
City of Swartz Creek, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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

To the City Council
City of 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 an opinion 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 & Moran, PLLC

October 3, 2019

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, 2019. 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, 2019:

- The City's total net position is approximately \$28.3 million.
- The City's overall unrestricted net position is approximately \$4.7 million.
- The City's General Fund revenue exceeded expenditures by \$227,834 before transfers out. After transfers out, the net decrease in fund balance was \$50,896, leaving the General Fund with a fund balance of \$1,580,771.

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			
	2018	2019	Change	Percent Change
Assets				
Current and other assets	\$ 4,075,229	\$ 4,584,097	\$ 508,868	12.5
Capital assets	13,129,562	12,725,408	(404,154)	(3.1)
Total assets	17,204,791	17,309,505	104,714	0.6
Deferred Outflows of Resources	53,849	429,552	375,703	697.7
Liabilities				
Current liabilities	481,565	481,400	(165)	-
Long-term liabilities	2,337,717	2,700,715	362,998	15.5
Total liabilities	2,819,282	3,182,115	362,833	12.9
Deferred Inflows of Resources	187,300	75,938	(111,362)	(59.5)
Net Position				
Net investment in capital assets	11,519,312	11,324,908	(194,404)	(1.7)
Restricted	1,143,330	1,732,113	588,783	51.5
Unrestricted	1,589,416	1,423,983	(165,433)	(10.4)
Total net position	\$ 14,252,058	\$ 14,481,004	\$ 228,946	1.6

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2018	2019	Change	Percent Change
Assets				
Current and other assets	\$ 3,927,347	\$ 4,012,835	\$ 85,488	2.2
Capital assets	11,000,441	10,890,292	(110,149)	(1.0)
Total assets	14,927,788	14,903,127	(24,661)	(0.2)
Deferred Outflows of Resources	29,642	186,768	157,126	530.1
Liabilities				
Current liabilities	464,393	487,080	22,687	4.9
Long-term liabilities	606,996	826,918	219,922	36.2
Total liabilities	1,071,389	1,313,998	242,609	22.6
Deferred Inflows of Resources	124,016	-	(124,016)	(100.0)
Net Position				
Net investment in capital assets	10,590,691	10,520,792	(69,899)	(0.7)
Unrestricted	3,171,334	3,255,105	83,771	2.6
Total net position	<u>\$ 13,762,025</u>	<u>\$ 13,775,897</u>	<u>\$ 13,872</u>	0.1

Governmental Activities

The governmental net position increased from a year ago, from approximately \$14.3 million to approximately \$14.5 million. In comparison, last year's net position decreased by less than 2 percent.

Current liabilities included payments in process for road construction projects on the Miller Road Holland Square Streetscape.

Long-term liability increases were due to increases in the net pension and net OPEB liabilities.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$165,433 for the governmental activities. This represents a decrease of approximately 10 percent. The current level of unrestricted net position for our governmental activities stands at \$1,423,983, or about 35 percent of expenditures.

Business-type Activities

The net position of business-type activities increased less than 1 percent from a year ago, from approximately \$13.76 million to approximately \$13.78 million.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by approximately \$84,000. This represents an increase of approximately 3 percent. The current level of unrestricted net position stands at approximately \$3.3 million, or about 93 percent of operating expenditures.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2018	2019	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 354,747	\$ 309,881	\$ (44,866)	(12.6)
Operating grants	620,779	678,666	57,887	9.3
General revenue:				
Property taxes	2,372,279	2,437,298	65,019	2.7
State-shared revenue	638,296	592,140	(46,156)	(7.2)
Investment earnings	16,296	18,069	1,773	10.9
Other revenue	208,457	282,783	74,326	35.7
Total revenue	4,210,854	4,318,837	107,983	2.6
Expenses				
General government	913,697	980,939	67,242	7.4
Legislative	16,757	20,942	4,185	25.0
Public safety	1,938,539	1,536,160	(402,379)	(20.8)
Public works	1,863,723	1,387,434	(476,289)	(25.6)
Recreation and culture	23,564	120,892	97,328	413.0
Interest on long-term debt	48,944	43,524	(5,420)	(11.1)
Total expenses	4,805,224	4,089,891	(715,333)	(14.9)
Special and Extraordinary Items	810,574	-	(810,574)	(100.0)
Change in Net Position	216,204	228,946	12,742	5.9
Net Position - Beginning of year	14,035,854	14,252,058	216,204	1.5
Net Position - End of year	\$ 14,252,058	\$ 14,481,004	\$ 228,946	1.6
Business-type Activities				
	2018	2019	Change	Percent Change
Revenue				
Operating revenue	\$ 3,450,343	\$ 3,497,726	\$ 47,383	1.4
Other revenue	94,841	34,624	(60,217)	(63.5)
Total revenue	3,545,184	3,532,350	(12,834)	(0.4)
Expenses				
Operating expenses - Other than depreciation	3,001,424	3,007,635	6,211	0.2
Depreciation	470,297	502,052	31,755	6.8
Interest expense	9,062	8,676	(386)	(4.3)
Debt service charge	115	115	-	-
Total expenses	3,480,898	3,518,478	37,580	1.1
Change in Net Position	64,286	13,872	(50,414)	(78.4)
Net Position - Beginning of year	13,697,739	13,762,025	64,286	0.5
Net Position - End of year	\$ 13,762,025	\$ 13,775,897	\$ 13,872	0.1

Governmental Activities

The City's total governmental revenue increased by approximately \$108,000. The majority of this can be attributed to the increase in grant revenue and property taxes.

