
City of Swartz Creek, Michigan

**Financial Report
with Supplementary Information
June 30, 2025**

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18-19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-45
Required Supplementary Information	46
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedules - Major Special Revenue Funds	48-51
Schedule of Changes in the Net Pension Liability and Related Ratios	52
Schedule of Pension Contributions	53
Schedule of Changes in the Total OPEB Liability and Related Ratios	54
Schedule of the City's Proportionate Share of the Net OPEB Liability - Metro Police Authority of Genesee County	55
Notes to Required Supplementary Information	56
Supplementary Information	57
Fiduciary Funds:	
Combining Statement of Net Position	58
Combining Statement of Changes in Net Position	59

Independent Auditor's Report

To the City Council
City of Swartz Creek, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2025 and the respective changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the City Council
City of Swartz Creek, Michigan

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary 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. Such 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. The 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the City Council
City of Swartz Creek, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 1, 2025

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, 2025. 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, 2025:

- The City's total net position is approximately \$38.9 million.
- The City's overall unrestricted net position is approximately \$6.04 million.
- The City's General Fund revenue exceeded expenditures by \$346,363 before transfers out. After transfers out, the net increase in fund balance was \$143,863, leaving the General Fund with a fund balance of \$2,018,935.

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 and 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			
	2024	2025	Change	Percent Change
Assets				
Current and other assets	\$ 9,955,178	\$ 7,628,097	\$ (2,327,081)	(23.4)
Capital assets	22,898,130	23,195,341	297,211	1.3
Total assets	32,853,308	30,823,438	(2,029,870)	(6.2)
Deferred Outflows of Resources	347,228	297,777	(49,451)	(14.2)
Liabilities				
Current liabilities	3,432,200	309,849	(3,122,351)	(91.0)
Noncurrent liabilities	8,223,659	7,952,261	(271,398)	(3.3)
Total liabilities	11,655,859	8,262,110	(3,393,749)	(29.1)
Deferred Inflows of Resources	145,573	166,735	21,162	14.5
Net Position				
Net investment in capital assets	16,948,976	16,926,502	(22,474)	(0.1)
Restricted	1,151,010	3,263,388	2,112,378	183.5
Unrestricted	3,299,118	2,502,480	(796,638)	(24.1)
Total net position	\$ 21,399,104	\$ 22,692,370	\$ 1,293,266	6.0

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2024	2025	Change	Percent Change
Assets				
Current and other assets	\$ 5,071,864	\$ 4,961,469	\$ (110,395)	(2.2)
Capital assets	18,492,804	18,870,030	377,226	2.0
Total assets	23,564,668	23,831,499	266,831	1.1
Deferred Outflows of Resources	159,928	126,680	(33,248)	(20.8)
Liabilities				
Current liabilities	1,256,604	770,914	(485,690)	(38.7)
Long-term liabilities	6,458,422	7,002,103	543,681	8.4
Total liabilities	7,715,026	7,773,017	57,991	0.8
Net Position				
Net investment in capital assets	12,333,908	12,239,723	(94,185)	(0.8)
Restricted	405,507	404,971	(536)	(0.1)
Unrestricted	3,270,155	3,540,468	270,313	8.3
Total net position	<u>\$ 16,009,570</u>	<u>\$ 16,185,162</u>	<u>\$ 175,592</u>	1.1

Governmental Activities

The governmental net position increased from a year ago, from approximately \$21.4 million to approximately \$22.7 million. In comparison, last year's net position increased by approximately 14.1 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$796,638 for the governmental activities. This represents a decrease of approximately 24.1 percent. The current level of unrestricted net position for our governmental activities stands at \$2,502,480, or about 53 percent of expenses.

Business-type Activities

The net position of business-type activities increased by about 1.1 percent from a year ago, from approximately \$16 million to approximately \$16.2 million.

Current liabilities include payments in progress for water and sewer projects.

Long-term liability increases were due to debt issuances.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by approximately \$270,000. This represents an increase of approximately 8.3 percent. The current level of unrestricted net position stands at approximately \$3.5 million, or about 121 percent of operating expenses.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2024	2025	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 320,567	\$ 364,251	\$ 43,684	13.6
Operating grants	852,397	821,669	(30,728)	(3.6)
Capital grants	1,546,298	30,000	(1,516,298)	(98.1)
General revenue:				
Property taxes	2,907,441	3,095,568	188,127	6.5
State-shared revenue	779,391	788,907	9,516	1.2
Investment earnings	120,855	196,049	75,194	62.2
Other revenue	821,658	682,577	(139,081)	(16.9)
Total revenue	<u>7,348,607</u>	<u>5,979,021</u>	<u>(1,369,586)</u>	<u>(18.6)</u>
Expenses				
General government	949,721	1,068,909	119,188	12.5
Legislative	41,696	38,611	(3,085)	(7.4)
Public safety	1,558,860	1,576,000	17,140	1.1
Public works	1,771,212	1,449,119	(322,093)	(18.2)
Recreation and culture	225,956	311,991	86,035	38.1
Interest on long-term debt	154,723	241,125	86,402	55.8
Total expenses	<u>4,702,168</u>	<u>4,685,755</u>	<u>(16,413)</u>	<u>(0.3)</u>
Change in Net Position	2,646,439	1,293,266	(1,353,173)	(51.1)
Net Position - Beginning of year	<u>18,752,665</u>	<u>21,399,104</u>	<u>2,646,439</u>	<u>14.1</u>
Net Position - End of year	<u>\$ 21,399,104</u>	<u>\$ 22,692,370</u>	<u>\$ 1,293,266</u>	<u>6.0</u>
Business-type Activities				
	2024	2025	Change	Percent Change
Revenue				
Operating revenue	\$ 3,657,232	\$ 3,774,830	\$ 117,598	3.2
General revenue:				
Investment earnings	77,200	167,106	89,906	116.5
Other revenue	21,850	-	(21,850)	(100.0)
Total revenue	<u>3,756,282</u>	<u>3,941,936</u>	<u>185,654</u>	<u>4.9</u>
Expenses				
Operating expenses - Other than depreciation	3,083,225	2,933,076	(150,149)	(4.9)
Depreciation	647,285	633,795	(13,490)	(2.1)
Interest expense	75,161	182,958	107,797	143.4
Debt service charge	22,615	16,515	(6,100)	(27.0)
Total expenses	<u>3,828,286</u>	<u>3,766,344</u>	<u>(61,942)</u>	<u>(1.6)</u>
Change in Net Position	(72,004)	175,592	247,596	(343.9)
Net Position - Beginning of year	<u>16,081,574</u>	<u>16,009,570</u>	<u>(72,004)</u>	<u>(0.4)</u>
Net Position - End of year	<u>\$ 16,009,570</u>	<u>\$ 16,185,162</u>	<u>\$ 175,592</u>	<u>1.1</u>

Governmental Activities

The City's total governmental revenue decreased by approximately \$1.4 million. The majority of this can be attributed to the decrease in capital grants.

Property tax revenue is composed of the following: general operating revenue of \$880,251, garbage collection revenue of \$493,452, public safety special assessment revenue of \$867,022, and local street millage revenue of \$814,007, with the remainder of \$40,836 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed an increase of \$17,140 between the fiscal years ended June 30, 2025 and 2024. The majority of this increase was due to general inflation.

Business-type Activities

Operating revenue increased by \$117,598, encompassing increases in water and sewer charges. Operating expenses decreased due to the decreased purchase of water and sewage treatment.

