	207,088	39,627	39,627	-
Total revenue	638,959	505,118	523,937	18,819
Expenditures - Current services - Public works	503,038	345,841	346,691	(850)
Excess of Revenue Over Expenditures	135,921	159,277	177,246	17,969
Other Financing Uses - Transfers out	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	35,921	59,277	77,246	17,969
Fund Balance - Beginning of year	-	-	674,695	674,695
Fund Balance - End of year	<u>\$ 35,921</u>	<u>\$ 59,277</u>	<u>\$ 751,941</u>	<u>\$ 692,664</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 151,701	\$ 164,565	\$ 171,690	\$ 7,125
Investment income	240	84	84	-
Other revenue	15,588	23,651	23,651	-
Total revenue	167,529	188,300	195,425	7,125
Expenditures - Current services - Public works	411,584	600,158	600,154	4
Excess of Expenditures Over Revenue	(244,055)	(411,858)	(404,729)	7,129
Other Financing Sources - Transfers in	540,000	540,000	540,000	-
Net Change in Fund Balance	295,945	128,142	135,271	7,129
Fund Balance - Beginning of year	648,736	648,736	648,736	-
Fund Balance - End of year	<u>\$ 944,681</u>	<u>\$ 776,878</u>	<u>\$ 784,007</u>	<u>\$ 7,129</u>

City of Swartz Creek, Michigan

Required Supplemental Information
 Budgetary Comparison Schedules - Major Special Revenue Funds
 (Continued)
 Garbage Collection Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 390,633	\$ 401,935	\$ 401,935	\$ -
State-shared revenue and grants	4,310	13,246	13,246	-
Investment income	480	2,186	2,186	-
Total revenue	395,423	417,367	417,367	-
Expenditures				
Current services:				
General government	44,792	41,488	41,060	428
Public works	346,398	371,403	371,402	1
Total expenditures	391,190	412,891	412,462	429
Net Change in Fund Balance	4,233	4,476	4,905	429
Fund Balance - Beginning of year	331,147	331,147	331,147	-
Fund Balance - End of year	<u>\$ 335,380</u>	<u>\$ 335,623</u>	<u>\$ 336,052</u>	<u>\$ 429</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 631,180	\$ 648,866	\$ 648,866	\$ -
Investment income	40	132	132	-
Total revenue	631,220	648,998	648,998	-
Expenditures				
Current services - Public works	650	385	385	-
Debt service	164,825	165,825	165,825	-
Total expenditures	165,475	166,210	166,210	-
Excess of Revenue Over Expenditures	465,745	482,788	482,788	-
Other Financing Uses - Transfers out	(440,000)	(440,000)	(440,000)	-
Net Change in Fund Balance	25,745	42,788	42,788	-
Fund Balance - Beginning of year	25,995	25,995	25,995	-
Fund Balance - End of year	<u>\$ 51,740</u>	<u>\$ 68,783</u>	<u>\$ 68,783</u>	<u>\$ -</u>

City of Swartz Creek, Michigan

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

Last Six Years Ended December 31

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	508,630	510,983	664,703	694,370	673,081	665,445
Transfer of employees to Metro Police Authority of Genesee County	-	-	(2,036,121)	-	-	-
Differences between expected and actual experience	(14,093)	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	216,306	-	-	-	418,907	-
Benefit payments, including refunds	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Net Change in Total Pension Liability	190,415	(25,549)	(1,933,962)	(385,173)	500,385	127,331
Total Pension Liability - Beginning of year	6,618,095	6,643,644	8,577,606	8,962,779	8,462,394	8,335,063
Total Pension Liability - End of year	\$ 6,808,510	\$ 6,618,095	\$ 6,643,644	\$ 8,577,606	\$ 8,962,779	\$ 8,462,394
Plan Fiduciary Net Position						
Contributions - Employer	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	2,168	2,144	3,697	12,249	11,530	13,280
Net investment income (loss)	783,758	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Transfer of employees to Metro Police Authority of Genesee County	-	-	(1,225,547)	-	-	-
Net Change in Plan Fiduciary Net Position	316,705	(704,561)	(861,271)	813,347	(551,930)	(38,491)
Plan Fiduciary Net Position - Beginning of year	5,919,948	6,624,509	7,485,780	6,672,433	7,224,363	7,262,854
Plan Fiduciary Net Position - End of year	\$ 6,236,653	\$ 5,919,948	\$ 6,624,509	\$ 7,485,780	\$ 6,672,433	\$ 7,224,363
City's Net Pension Liability - Ending	\$ 571,857	\$ 698,147	\$ 19,135	\$ 1,091,826	\$ 2,290,346	\$ 1,238,031
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
Covered Payroll	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
City's Net Pension Liability as a Percentage of Covered Payroll	532.55 %	651.36 %	18.28 %	213.29 %	474.64 %	260.42 %

See notes to required supplemental information.