The property tax revenue is composed of the following: general operating revenue of \$734,803, garbage collection revenue of \$388,571, public safety special assessment revenue of \$676,114, and local street millage revenue of \$629,686, with the remainder of the \$8,124 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed a decrease of \$402,379 between the fiscal year ended June 30, 2018 and June 30, 2019. The majority of this change is the result of the payment to the retirement system for the police officers who were moving to the Metro Police Authority. Additionally, the public works decrease in expenses between the last two fiscal years of \$476,289 is attributable to the completion of several large road projects during the prior fiscal year.

Business-type Activities

Operating revenue increased by approximately \$47,000 due to an increase in the sale of water. Expenses increased mainly due to current year depreciation expense. Other revenue saw a decrease from 2018 due to the decrease in capital contributions in 2019.

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 2019 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 street lights, 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 \$1.7 million in 2019, 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 stayed below budget, resulting in total expenditures of approximately \$89,000 below budget. Revenue was slightly higher than anticipated. These events caused the General Fund's fund balance to increase, before transfers, by approximately \$228,000. Overall, General Fund fund balance decreased from approximately \$1.63 million a year ago to approximately \$1.58 million at June 30, 2019.

Capital Assets and Debt Administration

At the end of 2019, the City had approximately \$23.6 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 2019, the City had \$3,527,633 in long-term liabilities. A total of \$1.77 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$1,757,633 is related to accumulated compensated absences of \$45,000, net pension liability of \$698,147, and the net other postemployment benefits liability of \$1,014,486.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget and Rates

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. Road work will also be completed for Helmsley Drive during the next fiscal year. 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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 2,672,574	\$ 1,444,125	\$ 4,116,699	\$ 46,880
Investments (Note 3)	1,100,000	1,525,000	2,625,000	-
Receivables:				
Property taxes receivable	19,036	-	19,036	-
Customer receivables	-	990,990	990,990	-
Accrued interest receivable	5,793	7,903	13,696	-
Other receivables	54,402	-	54,402	-
Due from other governments	198,612	-	198,612	-
Inventory	2,057	33,514	35,571	-
Prepaid expenses and other assets	124,294	11,303	135,597	1,812
Investment in joint ventures (Note 8)	289,800	-	289,800	-
Land held for resale	117,529	-	117,529	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,931,901	222,011	2,153,912	-
Assets subject to depreciation - Net	10,793,507	10,668,281	21,461,788	3,305
Total assets	17,309,505	14,903,127	32,212,632	51,997
Deferred Outflows of Resources - Pension and OPEB (Notes 9 and 11)	429,552	186,768	616,320	-
Liabilities				
Accounts payable	452,396	48,353	500,749	238
Due to other governmental units	-	405,997	405,997	-
Deposits payable	-	20,500	20,500	-
Accrued liabilities and other	29,004	12,230	41,234	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	26,006	18,994	45,000	-
Current portion of long-term debt	213,313	41,538	254,851	-
Due in more than one year:				
Net pension liability (Note 9)	418,891	279,256	698,147	-
Net OPEB liability	855,318	159,168	1,014,486	-
Long-term debt (Note 6)	1,187,187	327,962	1,515,149	-
Total liabilities	3,182,115	1,313,998	4,496,113	238
Deferred Inflows of Resources - OPEB (Note 11)	75,938	-	75,938	-
Net Position				
Net investment in capital assets	11,324,908	10,520,792	21,845,700	3,305
Restricted:				
Streets	1,353,668	-	1,353,668	-
Garbage collection	335,911	-	335,911	-
Weed control and sidewalks	42,534	-	42,534	-
Unrestricted	1,423,983	3,255,105	4,679,088	48,454
Total net position	\$ 14,481,004	\$ 13,775,897	\$ 28,256,901	\$ 51,759

See notes to financial statements.

City of Swartz Creek, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 980,939	\$ 141,822	\$ 1,250	\$ -
Legislative	20,942	-	-	-
Public safety	1,536,160	115,223	-	-
Public works	1,387,434	36,647	676,101	-
Recreation and culture	120,892	16,189	1,315	-
Interest on long-term debt	43,524	-	-	-
Total governmental activities	4,089,891	309,881	678,666	-
Business-type activities:				
Water Fund	2,267,929	2,205,180	-	11,250
Sewer Fund	1,250,434	1,292,431	-	4,600
Total business-type activities	3,518,363	3,497,611	-	15,850
Total primary government	\$ 7,608,254	\$ 3,807,492	\$ 678,666	\$ 15,850
Component units - Downtown Development Authority	\$ 116,595	\$ -	\$ 2,000	\$ -

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, 2019

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (837,867)	\$ -	\$ (837,867)	\$ -
(20,942)	-	(20,942)	-
(1,420,937)	-	(1,420,937)	-
(674,686)	-	(674,686)	-
(103,388)	-	(103,388)	-
(43,524)	-	(43,524)	-
(3,101,344)	-	(3,101,344)	-
-	(51,499)	(51,499)	-
-	46,597	46,597	-
-	(4,902)	(4,902)	-
(3,101,344)	(4,902)	(3,106,246)	-
-	-	-	(114,595)
2,437,298	-	2,437,298	54,554
592,140	-	592,140	-
18,069	18,774	36,843	34
118,804	-	118,804	-
34,009	-	34,009	-
129,970	-	129,970	-
3,330,290	18,774	3,349,064	54,588
228,946	13,872	242,818	(60,007)
14,252,058	13,762,025	28,014,083	111,766
\$ 14,481,004	\$ 13,775,897	\$ 28,256,901	\$ 51,759

