
City of Swartz Creek, Michigan

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

June 30, 2025

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the City Council
City of Swartz Creek, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, and have issued our report thereon dated December 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses or schedule of findings and questioned costs as Finding 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the City Council
City of Swartz Creek, Michigan

The City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 1, 2025

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Financial Statement Audit Findings

Reference Number	Finding
2025-001	<p data-bbox="362 531 779 556">Finding Type - Material weakness</p> <p data-bbox="362 581 1487 884">Criteria - Transactions should be identified and accounted for, in accordance with generally accepted accounting principles, in the City's accounting records, including recording the period to which the transactions relate; capitalizing capital-related expenses into capital assets, including capital assets being capitalized in the proper full accrual fund that incurred the capital outlay expense and capitalized in the amount of capital outlay expense; and recording depreciation expense consistently for capital asset additions. Additionally, year-end general ledger balances for the balance sheet and income statement should be reconciled to supporting details and calculations, including adjustments from prior year end balances and cash balances reconciled after year-end adjustments, and fiduciary fund activities should be recorded in the general ledger to include revenue addition and expense deduction activities.</p> <p data-bbox="362 909 1487 1211">Condition - Expenses and revenue related to the fiscal year that were paid and received after year end were not recorded in the accounting records in the correct period, and capital expenses were not properly capitalized into capital assets. Additionally, inventory, retainage payable, deferred inflows, and accrued interest balances were recorded at the same balances as prior year; beginning fund balance and net position balances did not agree to the ending balances from the prior year financial statements; component unit tax revenue did not agree to supporting tax rolls; depreciation expense was not recorded for all current year capital asset additions; general ledger cash balances did not agree to the general ledger balance per the bank reconciliation; and fiduciary fund tax collection and distribution activities were not recorded as fiduciary fund revenue and expenses in the accounting records.</p> <p data-bbox="362 1236 1487 1434">Context - There were over 25 audit-identified journal entries with a city-wide impact of an approximately \$738,000 net increase to assets, approximately \$1.1 million net decrease to liabilities, approximately \$295,000 net increase to beginning fund balance and net position, approximately \$205,000 net increase to revenue, and approximately \$1.3 million decrease to expenses. There were also 3 unrecorded audit adjustments with a city-wide impact of an approximately \$120,000 decrease in assets, approximately \$28,000 increase in liabilities, and approximately \$148,000 increase in expenses.</p> <p data-bbox="362 1459 1487 1572">Cause - The City does not have adequate procedures and controls in place for year-end accounting, including year-end accruals and ensuring that the general ledger balance sheet balances are reviewed to agree to the supporting detail support or calculations from the prior year balances.</p> <p data-bbox="362 1598 1487 1711">Effect - Audit adjustments were recorded to various balance sheet and income statement accounts to adjust to proper balances at June 30, 2025 in accordance with GAAP. There were also 3 audit-identified unrecorded audit adjustments with an immaterial impact to the financial statements.</p> <p data-bbox="362 1736 1487 1921">Recommendation - The City should implement procedures and review processes to ensure proper year-end accruals and fund balance, net position, and other balance sheet balances are properly adjusted and reconciled to final balances per detailed schedules. We recommend that a second review be performed over all schedules to ensure that any discrepancies are identified by the City and adjusted into the accounting records timely and before the beginning of the audit.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2025

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2025-001 (Continued)	Views of Responsible Officials and Planned Corrective Actions - Management concurs with the finding. The City acknowledges that year-end accruals, capital asset activity, reconciliations, and beginning balance rollforwards were not completed with sufficient review, resulting in the audit adjustments noted. To address this, the City will implement a formal year-end closing process that includes quarterly balance sheet reconciliations, a year-end checklist for all required accruals and capital asset activity, and a secondary review of all schedules prior to audit fieldwork. These procedures will be in place for the fiscal year ending June 30, 2026.