City of Swartz Creek, Michigan

**Required Supplemental Information
Schedule of Pension Contributions**

	Last Ten Fiscal Years									
	Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181	\$ 96,931	\$ 79,846	\$ 76,298	\$ 76,075
Contributions in relation to the actuarially determined contribution	73,104	73,104	739,018	117,167	655,770	97,181	96,931	79,846	93,164	105,824
Contribution Excess	\$ -	\$ -	\$ 688,616	\$ 23,106	\$ 555,396	\$ -	\$ -	\$ -	\$ 16,866	\$ 29,749
Covered Payroll	\$ 107,380	\$ 106,871	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398	\$ 475,620	\$ 573,530	\$ 568,710	\$ 572,087
Contributions as a Percentage of Covered Payroll	68.08 %	68.40 %	706.14 %	22.89 %	135.90 %	20.44 %	20.38 %	13.92 %	16.38 %	18.50 %

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. Contributions for the City's fiscal year ended June 30, 2020 were determined based on the actuarial valuation as of December 31, 2017. The most recent valuation is as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	RP-2014 Mortality Tables of a 50 percent male and 50 percent female blend
Other information	None

City of Swartz Creek, Michigan

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

	Last Three Fiscal Years		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 6,639	\$ 5,212	\$ 5,481
Interest	17,462	17,671	17,105
Changes in benefit terms	39,417	-	-
Differences between expected and actual experience	(22,410)	-	-
Changes in assumptions	71,238	-	(17,762)
Benefit payments, including refunds	<u>(38,441)</u>	<u>(42,537)</u>	<u>(46,938)</u>
Net Change in Total OPEB Liability	73,905	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	<u>513,465</u>	<u>533,119</u>	<u>575,233</u>
Total OPEB Liability - End of year	<u>\$ 587,370</u>	<u>\$ 513,465</u>	<u>\$ 533,119</u>
Covered-employee Payroll	\$ 107,845	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered-employee Payroll	544.64 %	237.78 %	212.55 %

City of Swartz Creek, Michigan

Required Supplemental Information
 Schedule of the City's Proportionate Share of the Net OPEB Liability
 Metro Police Authority of Genesee County

	Last Four Plan Years			
	2019	2018	2017	2016
City's proportion of the net OPEB liability	13.00000 %	15.94700 %	12.45500 %	12.47700 %
City's proportionate share of the authority's net OPEB liability	\$ 464,675	\$ 501,021	\$ 327,459	\$ 275,306
City's contributions to Metro Police Authority of Genesee County OPEB Plan	-	-	-	-
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-	-	-	-

Note: GASB 75 was implemented in the City's fiscal year 2018 and retroactively for the plan in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

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.

Pension Information

Changes in Assumptions

There were no changes of benefit assumptions in 2014, 2016, 2017, or 2018.

In 2019, assumption changed related to salary increase and investment rate of return, resulting in an increase of the total pension liability.

In 2015, assumptions changed related to the investment rate of return, discount rate, and mortality tables, resulting in an increase of the total pension liability.

OPEB Information

Changes in Assumptions

There were no changes of benefit assumptions in 2018 or 2019.

In 2020, assumptions changed related to the amortization method, health care cost trend, discount rate, and mortality tables, resulting in an increase of the total OPEB liability.

Other Supplemental Information

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
Assets				
Cash and cash equivalents	\$ 7,112	\$ 2,338	\$ 106,950	\$ 116,400
Receivables	5,772	-	-	5,772
Total assets	\$ 12,884	\$ 2,338	\$ 106,950	\$ 122,172
Deferred Inflows of Resources	\$ 2,310	\$ -	\$ -	\$ 2,310
Fund Balances				
Restricted - Weed control and sidewalks	10,574	-	-	10,574
Assigned:				
Debt service	-	2,338	-	2,338
Capital projects	-	-	106,950	106,950
Total fund balances	10,574	2,338	106,950	119,862
Total deferred inflows of resources and fund balances	\$ 12,884	\$ 2,338	\$ 106,950	\$ 122,172

City of Swartz Creek, Michigan

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

Year Ended June 30, 2020

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
Revenue				
Special assessments	\$ 4,700	\$ -	\$ -	\$ 4,700
Investment income	-	13	16	29
Other revenue	1,215	-	-	1,215
Total revenue	5,915	13	16	5,944
Expenditures				
Current services - Public safety	2,375	-	5,839	8,214
Debt service:				
Principal	-	75,000	-	75,000
Interest on long-term debt	-	10,319	-	10,319
Total expenditures	2,375	85,319	5,839	93,533
Excess of Revenue Over (Under) Expenditures	3,540	(85,306)	(5,823)	(87,589)
Other Financing Sources (Uses)				
Transfers in	1,200	84,568	75,000	160,768
Transfers out	(34,000)	-	-	(34,000)
Total other financing (uses) sources	(32,800)	84,568	75,000	126,768
Net Change in Fund Balances	(29,260)	(738)	69,177	39,179
Fund Balances - Beginning of year	39,834	3,076	37,773	80,683
Fund Balances - End of year	<u>\$ 10,574</u>	<u>\$ 2,338</u>	<u>\$ 106,950</u>	<u>\$ 119,862</u>

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Statement of Net Position
Fiduciary Funds

June 30, 2020

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Assets - Receivables	\$ -	\$ -	\$ 80,433	\$ 80,433
Liabilities - Unremitted tax collections	-	-	80,433	80,433
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Statement of Changes in Net Position
Fiduciary Funds

Year Ended June 30, 2020

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Additions - Property tax collections	\$ 4,220,210	\$ 1,189,498	\$ 5,333	\$ 5,415,041
Deductions - Tax distributions to other governments	4,220,210	1,189,498	5,333	5,415,041
Net Change in Fiduciary Net Position	-	-	-	-
Net Position - Beginning of year	-	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>