Financial Analysis of Individual Funds

Our analysis of the City's major funds begins on page 12, 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 and to show accountability for certain activities, such as special property tax millages. The City's major funds for 2025 include the General Fund, the Major Streets Fund, the Local Streets Fund, the Garbage Collection Fund, and the Local Streets Millage Fund.

The General Fund pays for most of the City's governmental services, such as public safety, which includes police and fire services. Governmental services also include streetlights, all city parks, community promotions, elections, assessing, building and zoning, and other administrative departments. The most significant is public works activities, which include major and local streets. Public works activities incurred expenses of approximately \$2.6 million in 2025, followed by public safety at approximately \$1.7 million. Work was completed on the Genesee Valley Trail with funding from multiple grant programs. DNR formal closeout for this project occurred during the year ended June 30, 2025. The Safe Routes to School Trail was substantially completed as of June 30, 2023. This project was officially closed with the MDOT in fall 2024.

The most significant impact 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. During the past year, rehabilitation work was completed on Winshall, Durwood, Greenleaf, Norbury, and Whitney in fall 2024. These projects were funded through a USDA loan and private GO bonds, which were sold in late 2023.

Don Shenk and Cappy Lane road reconstruction and water main was partially complete as of June 30, 2025 and substantially complete in November 2025.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall exceeded the budget, resulting in total expenditures of approximately \$44,000 under budget. Revenue was more than anticipated by approximately \$12,000. These events caused the General Fund fund balance to increase, before transfers, by approximately \$346,000. Overall, the General Fund fund balance increased from approximately \$1.9 million a year ago to approximately \$2 million at June 30, 2025.

Capital Assets and Debt Administration

At the end of 2025, the City had approximately \$42.1 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 2025, the City had \$14,859,400 in long-term liabilities. A total of approximately \$13.4 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$1,460,210 is related to accumulated compensated absences of \$64,019, the net pension liability of \$580,696, and the net other postemployment benefits liability of \$815,495.

Economic Factors and Next Year's Budget and Rates

The City expects to largely conclude major investments in roads and water main in fiscal year 2025, which will spend down the remaining street GO bonds and formally finalize all USDA watermain work. The City is scheduled to receive and spend significant funds in the form of a DNR Trust Fund Grant and congressional designated spending for Otterburn Park. Grants, donations, and other public funds are expected to be used to improve Holland Square as well. Utility and tax rates are not expected to change.

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.

June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 4,144,224	\$ 2,609,836	\$ 6,754,060	\$ 76,144
Investments (Note 3)	1,039,870	723,019	1,762,889	66,421
Receivables:				
Property taxes receivable	24,191	-	24,191	-
Customer receivables	-	1,011,517	1,011,517	-
Other receivables	44,033	-	44,033	-
Due from other governments	250,231	-	250,231	90,021
Internal balances	(74,377)	74,377	-	-
Inventory	-	137,683	137,683	-
Prepaid expenses and other assets	69,524	66	69,590	-
Restricted cash (Note 1)	605,008	404,971	1,009,979	-
Investment in joint ventures (Note 8)	1,492,268	-	1,492,268	-
Land held for resale	33,125	-	33,125	-
Capital assets: (Note 4)				
Assets not subject to depreciation	12,379,688	5,301,426	17,681,114	4,572
Assets subject to depreciation - Net	10,815,653	13,568,604	24,384,257	150,190
Total assets	30,823,438	23,831,499	54,654,937	387,348
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	190,054	126,680	316,734	-
Deferred OPEB costs (Note 11)	107,723	-	107,723	-
Total deferred outflows of resources	297,777	126,680	424,457	-
Liabilities				
Accounts payable	246,964	694,612	941,576	14,005
Deposits payable	-	32,000	32,000	-
Accrued liabilities and other	62,885	44,302	107,187	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Construction payable from restricted assets	94,964	-	94,964	-
Compensated absences	36,204	27,815	64,019	-
Current portion of long-term debt	445,862	165,632	611,494	-
Due in more than one year:				
Net pension liability (Note 9)	348,424	232,272	580,696	-
Net OPEB liability (Note 11)	693,786	121,709	815,495	-
Long-term debt (Note 6)	6,333,021	6,454,675	12,787,696	-
Total liabilities	8,262,110	7,773,017	16,035,127	14,005
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	166,735	-	166,735	-
Net Position				
Net investment in capital assets	16,926,502	12,239,723	29,166,225	154,762
Restricted:				
Roads	2,756,326	-	2,756,326	-
Garbage collection	503,376	-	503,376	-
Debt service - USDA bond reserve	-	404,971	404,971	-
Disc golf park	3,686	-	3,686	-
Unrestricted	2,502,480	3,540,468	6,042,948	218,581
Total net position	\$ 22,692,370	\$ 16,185,162	\$ 38,877,532	\$ 373,343

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	\$ 1,068,909	\$ 183,873	\$ -	\$ -
Legislative	38,611	-	-	-
Public safety	1,576,000	135,089	-	-
Public works	1,449,119	26,683	814,669	30,000
Recreation and culture	311,991	18,606	7,000	-
Interest on long-term debt	241,125	-	-	-
Total governmental activities	<u>4,685,755</u>	<u>364,251</u>	<u>821,669</u>	<u>30,000</u>
Business-type activities:				
Sewer Fund	1,333,622	1,366,367	-	1,600
Water Fund	2,432,722	2,395,613	-	11,250
Total business-type activities	<u>3,766,344</u>	<u>3,761,980</u>	<u>-</u>	<u>12,850</u>
Total primary government	<u>\$ 8,452,099</u>	<u>\$ 4,126,231</u>	<u>\$ 821,669</u>	<u>\$ 42,850</u>
Component units - Downtown Development Authority	<u>\$ 84,879</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ -</u>
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, 2025

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (885,036)	\$ -	\$ (885,036)	\$ -
(38,611)	-	(38,611)	-
(1,440,911)	-	(1,440,911)	-
(577,767)	-	(577,767)	-
(286,385)	-	(286,385)	-
(241,125)	-	(241,125)	-
(3,469,835)	-	(3,469,835)	-
-	34,345	34,345	-
-	(25,859)	(25,859)	-
-	8,486	8,486	-
(3,469,835)	8,486	(3,461,349)	-
-	-	-	(64,879)
3,095,568	-	3,095,568	211,644
788,907	-	788,907	-
196,049	167,106	363,155	4,345
89,835	-	89,835	-
465,119	-	465,119	-
127,623	-	127,623	-
4,763,101	167,106	4,930,207	215,989
1,293,266	175,592	1,468,858	151,110
21,399,104	16,009,570	37,408,674	222,233
\$ 22,692,370	\$ 16,185,162	\$ 38,877,532	\$ 373,343

