

December 16, 2024

To the City Council
City of Swartz Creek, Michigan

We have audited the financial statements of the City of Swartz Creek, Michigan (the "City") as of and for the year ended June 30, 2024 and have issued our report thereon dated December 16, 2024. Professional standards require that we provide you with the following information related to our audit.

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Legislative Items

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

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the City in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness. It also contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable. This report is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

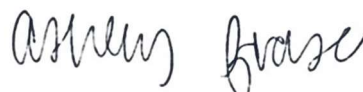
We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Pamela Hill, CPA
Partner



Ashley Frase, CPA
Senior Manager

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 13, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated December 16, 2024 regarding 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, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 20, 2024.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

No new accounting policies were adopted, and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

The most sensitive estimates affecting the financial statements were the net pension liability and the other postemployment benefit liability. Management's estimate for the net pension liability was based on an actuarial valuation. The significant assumptions used in that calculation include future rate of return on investments, employee eligibility rates, life expectancies, and projected salary increases. The estimate for the other postemployment benefit liability was based on the use of the GASB 75 actuarial valuation for calculating the net OPEB liability, required contribution using health care premiums, personnel information, and interest rates. We evaluated the key factors and assumptions used to develop the estimates of the net pension liability and other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See the separate letter on internal controls over financial reporting issued in the single audit report for more detail on the corrected misstatements identified during the audit. We also identified uncorrected misstatements to the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The adjustment would increase prepaid assets and decrease expenses by \$18,410 in the governmental activities, \$1,515 in the component unit, \$12,153 in the General Fund, \$3,723 in the Major Streets Fund, and \$1,373 in the Garbage Collection Fund. However, uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Section II - Other Recommendations and Legislative Items

During our audit, we noted an area where we believe there are opportunities for the City to further strengthen internal control or to increase operating efficiencies. Our observations on this area are presented below for your consideration:

Other Recommendation - User Access Reviews

During our testing of the City's internal controls, we noted that the City has several users in the general ledger software who have enterprise administrative access. This access, in essence, means that they can perform any and all tasks within the system. While the City does have other controls in place in most instances (see the single audit report for the finding related to payroll controls), a best practice is to limit an individual's access to only what is needed to perform their job functions. We also noted that this access is not reviewed, and there was an individual who was no longer at the City but still had access in the system. We did note that there were mitigating controls that would alleviate risk in this situation, but we recommend that the City review the user access reports at least annually and document the review in order to continue to ensure the integrity of the City's general ledger system.

Legislative Items

Inflation Reduction Act (IRA)

Significant legislation was enacted in 2022 that has dramatically expanded the available tax credits, tax incentives, and other funding opportunities related to the green energy sector. Several of these are built on previously existing programs, but many are new and widely applicable. Additionally, new monetization options expand the benefits of tax credits for qualifying activities to public sector organizations like the City. The breadth of qualifying activities is significant, including, in most cases, the production of electricity; production of solar, wind, and energy equipment; installation of energy-efficient upgrades to businesses and homes; and the acquisition of electric vehicles (EVs) and charging equipment. We are happy to discuss any questions or potential tax credit opportunities with you, and please also feel free to visit our IRA tax credits articles and webinars at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/inflation-reduction-act-tax-credits>.

Cybersecurity and Information Technology Controls

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

OMB Revisions to the Uniform Guidance

In April 2024, the Office of Management and Budget (OMB) released revisions for the Uniform Guidance for federal grants and agreements, which are effective for fiscal year ends beginning on October 1, 2024 and after. The guidance clarifies the applicability of requirements and terminology and includes some relaxation and clarification of certain requirements that required prior approval from federal regulators. A few key changes include the following:

- Increase the single audit threshold to \$1 million from \$750,000
- Require the schedule of expenditures of federal awards (SEFA) to identify recipient of federal award for audits that cover multiple recipients

Section II - Other Recommendations and Legislative Items (Continued)

- Increase the *de minimis* indirect cost rate from 10 percent to 15 percent, effective for grants received on October 1, 2024 and after

The changes are included in more detail within the federal register at <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance>, and we are happy to discuss these changes with you.