City of Swartz Creek, Michigan

Governmental Funds Balance Sheet

June 30, 2019

	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)	\$ 937,258	\$ 508,908	\$ 618,563	\$ 229,285	\$ 25,674	\$ 77,403	\$ 2,397,091
Investments (Note 3)	775,000	25,000	-	125,000	-	-	925,000
Receivables:							
Property taxes receivable	10,030	-	-	4,764	4,242	-	19,036
Accrued interest receivable	2,940	230	-	1,091	-	-	4,261
Other receivables	47,219	1,203	-	-	-	5,980	54,402
Due from other governments	94,757	78,797	25,058	-	-	-	198,612
Prepaid expenses and other assets	14,153	95,930	11,537	1,801	321	-	123,742
Land held for resale	117,529	-	-	-	-	-	117,529
Total assets	\$ 1,998,886	\$ 710,068	\$ 655,158	\$ 361,941	\$ 30,237	\$ 83,383	\$ 3,839,673
Liabilities							
Accounts payable	\$ 385,669	\$ 34,392	\$ 5,390	\$ 23,702	\$ -	\$ -	\$ 449,153
Accrued liabilities and other	18,608	981	1,032	2,328	-	-	22,949
Total liabilities	404,277	35,373	6,422	26,030	-	-	472,102
Deferred Inflows of Resources (Note 1)	13,838	-	-	4,764	4,242	2,700	25,544
Fund Balances							
Nonspendable:							
Prepays	14,153	95,930	11,537	1,801	321	-	123,742
Land held for resale	117,529	-	-	-	-	-	117,529
Restricted:							
Roads	-	578,765	637,199	-	25,674	-	1,241,638
Garbage collection	-	-	-	329,346	-	-	329,346
Weed control and sidewalks	-	-	-	-	-	39,834	39,834
Assigned:							
Subsequent year's budget	140,729	-	-	-	-	-	140,729
Debt service	-	-	-	-	-	3,076	3,076
Capital projects	-	-	-	-	-	37,773	37,773
Unassigned	1,308,360	-	-	-	-	-	1,308,360
Total fund balances	1,580,771	674,695	648,736	331,147	25,995	80,683	3,342,027
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,998,886	\$ 710,068	\$ 655,158	\$ 361,941	\$ 30,237	\$ 83,383	\$ 3,839,673

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 3,342,027
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	20,381,362
Accumulated depreciation	<u>(7,702,753)</u>
Net capital assets used in governmental activities	12,678,609
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	25,544
Investments in joint ventures are not financial resources and are not reported in the funds	289,800
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,400,500)
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	(23,557)
Net pension liability	(411,909)
Net OPEB liability	(845,045)
Deferred inflows of resources related to pension and OPEB	(75,928)
Deferred outflows of resources related to pension and OPEB	424,880
Internal service funds are included as part of governmental activities:	
Capital assets-related items	46,799
All other items	<u>435,872</u>
Net Position of Governmental Activities	<u><u>\$ 14,481,004</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
Revenue							
Property taxes	\$ 1,411,384	\$ -	\$ -	\$ 388,825	\$ 630,094	\$ -	\$ 2,430,303
Special assessments	-	-	-	-	-	5,850	5,850
State-shared revenue and grants	572,305	497,039	195,883	9,694	-	-	1,274,921
Charges for services	130,290	8,426	-	-	-	-	138,716
Fines and forfeitures	980	-	-	-	-	-	980
Licenses and permits	253,505	-	-	-	-	-	253,505
Investment income	18,674	582	195	2,070	41	17	21,579
Other revenue	212,089	6,618	22,826	-	-	1,715	243,248
Total revenue	2,599,227	512,665	218,904	400,589	630,135	7,582	4,369,102
Expenditures							
Current services:							
General government	348,658	-	-	40,111	-	-	388,769
Legislative	20,942	-	-	-	-	-	20,942
Public safety	1,217,087	-	-	-	-	217,189	1,434,276
Public works	662,679	252,997	427,124	345,189	385	-	1,688,374
Recreation and culture	122,027	-	-	-	-	-	122,027
Debt service:							
Principal	-	-	-	-	134,750	75,000	209,750
Interest on long-term debt	-	-	-	-	29,044	14,480	43,524
Total expenditures	2,371,393	252,997	427,124	385,300	164,179	306,669	3,907,662
Excess of Revenue Over (Under) Expenditures	227,834	259,668	(208,220)	15,289	465,956	(299,087)	461,440
Other Financing Sources (Uses)							
Transfers in (Note 5)	-	-	596,500	-	-	228,730	825,230
Transfers out (Note 5)	(278,730)	(85,000)	-	-	(461,500)	-	(825,230)
Total other financing (uses) sources	(278,730)	(85,000)	596,500	-	(461,500)	228,730	-
Net Change in Fund Balances	(50,896)	174,668	388,280	15,289	4,456	(70,357)	461,440
Fund Balances - Beginning of year	1,631,667	500,027	260,456	315,858	21,539	151,040	2,880,587
Fund Balances - End of year	\$ 1,580,771	\$ 674,695	\$ 648,736	\$ 331,147	\$ 25,995	\$ 80,683	\$ 3,342,027

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, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 461,440
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	475,231
Depreciation expense	(899,168)
Net book value of assets disposed of	(289)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	7,295
Decrease in deferred inflows of resources related to pension and OPEB	108,184
Increase in deferred outflows of resources related to pension and OPEB	372,339
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	209,750
The change in the net pension liability is recorded when incurred in the statement of activities	(400,620)
The change in the net OPEB liability is recorded when incurred in the statement of activities	(165,727)
Increase in equity interest in joint ventures	34,009
Internal service funds are included as part of governmental activities	26,502
Change in Net Position of Governmental Activities	\$ 228,946