City of Swartz Creek, Michigan

Governmental Funds Balance Sheet

June 30, 2025

	Major Special Revenue Funds					Nonmajor Fund - Fire Capital Project	Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage		
Assets							
Cash and cash equivalents (Note 3)	\$ 1,200,878	\$ 366,578	\$ 645,283	\$ 451,509	\$ 1,112,529	\$ 184,812	\$ 3,961,589
Investments (Note 3)	658,116	71,585	34,195	73,168	54,872	87,760	979,696
Receivables:							
Property taxes receivable	11,147	-	-	6,527	6,517	-	24,191
Other receivables	43,854	-	-	179	-	-	44,033
Due from other governments	119,659	99,026	31,546	-	-	-	250,231
Prepaid expenses and other assets	69,524	-	-	-	-	-	69,524
Restricted cash and investments	-	-	-	-	605,008	-	605,008
Land held for resale	33,125	-	-	-	-	-	33,125
Total assets	\$ 2,136,303	\$ 537,189	\$ 711,024	\$ 531,383	\$ 1,778,926	\$ 272,572	\$ 5,967,397
Liabilities							
Accounts payable	\$ 87,035	\$ 32,898	\$ 95,872	\$ 28,007	\$ -	\$ -	\$ 243,812
Accrued liabilities and other	15,806	-	-	-	47,079	-	62,885
Construction payable from restricted assets	-	-	-	-	94,964	-	94,964
Total liabilities	102,841	32,898	95,872	28,007	142,043	-	401,661
Deferred Inflows of Resources							
(Note 1)	14,527	-	-	6,140	5,914	-	26,581
Fund Balances							
Nonspendable:							
Prepays	69,524	-	-	-	-	-	69,524
Land held for resale	33,125	-	-	-	-	-	33,125
Restricted:							
Roads	-	504,291	615,152	-	1,630,969	-	2,750,412
Garbage collection	-	-	-	497,236	-	-	497,236
Disc golf park	3,686	-	-	-	-	-	3,686
Assigned:							
Subsequent year's budget	91,702	-	-	-	-	-	91,702
Capital projects	-	-	-	-	-	272,572	272,572
Unassigned	1,820,898	-	-	-	-	-	1,820,898
Total fund balances	2,018,935	504,291	615,152	497,236	1,630,969	272,572	5,539,155
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,136,303	\$ 537,189	\$ 711,024	\$ 531,383	\$ 1,778,926	\$ 272,572	\$ 5,967,397

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2025

Fund Balances Reported in Governmental Funds	\$ 5,539,155
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	36,154,842
Accumulated depreciation	<u>(13,400,991)</u>
Net capital assets used in governmental activities	22,753,851
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	26,581
Investments in joint ventures are not financial resources and are not reported in the funds	1,492,268
Bonds payable are not due and payable in the current period and are not reported in the funds	(6,778,883)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(36,171)
Net pension liability	(342,612)
Net OPEB liability	(681,975)
Deferred inflows of resources related to pension and OPEB	(166,735)
Deferred outflows of resources related to pension and OPEB	294,601
Internal service funds are included as part of governmental activities:	
Capital assets-related items	441,490
All other items	<u>150,800</u>
Net Position of Governmental Activities	<u><u>\$ 22,692,370</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Major Special Revenue Funds					Nonmajor Fund - Fire Capital Project	Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage		
Revenue							
Property taxes	\$ 1,776,788	\$ -	\$ -	\$ 500,590	\$ 818,190	\$ -	\$ 3,095,568
State-shared revenue and state and federal grants	754,212	632,403	197,906	18,436	28,831	-	1,631,788
Charges for services	175,831	5,177	-	-	-	-	181,008
Licenses and permits	269,187	-	-	-	-	-	269,187
Investment income	85,084	6,675	12,963	19,137	71,240	4,151	199,250
Other revenue	117,371	6,038	30,092	120	-	-	153,621
Total revenue	3,178,473	650,293	240,961	538,283	918,261	4,151	5,530,422
Expenditures							
Current services:							
General government	476,042	-	-	44,193	-	-	520,235
Legislative	38,611	-	-	-	-	-	38,611
Public safety	1,592,278	-	-	-	-	107,012	1,699,290
Public works	424,051	396,255	547,278	441,598	742,264	-	2,551,446
Recreation and culture	301,128	-	-	-	-	-	301,128
Debt service:							
Principal	-	-	-	-	397,374	-	397,374
Interest on long-term debt	-	-	-	-	265,945	-	265,945
Total expenditures	2,832,110	396,255	547,278	485,791	1,405,583	107,012	5,774,029
Excess of Revenue Over (Under) Expenditures	346,363	254,038	(306,317)	52,492	(487,322)	(102,861)	(243,607)
Other Financing Sources (Uses)							
Transfers in (Note 5)	-	-	500,000	-	-	202,500	702,500
Transfers out (Note 5)	(202,500)	-	-	-	(500,000)	-	(702,500)
Total other financing (uses) sources	(202,500)	-	500,000	-	(500,000)	202,500	-
Net Change in Fund Balances	143,863	254,038	193,683	52,492	(987,322)	99,639	(243,607)
Fund Balances - Beginning of year	1,875,072	250,253	421,469	444,744	2,618,291	172,933	5,782,762
Fund Balances - End of year	\$ 2,018,935	\$ 504,291	\$ 615,152	\$ 497,236	\$ 1,630,969	\$ 272,572	\$ 5,539,155

Governmental Funds

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

Year Ended June 30, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$	(243,607)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		1,326,458
Depreciation expense		(933,088)
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		(15,640)
Increase in deferred inflows of resources related to pension and OPEB		(21,162)
Decrease in deferred outflows of resources related to pension and OPEB		(48,620)
Repayment of bond principal and amortization of debt premium is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		422,194
Decrease in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment		3,211
The change in the net pension liability is recorded when incurred in the statement of activities		381,865
The change in the net OPEB liability is recorded when incurred in the statement of activities		13,606
Increase in equity interest in joint ventures		465,119
Internal service funds are included as part of governmental activities		(57,070)
Change in Net Position of Governmental Activities	\$	<u>1,293,266</u>

Proprietary Funds
Statement of Net Position

June 30, 2025

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,006,160	\$ 1,603,676	\$ 2,609,836	\$ 182,635
Investments (Note 3)	378,148	344,871	723,019	60,174
Receivables - Customer receivables	647,465	364,052	1,011,517	-
Inventory	136,497	1,186	137,683	-
Prepaid expenses and other assets	66	-	66	-
Total current assets	2,168,336	2,313,785	4,482,121	242,809
Noncurrent assets:				
Restricted cash	404,971	-	404,971	-
Advances to other funds (Note 5)	-	74,377	74,377	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,855,567	445,859	5,301,426	-
Assets subject to depreciation - Net	8,330,941	5,237,663	13,568,604	441,490
Total noncurrent assets	13,591,479	5,757,899	19,349,378	441,490
Total assets	15,759,815	8,071,684	23,831,499	684,299
Deferred Outflows of Resources - Deferred pension costs (Note 9)	63,340	63,340	126,680	3,176
Liabilities				
Current liabilities:				
Accounts payable	503,975	190,637	694,612	3,152
Deposits payable	32,000	-	32,000	-
Accrued liabilities and other	44,302	-	44,302	-
Compensated absences (Note 6)	14,836	12,979	27,815	33
Current portion of long-term debt (Note 6)	165,632	-	165,632	-
Total current liabilities	760,745	203,616	964,361	3,185
Noncurrent liabilities:				
Advances from other funds (Note 5)	-	-	-	74,377
Net pension liability (Note 9)	116,136	116,136	232,272	5,812
Net OPEB liability (Note 11)	54,448	67,261	121,709	11,811
Long-term debt (Note 6)	6,454,675	-	6,454,675	-
Total noncurrent liabilities	6,625,259	183,397	6,808,656	92,000
Total liabilities	7,386,004	387,013	7,773,017	95,185
Net Position				
Net investment in capital assets	6,556,201	5,683,522	12,239,723	441,490
Restricted - Debt service - USDA bond reserve	404,971	-	404,971	-
Unrestricted	1,475,979	2,064,489	3,540,468	150,800
Total net position	\$ 8,437,151	\$ 7,748,011	\$ 16,185,162	\$ 592,290

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

Year Ended June 30, 2025

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,381,342	\$ -	\$ 2,381,342	\$ -
Sewage disposal charges	-	1,358,333	1,358,333	-
Interest and penalty charges	14,271	8,034	22,305	-
Equipment rental	-	-	-	227,693
Total operating revenue	2,395,613	1,366,367	3,761,980	227,693
Operating Expenses				
Cost of water	1,722,387	-	1,722,387	-
Cost of sewage treatment	-	939,823	939,823	213
General operations and maintenance net of change in pension and OPEB liability	72,709	19,309	92,018	204,811
Meter reading and billing	98,148	80,700	178,848	-
Depreciation	340,005	293,790	633,795	96,159
Total operating expenses	2,233,249	1,333,622	3,566,871	301,183
Operating Income (Loss)	162,364	32,745	195,109	(73,490)
Nonoperating Revenue (Expense)				
Investment interest and FMV changes	75,386	91,720	167,106	4,785
Interest expense	(199,473)	-	(199,473)	(2,903)
Gain on sale of assets	-	-	-	14,538
Total nonoperating (expense) revenue	(124,087)	91,720	(32,367)	16,420
Income (Loss) - Before capital contributions	38,277	124,465	162,742	(57,070)
Capital Contributions - Tap fees	11,250	1,600	12,850	-
Change in Net Position	49,527	126,065	175,592	(57,070)
Net Position - Beginning of year	8,387,624	7,621,946	16,009,570	649,360
Net Position - End of year	\$ 8,437,151	\$ 7,748,011	\$ 16,185,162	\$ 592,290

City of Swartz Creek, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2025

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,391,510	\$ 1,370,647	\$ 3,762,157	\$ 263
Receipts from interfund services and reimbursements	-	-	-	234,489
Payments to suppliers	(1,950,420)	(866,785)	(2,817,205)	(205,867)
Payments to employees	(378,396)	(291,764)	(670,160)	(5,100)
Net cash and cash equivalents provided by operating activities	62,694	212,098	274,792	23,785
Cash Flows from Noncapital Financing Activities				
Repayments of loans to other funds	-	23,376	23,376	-
Principal and interest paid on operating debt	-	-	-	(2,903)
Repayments of loans from other funds	(1,817)	(94)	(1,911)	(23,376)
Net cash and cash equivalents (used in) provided by noncapital financing activities	(1,817)	23,282	21,465	(26,279)
Cash Flows from Capital and Related Financing Activities				
Draws on previously issued bonds	779,184	-	779,184	-
Tap fees	11,250	1,600	12,850	-
Proceeds from sale of capital assets	-	-	-	14,538
Purchase of capital assets	(1,011,021)	-	(1,011,021)	-
Principal and interest paid on capital debt	(326,666)	-	(326,666)	-
Net cash and cash equivalents (used in) provided by capital and related financing activities	(547,253)	1,600	(545,653)	14,538
Cash Flows from Investing Activities				
Interest received on investments	75,386	91,720	167,106	20,698
Purchases of investment securities	(200,000)	(142,687)	(342,687)	(60,174)
Proceeds from sale and maturities of investment securities	455,402	755,968	1,211,370	-
Net cash and cash equivalents provided by (used in) investing activities	330,788	705,001	1,035,789	(39,476)
Net (Decrease) Increase in Cash and Cash Equivalents	(155,588)	941,981	786,393	(27,432)
Cash and Cash Equivalents - Beginning of year	1,566,719	661,695	2,228,414	210,067
Cash and Cash Equivalents - End of year	\$ 1,411,131	\$ 1,603,676	\$ 3,014,807	\$ 182,635

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 1,006,160	\$ 1,603,676	\$ 2,609,836	\$ 182,635
Restricted cash	404,971	-	404,971	-
Total cash and cash equivalents	<u><u>\$ 1,411,131</u></u>	<u><u>\$ 1,603,676</u></u>	<u><u>\$ 3,014,807</u></u>	<u><u>\$ 182,635</u></u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 162,364	\$ 32,745	\$ 195,109	\$ (73,490)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	340,005	293,790	633,795	96,159
Changes in assets and liabilities:				
Receivables	(4,103)	4,280	177	-
Due to and from other funds	-	-	-	7,059
Inventories	6,463	-	6,463	1,424
Accrued and other liabilities	(123,550)	(126,148)	(249,698)	(6,218)
Accounts payable	(318,485)	7,431	(311,054)	(1,149)
Total adjustments	<u>(99,670)</u>	<u>179,353</u>	<u>79,683</u>	<u>97,275</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 62,694</u></u>	<u><u>\$ 212,098</u></u>	<u><u>\$ 274,792</u></u>	<u><u>\$ 23,785</u></u>

City of Swartz Creek, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2025

Custodial Funds -
Property Tax
Collection Funds

Assets

Cash and investments

\$ 17,675

Receivables

88,361

Total assets

106,036

Liabilities - Unremitted tax collections

105,729

Net Position

\$ 307

City of Swartz Creek, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

	<u>Custodial Funds - Property Tax Collection Funds</u>
Additions:	
Investment income	\$ 307
Property tax collections from other governments	<u>7,117,714</u>
Total additions	7,118,021
Deductions - Tax distributions to other governments	<u>7,117,714</u>
Net Change in Fiduciary Net Position	307
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ 307</u></u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

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

Blended Component Unit

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

- 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 are reported as separate columns in the fund financial statements.

Fund Accounting

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value or estimated fair value.

Receivables and Payables

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

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

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

Restricted Cash

The USDA revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Additionally, there are restricted assets in the Local Streets Millage Fund related to unspent bond proceeds.

Additionally, in the Water and Sewer funds, the City has set aside \$7,500 in each fund for savings for future capital asset purchases that, while not restricted, are intended for future capital purchases.

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for debt service. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. In the fund financial statements, governmental funds report the following components of fund balance:

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

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

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

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

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

The fund balance policy prescribes the minimum fund balance as 35 percent of operating revenue, which excludes resources that have been committed or assigned to a specific purposes, in the General Fund, Water Fund, and Sewer Fund. The fund balance policy prescribes that, although no minimum reserve is required, the City strive to maintain a minimum fund balance of 25 percent of the State Act 51 annual revenue for the Major Streets Fund and the Local Streets Fund. For the debt service fund, the fund balance policy prescribes the minimum balance as outlined in bond covenants, and, if no specific covenant requirements, the fund shall maintain a fund balance equal to 50 percent of the debt service payments for the next fiscal year. The fund balance policy prescribes the minimum fund balance as 50 percent of operating revenue, which excludes resources that have been committed or assigned to a specific purposes, in the Motor Pool Fund and Garbage Collection Fund. For the Downtown Development Authority component unit, the City strives to maintain a minimum fund balance of at least 25 percent of operating revenue or 50 percent of the annual debt service, whichever is more, excluding resources that have been committed or assigned to some other purpose. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

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.

Note 1 - Significant Accounting Policies (Continued)

The City's 2024 property tax revenue was levied and collectible on July 1, 2024 and is recognized as revenue in the year ended June 30, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

Purpose	Millage Rate	Revenue
General operating	4.6862 \$	880,251
Garbage collection	2.6270	493,452
Local streets	4.0953	814,007
Public safety	4.9000	867,022
Total		\$ 3,054,732

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, 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, major and nonmajor governmental funds, Water Fund, Sewer Fund, and internal service fund are used to liquidate the pension obligation.

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

In accordance with contracts negotiated with the various employee groups of the City, individual employees have a vested right upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. A leave liability is recognized in the government-wide and proprietary fund financial statements for the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Note 1 - Significant Accounting Policies (Continued)

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.