City of Swartz Creek, Michigan

Proprietary Funds Statement of Net Position

June 30, 2019

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 544,633	\$ 899,492	\$ 1,444,125	\$ 275,483
Investments (Note 3)	675,000	850,000	1,525,000	175,000
Receivables:				
Customer receivables	634,400	356,590	990,990	-
Accrued interest receivable	4,055	3,848	7,903	1,532
Inventory	32,011	1,503	33,514	2,057
Prepaid expenses and other assets	6,818	4,485	11,303	552
Total current assets	1,896,917	2,115,918	4,012,835	454,624
Noncurrent assets - Capital assets (Note 4)	5,096,004	5,794,288	10,890,292	46,799
Total assets	6,992,921	7,910,206	14,903,127	501,423
Deferred Outflows of Resources - Pension (Note 9)	93,384	93,384	186,768	4,672
Liabilities				
Current liabilities:				
Accounts payable	45,428	2,925	48,353	3,243
Due to other governmental units	250,203	155,794	405,997	-
Deposits payable	18,000	2,500	20,500	-
Accrued liabilities and other	4,329	7,901	12,230	467
Compensated absences (Note 6)	11,140	7,854	18,994	-
Current portion of long-term debt (Note 6)	41,538	-	41,538	-
Total current liabilities	370,638	176,974	547,612	3,710
Noncurrent liabilities:				
Compensated absences (Note 6)	-	-	-	2,449
Net pension liability (Note 9)	139,628	139,628	279,256	6,982
Net OPEB liability	87,286	71,882	159,168	10,273
Long-term debt (Note 6)	327,962	-	327,962	-
Total noncurrent liabilities	554,876	211,510	766,386	19,704
Total liabilities	925,514	388,484	1,313,998	23,414
Deferred Inflows of Resources (Note 9)	-	-	-	10
Net Position				
Net investment in capital assets	4,726,504	5,794,288	10,520,792	46,799
Unrestricted	1,434,287	1,820,818	3,255,105	435,872
Total net position	<u>\$ 6,160,791</u>	<u>\$ 7,615,106</u>	<u>\$ 13,775,897</u>	<u>\$ 482,671</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,190,722	\$ -	\$ 2,190,722	\$ -
Sewage disposal charges	-	1,282,484	1,282,484	-
Interest and penalty charges	14,573	9,947	24,520	-
Equipment rental	-	-	-	148,010
Total operating revenue	<u>2,205,295</u>	<u>1,292,431</u>	<u>3,497,726</u>	<u>148,010</u>
Operating Expenses				
Cost of water	1,910,346	-	1,910,346	-
Cost of sewage treatment	-	774,208	774,208	169
General operations and maintenance	31,479	20,118	51,597	109,797
Meter reading and billing	83,870	187,614	271,484	-
Depreciation	233,558	268,494	502,052	21,932
Total operating expenses	<u>2,259,253</u>	<u>1,250,434</u>	<u>3,509,687</u>	<u>131,898</u>
Operating (Loss) Income	(53,958)	41,997	(11,961)	16,112
Nonoperating Revenue (Expense)				
Investment income	6,184	12,590	18,774	3,775
Interest expense	(8,676)	-	(8,676)	-
Gain on sale of assets	-	-	-	6,615
Debt service charge	(115)	-	(115)	-
Total nonoperating (expense) revenue	<u>(2,607)</u>	<u>12,590</u>	<u>9,983</u>	<u>10,390</u>
(Loss) Income - Before capital contributions	(56,565)	54,587	(1,978)	26,502
Capital Contributions - Tap fees	<u>11,250</u>	<u>4,600</u>	<u>15,850</u>	<u>-</u>
Change in Net Position	(45,315)	59,187	13,872	26,502
Net Position - Beginning of year	<u>6,206,106</u>	<u>7,555,919</u>	<u>13,762,025</u>	<u>456,169</u>
Net Position - End of year	<u><u>\$ 6,160,791</u></u>	<u><u>\$ 7,615,106</u></u>	<u><u>\$ 13,775,897</u></u>	<u><u>\$ 482,671</u></u>

City of Swartz Creek, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,198,074	\$ 1,296,587	\$ 3,494,661	\$ 143
Receipts from interfund services and reimbursements	-	-	-	147,867
Payments to suppliers	(1,917,264)	(745,315)	(2,662,579)	(86,044)
Payments to employees	(107,038)	(241,684)	(348,722)	(25,235)
Net cash and cash equivalents provided by operating activities	173,772	309,588	483,360	36,731
Cash Flows from Capital and Related Financing Activities				
Tap fees	11,250	4,600	15,850	-
Proceeds from sale of capital assets	-	-	-	6,615
Purchase of capital assets	(232,620)	(159,283)	(391,903)	(42,004)
Principal and interest paid on capital debt	(48,926)	-	(48,926)	-
Debt service charge	(115)	-	(115)	-
Net cash and cash equivalents used in capital and related financing activities	(270,411)	(154,683)	(425,094)	(35,389)
Cash Flows from Investing Activities				
Interest received on investments	8,848	13,554	22,402	4,249
Purchases of investment securities	(1,740,000)	(975,000)	(2,715,000)	(50,000)
Proceeds from sale and maturities of investment securities	1,565,000	775,000	2,340,000	105,000
Net cash and cash equivalents (used in) provided by investing activities	(166,152)	(186,446)	(352,598)	59,249
Net (Decrease) Increase in Cash and Cash Equivalents	(262,791)	(31,541)	(294,332)	60,591
Cash and Cash Equivalents - Beginning of year	807,424	931,033	1,738,457	214,892
Cash and Cash Equivalents - End of year	\$ 544,633	\$ 899,492	\$ 1,444,125	\$ 275,483

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	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	\$ (53,958)	\$ 41,997	\$ (11,961)	\$ 16,112
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	233,558	268,494	502,052	21,932
Changes in assets and liabilities:				
Receivables	(7,221)	4,156	(3,065)	-
Inventories	(1,503)	(1,503)	(3,006)	(2,057)
Prepaid and other assets	(1,820)	(557)	(2,377)	(128)
Accrued and other liabilities	46,037	59,545	105,582	231
Accounts payable	(41,321)	(62,544)	(103,865)	641
Total adjustments	227,730	267,591	495,321	20,619
Net cash and cash equivalents provided by operating activities	\$ 173,772	\$ 309,588	\$ 483,360	\$ 36,731

City of Swartz Creek, Michigan

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2019

Agency Funds

Assets

Cash and cash equivalents
Receivables

\$ 24,458
70,870

Total assets

\$ 95,328

Liabilities

Due to other governmental units
Deposits payable

\$ 72,163
23,165

Total liabilities

\$ 95,328

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) 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.