Accounting Changes

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statement of net position has been calculated to comply with this new pronouncement. The effect of this adoption of a new accounting pronouncement did not result in a restatement of the financial statements as of June 30, 2024 in order to adopt GASB Statement No. 101.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

June 30, 2025

Note 2 - Stewardship, Compliance, and Accountability

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

	Budget	Actual
General Fund - Public safety - Building inspections and related	\$ 37,613	\$ 41,741
General Fund - Recreation and culture	293,184	301,128
Local Streets Millage Fund - Debt service	661,088	663,319

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2024	\$ (433,264)
Current year permit revenue	101,356
Related expenses - Direct costs	80,086
Current year surplus	21,270
Cumulative shortfall at June 30, 2025	\$ (411,994)

Note 3 - Deposits and Investments

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

The City 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 bank deposits totaling \$7,706,169 (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.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At June 30, 2025, the City has the following investments with interest rate risk.

Investment	Carrying Value	Weighted-average Maturity (Years)
Michigan CLASS investment pool	\$ 1,320,913	0.23

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, 2025, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market securities	\$ 411,523	AAAm	S&P
Michigan CLASS investment pool	1,320,913	AAA	S&P
Total	<u>\$ 1,732,436</u>		

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City does not have any investments subject to concentration of credit risk.

Fair Value Measurements

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

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

The City has the following recurring fair value measurements as of June 30, 2025:

- Michigan CLASS investment pool of \$1,320,913 is valued using net asset value.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

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

June 30, 2025

Note 3 - Deposits and Investments (Continued)

At June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 1,320,913	\$ -	N/A	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A 1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 1,482,840	\$ -	\$ -	\$ -	\$ 1,482,840
Construction in progress	9,860,445	-	1,036,403	-	10,896,848
Subtotal	11,343,285	-	1,036,403	-	12,379,688
Capital assets being depreciated:					
Roads and sidewalks	17,953,658	-	175,031	-	18,128,689
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	1,024,644	-	30,500	(10,383)	1,044,761
Vehicles	896,273	-	94,907	(43,520)	947,660
Land improvements	1,869,618	-	-	-	1,869,618
Subtotal	24,477,124	-	300,438	(53,903)	24,723,659
Accumulated depreciation:					
Roads and sidewalks	8,966,705	-	787,130	-	9,753,835
Buildings and improvements	1,662,002	-	54,493	-	1,716,495
Machinery and equipment	920,321	-	22,090	-	942,411
Vehicles	381,286	-	90,881	(43,520)	428,647
Land improvements	991,965	-	74,653	-	1,066,618
Subtotal	12,922,279	-	1,029,247	(43,520)	13,908,006
Net capital assets being depreciated	11,554,845	-	(728,809)	(10,383)	10,815,653
Net capital assets	\$ 22,898,130	\$ -	\$ 307,594	\$ (10,383)	\$ 23,195,341

June 30, 2025

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated - Construction in progress	\$ 4,296,605	\$ -	\$ 1,004,821	\$ -	\$ 5,301,426
Capital assets being depreciated:					
Water and sewer lines	23,496,688	-	-	-	23,496,688
Machinery and equipment	345,548	-	6,200	-	351,748
Subtotal	23,842,236	-	6,200	-	23,848,436
Accumulated depreciation:					
Water and sewer lines	9,375,361	-	615,718	-	9,991,079
Machinery and equipment	270,676	-	18,077	-	288,753
Subtotal	9,646,037	-	633,795	-	10,279,832
Net capital assets being depreciated	14,196,199	-	(627,595)	-	13,568,604
Net capital assets	<u>\$ 18,492,804</u>	<u>\$ -</u>	<u>\$ 377,226</u>	<u>\$ -</u>	<u>\$ 18,870,030</u>

Component Unit

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated - Construction in progress	\$ -	\$ -	\$ 4,572	\$ -	\$ 4,572
Capital assets being depreciated:					
Buildings and improvements	-	-	137,562	-	137,562
Machinery and equipment	11,332	-	10,383	-	21,715
Vehicles	4,721	-	-	-	4,721
Subtotal	16,053	-	147,945	-	163,998
Accumulated depreciation:					
Machinery and equipment	6,601	-	1,874	-	8,475
Vehicles	4,721	-	612	-	5,333
Subtotal	11,322	-	2,486	-	13,808
Net capital assets being depreciated	4,731	-	145,459	-	150,190
Net capital assets	<u>\$ 4,731</u>	<u>\$ -</u>	<u>\$ 150,031</u>	<u>\$ -</u>	<u>\$ 154,762</u>

June 30, 2025

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 640,311
Public safety	11,435
Public works	249,836
Recreation and culture	31,506
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>96,159</u>
Total governmental activities	<u>\$ 1,029,247</u>
Business-type activities:	
Water	\$ 340,005
Sewer	<u>293,790</u>
Total business-type activities	<u>\$ 633,795</u>
Component unit activities - Community development	<u>\$ 2,486</u>

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Winchester Woods Local Road Improvements	\$ 6,645,692	\$ 60,235
Winchester Village Water Main Replacement	5,031,463	261,720
Don Shenk Road	25,512	1,069,365
Cappy Lane Road	9,218	364,795
Cappy Lane Watermain	14,308	359,775

Note 5 - Interfund Receivables, Payables, and Transfers

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

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
Sewer Fund	Motor Pool Fund	\$ 74,377

The advance from the Sewer Fund to the Motor Pool Fund is a loan made for the purchase of equipment. The advance is payable over five years at 2.97 percent interest, with annual payments totaling \$26,279.

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund - Fire Capital Project Fund	\$ 202,500
Local Streets Millage Fund	Local Streets Fund	500,000

The transfer from the General Fund to the nonmajor governmental Fire Capital Project Fund was for the use of unrestricted resources to fund purchase of fire equipment in accordance with budgetary authorizations. The transfer from the Local Streets Millage Fund to the Local Streets Fund was for street projects.

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
General obligations - 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	\$ 495,150	\$ -	\$ (161,700)	\$ 333,450	\$ 165,368
General obligations - 2023 Capital Improvement Bond, bearing interest of 4.00 percent, maturing in 2036	6,400,000	-	(235,000)	6,165,000	255,000
Total other debt principal outstanding	6,895,150	-	(396,700)	6,498,450	420,368
Unamortized bond premiums	305,927	-	(25,494)	280,433	25,494
Total bonds and contracts payable	7,201,077	-	(422,194)	6,778,883	445,862
Compensated absences	39,381	-	(3,177)	36,204	36,204
Total governmental activities long-term debt	<u>\$ 7,240,458</u>	<u>\$ -</u>	<u>\$ (425,371)</u>	<u>\$ 6,815,087</u>	<u>\$ 482,066</u>

The change in the compensated absence liability presented above is the net change.

June 30, 2025

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
General obligations - Water Supply System Revenue Bond, Series 2020, used to fund a portion of city water supply system construction and improvements, bearing interest not to exceed 3.125 percent, maturing in 2060	\$ 2,734,000	\$ -	\$ (54,000)	\$ 2,680,000	\$ 55,000
General obligations - Water Supply System Revenue Bond, Series 2023, used to fund a portion of city water supply system construction and improvements, bearing interest not to exceed 2.625 percent, maturing in 2063	3,119,573	779,184	(60,000)	3,838,757	61,000
Other debt:					
General obligations - 2017 General Obligation Limited Tax Bonds used to fund a portion of certain capital improvements in the City, bearing interest from 1.15 to 2.75 percent, maturing in 2027	149,850	-	(48,300)	101,550	49,632
Total bonds and contracts payable	6,003,423	779,184	(162,300)	6,620,307	165,632
Compensated absences	30,304	-	(2,489)	27,815	27,815
Total business-type activities long-term debt	<u>\$ 6,033,727</u>	<u>\$ 779,184</u>	<u>\$ (164,789)</u>	<u>\$ 6,648,122</u>	<u>\$ 193,447</u>

The change in the compensated absence liability presented above is the net change.