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 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 Agency Funds account for assets held by the City in a trustee capacity. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: 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.

Note 1 - Significant Accounting Policies (Continued)

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.

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.

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:

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

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 an "other financing source," as well as bond premiums and discounts. The General Fund and Local Streets Millage Fund are generally used to liquidate governmental long-term debt.

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to 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 amount 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 as 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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

Purpose	Millage Rate	Revenue
General operating	4.8289 \$	708,167
Garbage collection	2.6270	385,220
Local streets	4.2200	628,214
Public safety	4.9000	676,114
Total		<u>\$ 2,397,715</u>

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.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact of this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

Note 1 - Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Shortfall at July 1, 2018	\$ (336,865)
Current year permit revenue	68,039
Related expenses - Direct costs	<u>98,168</u>
Current year shortfall	<u>(28,159)</u>
Cumulative shortfall June 30, 2019	<u><u>\$ (365,024)</u></u>

Note 3 - Deposits and Investments

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

The City 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 \$3,448,315 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.

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, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
MBIA Michigan CLASS Pool	\$ 850	AAA	Fitch

June 30, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,519,035	\$ -	\$ -	\$ -	\$ 1,519,035
Construction in progress	2,335,667	(2,325,942)	403,141	-	412,866
Subtotal	3,854,702	(2,325,942)	403,141	-	1,931,901
Capital assets being depreciated:					
Infrastructure	11,290,190	2,325,942	61,071	-	13,677,203
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	1,025,826	-	10,562	(16,655)	1,019,733
Vehicles	485,368	-	41,478	(31,199)	495,647
Land improvements	1,088,823	-	983	-	1,089,806
Subtotal	16,623,138	2,325,942	114,094	(47,854)	19,015,320
Accumulated depreciation:					
Infrastructure	4,074,172	-	777,148	-	4,851,320
Buildings and improvements	1,333,711	-	54,747	-	1,388,458
Machinery and equipment	903,466	-	25,404	(16,366)	912,504
Vehicles	458,649	-	21,827	(31,199)	449,277
Land improvements	578,280	-	41,974	-	620,254
Subtotal	7,348,278	-	921,100	(47,565)	8,221,813
Net capital assets being depreciated	9,274,860	2,325,942	(807,006)	(289)	10,793,507
Net capital assets	<u>\$ 13,129,562</u>	<u>\$ -</u>	<u>\$ (403,865)</u>	<u>\$ (289)</u>	<u>\$ 12,725,408</u>

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Construction in progress	\$ -	\$ -	\$ 222,011	\$ -	\$ 222,011
Capital assets being depreciated:					
Water and sewer lines	17,168,473	-	148,674	-	17,317,147
Machinery and equipment	159,167	-	21,453	(338)	180,282
Subtotal	17,327,640	-	170,127	(338)	17,497,429
Accumulated depreciation:					
Water and sewer lines	6,191,317	-	490,637	-	6,681,954
Machinery and equipment	135,882	-	11,415	(103)	147,194
Subtotal	6,327,199	-	502,052	(103)	6,829,148
Net capital assets being depreciated	11,000,441	-	(331,925)	(235)	10,668,281
Net capital assets	<u>\$ 11,000,441</u>	<u>\$ -</u>	<u>\$ (109,914)</u>	<u>\$ (235)</u>	<u>\$ 10,890,292</u>

June 30, 2019

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets being depreciated - Vehicles	\$ 4,721	\$ -	\$ -	\$ -	\$ 4,721
Accumulated depreciation - Vehicles	472	-	944	-	1,416
Net capital assets	<u>\$ 4,249</u>	<u>\$ -</u>	<u>\$ (944)</u>	<u>\$ -</u>	<u>\$ 3,305</u>

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

Governmental activities:		
General government		\$ 629,741
Public safety		11,896
Public works		235,705
Recreation and culture		21,826
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset		21,932
Total governmental activities		<u>\$ 921,100</u>
Business-type activities:		
Water		\$ 233,558
Sewer		268,494
Total business-type activities		<u>\$ 502,052</u>
Component unit activities - Vehicles		<u>\$ 944</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Watermain project	\$ 247,928	\$ 448,472
Helmsley Drive improvements	23,036	366,930

Note 5 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Local Streets Fund	\$ 50,000
	Nonmajor governmental funds	228,730
	Total General Fund	278,730
Major Streets Fund	Local Streets Fund	85,000
Local Streets Millage Fund	Local Streets Fund	461,500
	Total	<u>\$ 825,230</u>

June 30, 2019

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

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 transfer from the General Fund to the Local Streets Fund was to finance local street projects.