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water Fund, net of operating expenses, to repay the water revenue bonds listed below. Proceeds from the bonds provided financing for the construction of the water system and a drinking water program. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds total \$8,380,071. During the current year, net revenue of the system was \$302,896, compared to annual debt requirements of \$297,073.

June 30, 2025

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.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities				
	Other Debt			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2026	\$ 420,368	\$ 247,687	\$ 668,055	\$ 116,000	\$ 152,940	\$ 49,632	\$ 2,712	\$ 321,284
2027	443,082	232,528	675,610	119,000	150,308	51,918	1,397	322,623
2028	475,000	215,900	690,900	122,000	147,604	-	-	269,604
2029	505,000	196,300	701,300	124,000	144,829	-	-	268,829
2030	540,000	186,200	726,200	127,000	142,009	-	-	269,009
2031-2035	3,310,000	592,300	3,902,300	679,000	625,035	-	-	1,304,035
2036-2040	805,000	16,100	821,100	761,000	584,209	-	-	1,345,209
2041-2045	-	-	-	853,000	492,923	-	-	1,345,923
2046-2050	-	-	-	956,000	390,341	-	-	1,346,341
2051-2055	-	-	-	1,070,000	275,186	-	-	1,345,186
2056-2060	-	-	-	1,198,000	145,729	-	-	1,343,729
2061-2063	-	-	-	393,757	24,701	-	-	418,458
Total	\$ 6,498,450	\$ 1,687,015	\$ 8,185,465	\$ 6,518,757	\$ 3,275,814	\$ 101,550	\$ 4,109	\$ 9,900,230

Significant Terms

Other Debt

The outstanding Water Supply System Revenue Bond, Series 2020, used to fund a portion of city water supply system construction and improvements in the amount of \$2,890,000, contains a provision that, in an event of default, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the system on behalf of the issuer, under the direction of the court, and by and with the approval of the court, to perform the duties of the officers of the issuer more particularly set forth herein and in Act 94.

Note 7 - Risk Management

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

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

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 \$1,492,268 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2025, the City was billed \$40,831 for fire runs by the Fire Department. The City contributed an additional \$146,032 toward operating costs. Additionally, during 2025, the City contributed an additional \$107,012 toward capital costs.

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

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

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

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

The equity interest is calculated based on the City's net book value of contributed assets as of June 30, 2019, as set forth in the interlocal agreement. The City's equity interest in those assets is now \$0.

During the year ended June 30, 2025, the City was billed \$1,310,384 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 supplementary 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 5-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 3-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, 2024 measurement date, the following employees were covered by the benefit terms:

Total employees covered by MERS - Inactive plan members or beneficiaries currently receiving benefits	15
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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.

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 \$300 for general employees hired prior to July 1, 1997.

Note 9 - Defined Benefit Pension Plan (Continued)

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. As of June 30, 2025, the City does not have any active supervisory employees in the plan. The City currently has a required fixed monthly contribution for supervisor employees of approximately \$9,000.

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, 2025 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, 2024 measurement date. The December 31, 2024 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, 2023	\$ 7,102,487	\$ 5,874,565	\$ 1,227,922
Changes for the year:			
Interest	489,293	-	489,293
Differences between expected and actual experience	(570,464)	-	(570,464)
Changes in assumptions	(34,547)	-	(34,547)
Contributions - Employer	-	111,192	(111,192)
Contributions - Employee	-	1,177	(1,177)
Net investment income	-	431,804	(431,804)
Benefit payments, including refunds	(575,630)	(575,630)	-
Administrative expenses	-	(12,665)	12,665
Net changes	(691,348)	(44,122)	(647,226)
Balance at December 31, 2024	<u>\$ 6,411,139</u>	<u>\$ 5,830,443</u>	<u>\$ 580,696</u>

June 30, 2025

Note 9 - Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2025, the City recognized pension recovery of \$460,367. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 261,138	\$ -
Employer contributions to the plan subsequent to the measurement date	<u>55,596</u>	<u>-</u>
Total	<u>\$ 316,734</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$55,596 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	<u>Amount</u>
2026	\$ 122,566
2027	198,375
2028	(52,895)
2029	<u>(6,908)</u>
Total	<u>\$ 261,138</u>

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return gross of investment expenses of 7.18 percent, and the Pub-2010 mortality tables. The economic assumptions (i.e., investment rate of return and inflation assumption) were applied to all periods included in the measurement, while the demographic assumptions (i.e., mortality tables) were updated for the end of the measurement period. All assumptions used are based on an experience study conducted for the period from 2019-2023.

Mortality rates were based on a blend of the following tables:

1. The Pub-2010 Juvenile Mortality Tables
2. The PubG-2010 Employee Mortality Tables
3. The PubG-2010 Healthy Retiree Tables

For disabled retirees, the mortality rates were based on a blend of the Pub-2010 Juvenile Mortality Tables and the PubNS-2010 Disabled Retiree Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.18 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.

Note 9 - Defined Benefit Pension Plan (Continued)

Projected Cash Flows

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a 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, 2024, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.16
Private investments	20.00	6.50

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.18 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability of the City	\$ 1,128,926	\$ 580,696	\$ 105,392

Pension Plan Fiduciary Net Position

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

Assumption Changes

For the December 31, 2024 measurement date, the mortality improvement scale was updated to MP-2021.

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 8 percent of supervisors' wages and 7 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. The City matches 1 percent for every 2 percent of voluntary employee contributions, up to a total of 10 percent of employer contributions. 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 \$909,941. The current year contribution was calculated based on covered payroll of approximately \$773,000, resulting in an employer contribution of \$74,300. The 457 deferred compensation plan is open to all of the employees of the City on a voluntary basis.

Note 11 - Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	July 1, 2023
Inactive plan members or beneficiaries currently receiving benefits	9
Active plan members	<u>2</u>
Total plan members	<u><u>11</u></u>

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The actuarially determined contribution, calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability, was \$32,927 for the fiscal year ended June 30, 2025, and, for the fiscal year ended June 30, 2025, the City made payments for postemployment health benefit premiums of \$33,380 into the City OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$418,807 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2023 that used update procedures to roll forward to the measurement date of June 30, 2025.

June 30, 2025

Note 11 - Other Postemployment Benefit Plan (Continued)

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

City OPEB Plan

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2024	\$ 434,656
Changes for the year:	
Service cost	2,628
Interest	14,903
Benefit payments, including refunds	<u>(33,380)</u>
Net changes	<u>(15,849)</u>
Balance at June 30, 2025	<u>\$ 418,807</u>

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$17,531.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation date was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.0 percent; a discount rate of 4.13 percent; a health care cost trend rate of 7.25 percent for pre-65 participants and 5.50 percent for post-65 participants in 2023, decreasing by 0.25 percent per year to an ultimate rate of 4.5 percent for pre-65 participants in 2035 and post-65 participants in 2028 and later years; and the Pub-2010 mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 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 4.13 percent for the City OPEB Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (3.13%)	Current Discount Rate (4.13%)	1 Percentage Point Increase (5.13%)
Total OPEB liability of the City OPEB Plan	\$ 456,338	\$ 418,807	\$ 386,326

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate of 7.25 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Health Care Cost Trend Rate (7.25%)	1 Percentage Point Increase (8.25%)
Total OPEB liability of the City OPEB Plan	\$ 416,363	\$ 418,807	\$ 420,836

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, 2025, the City reported a liability of \$396,688 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2025, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$36,317 and \$130,418, respectively, for its proportionate share of changes in assumptions and deferred outflows of \$20,468 for its proportionate share of the difference between expected and actual experience and \$87,255 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2025 was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. 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 actuarially determined contribution. At December 31, 2024, the City's proportion was 10.2 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 paid \$10,546 in OPEB expense to the Police Authority during the year ended June 30, 2025, as there were two City retirees in the police authority plan.

Assumption Changes

As of the December 31, 2024 measurement date, the discount rate was updated to 5.73 percent from 5.41 percent.

Required Supplementary Information

City of Swartz Creek, Michigan

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,800,922	\$ 1,807,922	\$ 1,776,788	\$ (31,134)
State-shared revenue and state and federal grants	773,174	753,338	754,212	874
Charges for services	156,297	165,797	175,831	10,034
Licenses and permits	229,100	264,100	269,187	5,087
Investment income	7,500	90,700	85,084	(5,616)
Other revenue	23,229	85,029	117,371	32,342
Total revenue	2,990,222	3,166,886	3,178,473	11,587
Expenditures				
Current services:				
General government:				
Executive	161,341	157,651	154,688	2,963
Information technology	23,000	16,000	14,611	1,389
Treasurer	122,480	138,480	137,903	577
Assessing	52,881	42,881	42,827	54
Board of review	4,204	4,204	2,212	1,992
Administration and clerk	36,293	39,293	37,899	1,394
Legal	18,900	11,400	11,356	44
Elections	86,374	82,374	74,546	7,828
Legislative	40,145	40,245	38,611	1,634
Public safety:				
Police	1,363,964	1,363,964	1,361,473	2,491
Fire	205,162	195,162	189,064	6,098
Building inspections and related	40,138	37,613	41,741	(4,128)
Public works	425,457	454,086	424,051	30,035
Recreation and culture	296,364	293,184	301,128	(7,944)
Total expenditures	2,876,703	2,876,537	2,832,110	44,427
Excess of Revenue Over Expenditures	113,519	290,349	346,363	56,014
Other Financing Uses - Transfers out	(202,500)	(202,500)	(202,500)	-
Net Change in Fund Balance	(88,981)	87,849	143,863	56,014
Fund Balance - Beginning of year	1,875,072	1,875,072	1,875,072	-
Fund Balance - End of year	\$ 1,786,091	\$ 1,962,921	\$ 2,018,935	\$ 56,014

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 617,297	\$ 617,297	\$ 632,403	\$ 15,106
Charges for services	3,000	5,000	5,177	177
Investment income	500	5,600	6,675	1,075
Other revenue	15,000	5,500	6,038	538
Total revenue	635,797	633,397	650,293	16,896
Expenditures - Current services - Public works	480,496	684,102	396,255	287,847
Net Change in Fund Balance	155,301	(50,705)	254,038	304,743
Fund Balance - Beginning of year	250,253	250,253	250,253	-
Fund Balance - End of year	\$ 405,554	\$ 199,548	\$ 504,291	\$ 304,743

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 196,492	\$ 196,492	\$ 197,906	\$ 1,414
Investment income	400	12,400	12,963	563
Other revenue	16,500	30,040	30,092	52
Total revenue	213,392	238,932	240,961	2,029
Expenditures - Current services - Public works	1,174,465	1,127,389	547,278	580,111
Excess of Expenditures Over Revenue	(961,073)	(888,457)	(306,317)	582,140
Other Financing Sources - Transfers in	965,000	500,000	500,000	-
Net Change in Fund Balance	3,927	(388,457)	193,683	582,140
Fund Balance - Beginning of year	421,469	421,469	421,469	-
Fund Balance - End of year	<u>\$ 425,396</u>	<u>\$ 33,012</u>	<u>\$ 615,152</u>	<u>\$ 582,140</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 492,246	\$ 497,314	\$ 500,590	\$ 3,276
State-shared revenue and state and federal grants	6,500	18,400	18,436	36
Investment income	1,200	17,100	19,137	2,037
Other revenue	-	-	120	120
Total revenue	499,946	532,814	538,283	5,469
Expenditures				
Current services:				
General government	41,274	44,824	44,193	631
Public works	436,562	463,166	441,598	21,568
Total expenditures	477,836	507,990	485,791	22,199
Other Financing Uses - Transfers out	(2,500)	(2,500)	-	2,500
Net Change in Fund Balance	19,610	22,324	52,492	30,168
Fund Balance - Beginning of year	444,744	444,744	444,744	-
Fund Balance - End of year	<u>\$ 464,354</u>	<u>\$ 467,068</u>	<u>\$ 497,236</u>	<u>\$ 30,168</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 802,868	\$ 814,868	\$ 818,190	\$ 3,322
State-shared revenue and state and federal grants	10,000	28,800	28,831	31
Investment income	70	71,570	71,240	(330)
Total revenue	<u>812,938</u>	<u>915,238</u>	<u>918,261</u>	<u>3,023</u>
Expenditures				
Current services - Public works	2,895,669	2,516,819	742,264	1,774,555
Debt service	661,088	661,088	663,319	(2,231)
Total expenditures	<u>3,556,757</u>	<u>3,177,907</u>	<u>1,405,583</u>	<u>1,772,324</u>
Excess of Expenditures Over Revenue	(2,743,819)	(2,262,669)	(487,322)	1,775,347
Other Financing Uses - Transfers out	(965,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	(3,708,819)	(2,762,669)	(987,322)	1,775,347
Fund Balance - Beginning of year	<u>4,091,818</u>	<u>4,091,818</u>	<u>2,618,291</u>	<u>(1,473,527)</u>
Fund Balance - End of year	<u><u>\$ 382,999</u></u>	<u><u>\$ 1,329,149</u></u>	<u><u>\$ 1,630,969</u></u>	<u><u>\$ 301,820</u></u>

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

Last Ten Years Ended December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ -	\$ 3,492	\$ 3,710	\$ 6,493	\$ 8,214	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596
Interest	489,293	492,856	497,501	510,128	497,368	508,630	510,983	664,703	694,370	673,081
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	-	-	-	-	(2,036,121)	-	-
Differences between expected and actual experience	(570,464)	71,854	12,540	(11,956)	(258)	(14,093)	(23,815)	(24,897)	(513,238)	16,110
Changes in assumptions	(34,547)	39,651	-	194,834	203,897	216,306	-	-	-	418,907
Benefit payments, including refunds	(575,630)	(603,285)	(552,113)	(544,354)	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)
Net Change in Total Pension Liability	(691,348)	4,568	(38,362)	155,145	172,626	190,415	(25,549)	(1,933,962)	(385,173)	500,385
Total Pension Liability - Beginning of year	7,102,487	7,097,919	7,136,281	6,981,136	6,808,510	6,618,095	6,643,644	8,577,606	8,962,779	8,462,394
Total Pension Liability - End of year	\$ 6,411,139	\$ 7,102,487	\$ 7,097,919	\$ 7,136,281	\$ 6,981,136	\$ 6,808,510	\$ 6,618,095	\$ 6,643,644	\$ 8,577,606	\$ 8,962,779
Plan Fiduciary Net Position										
Contributions - Employer	\$ 111,192	\$ 111,192	\$ 99,990	\$ 80,946	\$ 73,104	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373
Contributions - Member	1,177	1,300	2,200	2,157	2,117	2,168	2,144	3,697	12,249	11,530
Net investment income (loss)	431,804	628,530	(767,104)	861,891	825,964	783,758	(246,183)	842,536	775,551	(106,039)
Administrative expenses	(12,665)	(13,099)	(12,450)	(10,267)	(12,212)	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)
Benefit payments, including refunds	(575,630)	(603,285)	(552,113)	(544,354)	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	-	-	-	-	(1,225,547)	-	-
Net Change in Plan Fiduciary Net Position	(44,122)	124,638	(1,229,477)	390,373	352,378	316,705	(704,561)	(861,271)	813,347	(551,930)
Plan Fiduciary Net Position - Beginning of year	5,874,565	5,749,927	6,979,404	6,589,031	6,236,653	5,919,948	6,624,509	7,485,780	6,672,433	7,224,363
Plan Fiduciary Net Position - End of year	\$ 5,830,443	\$ 5,874,565	\$ 5,749,927	\$ 6,979,404	\$ 6,589,031	\$ 6,236,653	\$ 5,919,948	\$ 6,624,509	\$ 7,485,780	\$ 6,672,433
City's Net Pension Liability - Ending	\$ 580,696	\$ 1,227,922	\$ 1,347,992	\$ 156,877	\$ 392,105	\$ 571,857	\$ 698,147	\$ 19,135	\$ 1,091,826	\$ 2,290,346
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.94 %	82.71 %	81.01 %	97.80 %	94.38 %	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %
Covered Payroll	\$ 60,176	\$ 57,426	\$ 56,039	\$ 109,821	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539
City's Net Pension Liability as a Percentage of Covered Payroll	965.00 %	2,138.27 %	2,405.45 %	142.85 %	370.44 %	532.55 %	651.36 %	18.28 %	213.29 %	474.64 %