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

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt:					
General obligation building authority bond	\$ 245,000	\$ -	\$ (75,000)	\$ 170,000	\$ 75,000
General obligation limited tax bonds	1,365,250	-	(134,750)	1,230,500	138,313
Total bonds and contracts payable - Other debt	1,610,250	-	(209,750)	1,400,500	213,313
Compensated absences	26,006	35,373	(35,373)	26,006	26,006
Total governmental activities long-term debt	<u>\$ 1,636,256</u>	<u>\$ 35,373</u>	<u>\$ (245,123)</u>	<u>\$ 1,426,506</u>	<u>\$ 239,319</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt:					
Compensated absences	\$ 409,750	\$ -	\$ (40,250)	\$ 369,500	\$ 41,538
Compensated absences	18,994	25,836	(25,836)	18,994	18,994
Total business-type activities long-term debt	<u>\$ 428,744</u>	<u>\$ 25,836</u>	<u>\$ (66,086)</u>	<u>\$ 388,494</u>	<u>\$ 60,532</u>

June 30, 2019

Note 6 - Long-term Debt (Continued)

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. General obligations outstanding at June 30, 2019 are as follows:

Description	Amount
Governmental Activities	
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
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
Total governmental activity debt	<u>\$ 1,400,500</u>

Business-type Activities

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
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Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$51,000. 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
2020	\$ 213,313	\$ 33,627	\$ 246,940	\$ 41,538	\$ 7,848	\$ 49,386
2021	237,308	26,595	263,903	42,692	7,173	49,865
2022	146,154	21,277	167,431	43,846	6,383	50,229
2023	150,000	18,277	168,277	45,000	5,483	50,483
2024	157,692	14,888	172,580	47,308	4,467	51,775
2025-2029	496,033	20,228	516,261	149,116	6,068	155,184
Total	<u>\$ 1,400,500</u>	<u>\$ 134,892</u>	<u>\$ 1,535,392</u>	<u>\$ 369,500</u>	<u>\$ 37,422</u>	<u>\$ 406,922</u>

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.

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 \$284,505 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2019, the City was billed \$38,390 for fire runs by the Fire Department. The City contributed an additional \$133,071 toward operating costs and an additional \$213,409 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 of \$5,295 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2019, the City was billed \$970,927 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, 2018 measurement date, the following employees were covered by the benefit terms:

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

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, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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, 2017	\$ 6,643,644	\$ 6,624,509	\$ 19,135
Changes for the year:			
Service cost	8,360	-	8,360
Interest	510,983	-	510,983
Differences between expected and actual experience	(23,815)	-	(23,815)
Contributions - Employer	-	73,104	(73,104)
Contributions - Employee	-	2,144	(2,144)
Net investment loss	-	(246,183)	246,183
Benefit payments, including refunds	(521,077)	(521,077)	-
Administrative expenses	-	(12,549)	12,549
Net changes	(25,549)	(704,561)	679,012
Balance at December 31, 2018	<u>\$ 6,618,095</u>	<u>\$ 5,919,948</u>	<u>\$ 698,147</u>

June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$16,807. At June 30, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 430,371
Employer contributions to the plan subsequent to the measurement date	<u>36,552</u>
Total	<u>\$ 466,923</u>

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 \$36,552 will reduce the net pension liability and, therefore, will not be included in future pension expense):

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 168,074
2021	31,343
2022	79,392
2023	<u>151,562</u>
Total	<u>\$ 430,371</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses, but gross of administrative expenses) of 8.00 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 8.00 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, 2018, 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	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 1,284,281	\$ 698,147	\$ 191,123

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.

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.

The City's total payroll during the current year was \$631,012. The current year contribution was calculated based on covered payroll of \$552,050, resulting in an employer contribution of \$33,288. The 457 deferred compensation plan is open to all of the employees of the City on a voluntary basis.

June 30, 2019

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 Statement 75.

Benefits Provided

The City OPEB Plan provides healthcare 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, 2017
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 healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums of \$42,537 into the City's OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$513,465 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2017.

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

City OPEB Plan

<u>Changes in Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 533,119
Changes for the year:	
Service cost	5,212
Interest	17,671
Contributions - Employer	<u>(42,537)</u>
Net changes	<u>(19,654)</u>
Balance at June 30, 2019	<u><u>\$ 513,465</u></u>

Note 11 - Other Postemployment Benefit Plan (Continued)

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$16,507. At June 30, 2019, the City reported no deferred outflows of resources or deferred inflows of resources related to the City's OPEB plan.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 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 3.45 percent; a healthcare cost trend rate of 8.5 percent for 2019, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2029 and later years; and the RP-2014 mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.45 percent. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of the valuation date.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.45 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 Percent Decrease (2.45%)	Current Discount Rate (3.45%)	1 Percent Increase (4.45%)
Total OPEB liability of the City OPEB Plan	\$ 576,528	\$ 513,465	\$ 459,995

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

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

	1 Percent Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1 Percent Increase (9.5%)
Total OPEB liability of the City OPEB Plan	\$ 493,030	\$ 513,465	\$ 536,629

Note 11 - Other Postemployment Benefit Plan (Continued)

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, 2019, the City reported a liability of \$501,021 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2019, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$75,938 and deferred outflows of \$149,397 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2019 was measured as of December 31, 2018, 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, 2018, the City's proportion was 15.947 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.

Required Supplemental Information

City of Swartz Creek, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 1,417,550	\$ 1,411,566	\$ 1,411,384	\$ (182)
State-shared revenue and grants	591,001	573,050	572,305	(745)
Charges for services	113,660	131,731	130,290	(1,441)
Fines and forfeitures	1,700	980	980	-
Licenses and permits	207,250	248,701	253,505	4,804
Investment income	3,500	18,674	18,674	-
Other revenue	61,716	211,534	212,089	555
Total revenue	<u>2,396,377</u>	<u>2,596,236</u>	<u>2,599,227</u>	<u>2,991</u>
Expenditures				
Current services:				
General government	346,112	363,629	348,658	14,971
Legislative	16,709	21,469	20,942	527
Public safety	1,249,033	1,273,441	1,217,087	56,354
Public works	421,851	667,167	662,679	4,488
Recreation and culture	289,266	135,054	122,027	13,027
Total expenditures	<u>2,322,971</u>	<u>2,460,760</u>	<u>2,371,393</u>	<u>89,367</u>
Excess of Revenue Over Expenditures	73,406	135,476	227,834	92,358
Other Financing Uses - Transfers out	<u>(168,730)</u>	<u>(278,730)</u>	<u>(278,730)</u>	<u>-</u>
Net Change in Fund Balance	(95,324)	(143,254)	(50,896)	92,358
Fund Balance - Beginning of year	<u>1,631,667</u>	<u>1,631,667</u>	<u>1,631,667</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,536,343</u></u>	<u><u>\$ 1,488,413</u></u>	<u><u>\$ 1,580,771</u></u>	<u><u>\$ 92,358</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 419,000	\$ 497,039	\$ 497,039	\$ -
Charges for services	500	8,426	8,426	-
Investment income	300	582	582	-
Other revenue	5,200	6,618	6,618	-
Total revenue	425,000	512,665	512,665	-
Expenditures - Current services - Public works	308,564	404,496	252,997	151,499
Excess of Revenue Over Expenditures	116,436	108,169	259,668	151,499
Other Financing Uses - Transfers out	(85,000)	(85,000)	(85,000)	-
Net Change in Fund Balance	31,436	23,169	174,668	151,499
Fund Balance - Beginning of year	500,027	500,027	500,027	-
Fund Balance - End of year	<u>\$ 531,463</u>	<u>\$ 523,196</u>	<u>\$ 674,695</u>	<u>\$ 151,499</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 133,000	\$ 195,883	\$ 195,883	\$ -
Investment income	125	195	195	-
Other revenue	15,775	22,892	22,826	(66)
Total revenue	148,900	218,970	218,904	(66)
Expenditures - Current serives - Public works	454,858	562,382	427,124	135,258
Excess of Expenditures Over Revenue	(305,958)	(343,412)	(208,220)	135,192
Other Financing Sources - Transfers in	596,500	596,500	596,500	-
Net Change in Fund Balance	290,542	253,088	388,280	135,192
Fund Balance - Beginning of year	260,456	260,456	260,456	-
Fund Balance - End of year	<u>\$ 550,998</u>	<u>\$ 513,544</u>	<u>\$ 648,736</u>	<u>\$ 135,192</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 392,940	\$ 388,825	\$ 388,825	\$ -
State-shared revenue and grants	-	9,694	9,694	-
Investment income	500	983	2,070	1,087
Other revenue	25	-	-	-
Total revenue	<u>393,465</u>	<u>399,502</u>	<u>400,589</u>	<u>1,087</u>
Expenditures				
Current services:				
General government	49,452	49,844	40,111	9,733
Public works	337,426	346,669	345,189	1,480
Total expenditures	<u>386,878</u>	<u>396,513</u>	<u>385,300</u>	<u>11,213</u>
Net Change in Fund Balance	6,587	2,989	15,289	12,300
Fund Balance - Beginning of year	<u>315,858</u>	<u>315,858</u>	<u>315,858</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 322,445</u></u>	<u><u>\$ 318,847</u></u>	<u><u>\$ 331,147</u></u>	<u><u>\$ 12,300</u></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, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 627,640	\$ 630,094	\$ 630,094	\$ -
Investment income	650	41	41	-
Total revenue	628,290	630,135	630,135	-
Expenditures				
Current services - Public works	650	385	385	-
Debt service	163,794	163,794	163,794	-
Total expenditures	164,444	164,179	164,179	-
Excess of Revenue Over Expenditures	463,846	465,956	465,956	-
Other Financing Uses - Transfers out	(462,000)	(462,000)	(461,500)	500
Net Change in Fund Balance	1,846	3,956	4,456	500
Fund Balance - Beginning of year	21,539	21,539	21,539	-
Fund Balance - End of year	<u><u>\$ 23,385</u></u>	<u><u>\$ 25,495</u></u>	<u><u>\$ 25,995</u></u>	<u><u>\$ 500</u></u>

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

Last Five Years Ended December 31

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	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	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	-	-	-	418,907	-
Benefit payments, including refunds	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Net Change in Total Pension Liability	(25,549)	(1,933,962)	(385,173)	500,385	127,331
Total Pension Liability - Beginning of year	6,643,644	8,577,606	8,962,779	8,462,394	8,335,063
Total Pension Liability - End of year	<u><u>\$ 6,618,095</u></u>	<u><u>\$ 6,643,644</u></u>	<u><u>\$ 8,577,606</u></u>	<u><u>\$ 8,962,779</u></u>	<u><u>\$ 8,462,394</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	2,144	3,697	12,249	11,530	13,280
Net investment (loss) income	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(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	(704,561)	(861,271)	813,347	(551,930)	(38,491)
Plan Fiduciary Net Position - Beginning of year	6,624,509	7,485,780	6,672,433	7,224,363	7,262,854
Plan Fiduciary Net Position - End of year	<u><u>\$ 5,919,948</u></u>	<u><u>\$ 6,624,509</u></u>	<u><u>\$ 7,485,780</u></u>	<u><u>\$ 6,672,433</u></u>	<u><u>\$ 7,224,363</u></u>
City's Net Pension Liability - Ending	<u><u>\$ 698,147</u></u>	<u><u>\$ 19,135</u></u>	<u><u>\$ 1,091,826</u></u>	<u><u>\$ 2,290,346</u></u>	<u><u>\$ 1,238,031</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
Covered Payroll	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
City's Net Pension Liability as a Percentage of Covered Payroll	651.36 %	18.28 %	213.29 %	474.64 %	260.42 %

City of Swartz Creek, Michigan

Required Supplemental Information Schedule of Pension Contributions Police and Fire Pension System