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 111,192	\$ 111,192	\$ 111,192	\$ 88,788	\$ 39,264	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374
Contributions in relation to the actuarially determined contribution	111,192	111,192	111,192	88,788	73,104	73,104	73,104	739,018	117,167	655,770
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ 33,840	\$ -	\$ -	\$ 688,616	\$ 23,106	\$ 555,396
Covered Payroll	\$ 29,477	\$ 58,573	\$ 92,140	\$ 109,821	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539
Contributions as a Percentage of Covered Payroll	377.22 %	189.83 %	120.68 %	80.85 %	69.07 %	68.08 %	68.40 %	706.14 %	22.89 %	135.90 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	15 years
Asset valuation method	5-year smoothed
Inflation	2.50 percent
Salary increase	3.00 percent
Investment rate of return	7.00 percent
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	Pub-2010 mortality tables
Other information	None

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

	Last Eight Fiscal Years							
	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 2,628	\$ 2,605	\$ 3,084	\$ 5,395	\$ 8,651	\$ 6,639	\$ 5,212	\$ 5,481
Interest	14,903	18,231	19,063	12,606	15,183	17,462	17,671	17,105
Changes in benefit terms	-	-	-	-	-	39,417	-	-
Differences between expected and actual experience	-	15,511	(16,454)	12,325	1,181	(22,410)	-	-
Changes in assumptions	-	(3,403)	(90,082)	(5,845)	22,259	71,238	-	(17,762)
Benefit payments, including refunds	(33,380)	(52,604)	(31,389)	(46,251)	(42,780)	(38,441)	(42,537)	(46,938)
Net Change in Total OPEB Liability	(15,849)	(19,660)	(115,778)	(21,770)	4,494	73,905	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	434,656	454,316	570,094	591,864	587,370	513,465	533,119	575,233
Total OPEB Liability - End of year	\$ 418,807	\$ 434,656	\$ 454,316	\$ 570,094	\$ 591,864	\$ 587,370	\$ 513,465	\$ 533,119
Covered-employee Payroll	\$ 127,025	\$ 142,605	\$ 138,452	\$ 197,251	\$ 202,102	\$ 107,845	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered-employee Payroll	329.70 %	304.80 %	328.14 %	289.02 %	292.85 %	544.64 %	237.78 %	212.55 %

City of Swartz Creek, Michigan

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

	Last Eight Plan Years Years Ended December 31							
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	10.20000 %	10.30000 %	10.70000 %	12.01000 %	12.00000 %	13.00000 %	15.94700 %	12.45500 %
City's proportionate share of the authority's net OPEB liability	\$ 396,688	\$ 399,497	\$ 351,572	\$ 429,222	\$ 507,360	\$ 464,675	\$ 501,021	\$ 327,459
City's contributions to Metro Police Authority of Genesee County OPEB Plan	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-	-	-	-	-	-	-	-

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

Budgetary Information

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

Pension Information

Changes in Assumptions

There were no changes of benefit assumptions in 2014, 2016, 2017, 2018, or 2022.

In 2024, assumptions changed related to the mortality improvement scale, resulting in a decrease of the total pension liability.

In 2023, assumptions changed related to the investment rate of return, resulting in an increase of the total pension liability.

In 2021, assumptions changed related to the investment rate of return, resulting in an increase of the total pension liability.

In 2020, assumptions changed related to the mortality tables, resulting in an increase of the total pension liability.

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

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

OPEB Information

Changes in Assumptions

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

In 2025, for the Metro Police Authority Plan, assumption change related to the discount rate.

In 2024, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to a change in discount rates and health care trend rate changes. In 2024, for the Metro Police Authority Plan, assumption change related to the discount rate.

In 2023, assumptions changed related to the discount rate, health care cost trend rate, and updated mortality improvement scale utilized, resulting in a decrease of the total OPEB liability. In 2023, for the Metro Police Authority Plan, assumptions changed related to the discount rate, assumed investment rate of return, and updated mortality improvement scale.

In 2022, assumptions changed related to the discount rate, health care cost trend rate, and updated mortality improvement scale utilized, resulting in a decrease of the total OPEB liability. In 2022, for the Metro Police Authority Plan, assumptions changed related to the discount rate, assumed investment rate of return, and updated mortality improvement scale.

In 2021, assumptions changed related to the discount rate, resulting in an increase of the total OPEB liability.

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

Supplementary Information

City of Swartz Creek, Michigan

Supplementary Information
Combining Statement of Net Position
Fiduciary Funds

June 30, 2025

	Custodial Funds					Total Custodial Funds
	Current Tax Collection	Winter Tax Collection	Delinquent Personal Property Tax	Tax in lieu of Mari-Dan	Trust and Agency	
Assets						
Cash and investments	\$ -	\$ 69	\$ 434	\$ 17,072	\$ 100	\$ 17,675
Receivables	15	592	87,754	-	-	88,361
Total assets	15	661	88,188	17,072	100	106,036
Liabilities - Unremitted tax collections						
	-	657	88,188	16,784	100	105,729
Net Position	\$ 15	\$ 4	\$ -	\$ 288	\$ -	\$ 307

City of Swartz Creek, Michigan

Supplementary Information
Combining Statement of Changes in Net Position
Fiduciary Funds

Year Ended June 30, 2025

	Custodial Funds					
	Current Tax Collection	Winter Tax Collection	Delinquent Personal Property Tax	Tax in lieu of Mari-Dan	Trust and Agency	Total Custodial Funds
Additions						
Investment income	\$ 15	\$ 4	\$ -	\$ 288	\$ -	\$ 307
Property tax collections from other governments	<u>5,428,978</u>	<u>1,680,588</u>	<u>8,148</u>	<u>-</u>	<u>-</u>	<u>7,117,714</u>
Total additions	5,428,993	1,680,592	8,148	288	-	7,118,021
Deductions - Tax distributions to other governments	<u>5,428,978</u>	<u>1,680,588</u>	<u>8,148</u>	<u>-</u>	<u>-</u>	<u>7,117,714</u>
Net Change in Fiduciary Net Position	15	4	-	288	-	307
Net Position - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of year	<u><u>\$ 15</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 288</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 307</u></u>