**Last Ten Fiscal Years
Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181	\$ 96,931	\$ 79,846	\$ 76,298	\$ 76,075	\$ 80,475
Contributions in relation to the actuarially determined contribution	73,104	739,018	117,167	655,770	97,181	96,931	79,846	93,164	105,824	285,463
Contribution Excess	\$ -	\$ 688,616	\$ 23,106	\$ 555,396	\$ -	\$ -	\$ -	\$ 16,866	\$ 29,749	\$ 204,988
Covered Payroll	\$ 106,871	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398	\$ 475,620	\$ 573,530	\$ 568,710	\$ 572,087	\$ 609,086
Contributions as a Percentage of Covered Payroll	68.40 %	706.14 %	22.89 %	135.90 %	20.44 %	20.38 %	13.92 %	16.38 %	18.50 %	46.87 %

Notes to Schedule of Pension Contributions - Police and Fire Pension System

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, 2019 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	20 years, on a closed basis
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.00 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 Net OPEB Liability and Related Ratios

	Last Two Fiscal Years	
	2019	2018
Total OPEB Liability		
Service cost	\$ 5,212	\$ 5,481
Interest	17,671	17,105
Changes in assumptions	-	(17,762)
Benefit payments, including refunds	<u>(42,537)</u>	<u>(46,938)</u>
Net Change in Total OPEB Liability	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	<u>533,119</u>	<u>575,233</u>
Total OPEB Liability - End of year	<u>\$ 513,465</u>	<u>\$ 533,119</u>
Covered Employee Payroll	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered Employee Payroll	237.78 %	212.55 %

City of Swartz Creek, Michigan

Required Supplemental Information Schedule of OPEB Contributions

**Last Ten Fiscal Years
Years Ended June 30**

	2019	2018*	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 41,816	\$ 38,267	\$ 66,041	\$ 128,394	\$ 149,407	\$ 112,056	\$ 46,706	\$ 58,254	\$ 69,297	\$ 161,604
Contributions in relation to the actuarially determined contribution	42,537	46,938	34,861	43,768	49,969	34,950	36,029	34,849	35,935	23,013
Contribution Excess (Deficiency)	\$ 721	\$ 8,671	\$ (31,180)	\$ (84,626)	\$ (99,438)	\$ (77,106)	\$ (10,677)	\$ (23,405)	\$ (33,362)	\$ (138,591)
Covered Employee Payroll	\$ 215,943	\$ 250,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	19.70 %	18.71 %	- %	- %	- %	- %	- %	- %	- %	- %

* Amounts include contributions for former City of Swartz Creek, Michigan police officers who were transferred to the Metro Police Authority of Genesee County during the year ended June 30, 2018.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, 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, 2019 were determined based on the actuarial valuation as of June 30, 2017. The most recent valuation is as of June 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	1.56 years
Asset valuation method	N/A
Inflation	2.5 percent
Healthcare cost trend rates	8.5 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Salary increase	3.5 percent
Discount rate	3.45 percent
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 the City's Proportionate Share of the Net OPEB Liability
Metro Police Authority of Genesee County

	Last Three Plan Years		
	Years Ended December 31		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net OPEB liability	15.94700 %	12.45500 %	12.47700 %
City's proportionate share of the authority's net OPEB liability	\$ 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 fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

June 30, 2019

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.

Other Supplemental Information

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
Assets				
Cash and cash equivalents	\$ 36,554	\$ 3,076	\$ 37,773	\$ 77,403
Receivables	5,980	-	-	5,980
Total assets	\$ 42,534	\$ 3,076	\$ 37,773	\$ 83,383
Deferred Inflows of Resources	\$ 2,700	\$ -	\$ -	\$ 2,700
Fund Balances				
Restricted - Weed control and sidewalks	39,834	-	-	39,834
Assigned:				
Debt service	-	3,076	-	3,076
Capital projects	-	-	37,773	37,773
Total fund balances	39,834	3,076	37,773	80,683
Total deferred inflows of resources and fund balances	\$ 42,534	\$ 3,076	\$ 37,773	\$ 83,383

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, 2019

	Special Revenue Fund Special Assessment	Debt Service Fund City Hall - Debt Service	Capital Project Fund Fire Capital Project	Total
Revenue				
Special assessments	\$ 5,850	\$ -	\$ -	\$ 5,850
Investment income	-	17	-	17
Other revenue	1,715	-	-	1,715
Total revenue	7,565	17	-	7,582
Expenditures				
Current services - Public safety	3,780	-	213,409	217,189
Debt service:				
Principal	-	75,000	-	75,000
Interest on long-term debt	-	14,480	-	14,480
Total expenditures	3,780	89,480	213,409	306,669
Excess of Revenue Over (Under) Expenditures	3,785	(89,463)	(213,409)	(299,087)
Other Financing Sources - Transfers in	-	88,730	140,000	228,730
Net Change in Fund Balances	3,785	(733)	(73,409)	(70,357)
Fund Balances - Beginning of year	36,049	3,809	111,182	151,040
Fund Balances - End of year	<u>\$ 39,834</u>	<u>\$ 3,076</u>	<u>\$ 37,773</u>	<u>\$ 80,683</u>

City of Swartz Creek, Michigan

**Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds**

June 30, 2019

	<u>Trust and Agency</u>	<u>Winter Tax Collection</u>	<u>Delinquent Personal Property Tax</u>	<u>Total Agency Funds</u>
Assets				
Cash and cash equivalents	\$ 23,165	\$ 1,293	\$ -	\$ 24,458
Receivables	<u>-</u>	<u>-</u>	<u>70,870</u>	<u>70,870</u>
Total assets	<u>\$ 23,165</u>	<u>\$ 1,293</u>	<u>\$ 70,870</u>	<u>\$ 95,328</u>
Liabilities				
Due to other governmental units	\$ -	\$ 1,293	\$ 70,870	\$ 72,163
Deposits payable	<u>23,165</u>	<u>-</u>	<u>-</u>	<u>23,165</u>
Total liabilities	<u>\$ 23,165</u>	<u>\$ 1,293</u>	<u>\$ 70,870</u>	<u>\$ 95,328</u>