Capitalization Thresholds

The April 2024 Uniform Grants Guidance 2024 Revision described above resulted in the equipment threshold increasing from \$5,000 to \$10,000. This threshold applies to the value of equipment that at the end of the grant period may be retained, sold, or otherwise disposed of with no further responsibility to the federal agency. In addition to considering this Uniform Guidance threshold related to federal grants compliance, it may be a good time for the City to reevaluate the capitalization thresholds. We are happy to assist you in thinking through considerations in evaluating these thresholds.

Upcoming Accounting Standards Requiring Preparation

We actively monitor new Governmental Accounting Standards Board (GASB) standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the City. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent update and a link to previous fall and spring updates are available [here](#).

GASB Statement No. 101 - Compensated Absences

This new accounting pronouncement will be effective for fiscal years ending December 31, 2024 and after. The statement requires all compensated absences be reported under a new unified model that provides recognition and measurement guidance for all compensated absences that meet certain criteria. This is a major shift from the prior standards that provided different recognition and measurement guidance for vacation leave versus sick leave. Under the new standard, all compensated absences (with some exceptions like parental leave and military leave) that meet three criteria are to be recognized (accrued). The three criteria are (1) the absence accumulates, (2) the absence is attributed to services already performed, and (3) the absence is more likely than not to be either paid or settled through other means.

A few of the more significant changes from prior guidance include the elimination of specific recognition criteria for sick leave (GASB 16's termination payment method and vesting method) in lieu of standard recognition criteria for all types of compensated absences that meet the criteria. In addition, the prior standards used the "probable criteria" as a measurement stick for recognition; GASB 101 lowers that threshold to more likely than not. More likely than not means a likelihood of more than 50 percent. Because GASB 101 does not prescribe the manner in which these leave liabilities are estimated once the criteria are met, organizations will have significant latitude in how these estimates are determined. Because of this, there may be additional reporting and additional disaggregation of historical employee leave usage information that may be required in order to come up with an accurate estimate of these liabilities. We strongly suggest the City start thinking about these changes now, brainstorm estimation methodologies, and begin gathering the necessary information in order to successfully adopt this new standard.

GASB Statement No. 102 - Certain Risk Disclosures

This new accounting pronouncement will be effective for fiscal years ending June 30, 2025 and after. This statement requires a government to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements.

Section II - Other Recommendations and Legislative Items (Continued)

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for fiscal years ending June 30, 2026 and after. This statement 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.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale.

Significant GASB Proposals Worth Watching

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2025.

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

City of Swartz Creek, Michigan

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with Supplementary Information
June 30, 2024**

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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, 2024 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, 2024 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 16, 2024 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 16, 2024

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, 2024. 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, 2024:

- The City's total net position is approximately \$37.4 million.
- The City's overall unrestricted net position is approximately \$6.57 million.
- The City's General Fund revenue exceeded expenditures by \$388,337 before transfers out. After transfers out, the net increase in fund balance was \$107,337, leaving the General Fund with a fund balance of \$1,875,072.

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			
	2023	2024	Change	Percent Change
Assets				
Current and other assets	\$ 6,286,423	\$ 9,955,178	\$ 3,668,755	58.4
Capital assets	16,009,525	22,898,130	6,888,605	43.0
Total assets	22,295,948	32,853,308	10,557,360	47.4
Deferred Outflows of Resources	458,349	347,228	(111,121)	(24.2)
Liabilities				
Current liabilities	1,648,166	3,432,200	1,784,034	108.2
Noncurrent liabilities	2,169,539	8,223,659	6,054,120	279.1
Total liabilities	3,817,705	11,655,859	7,838,154	205.3
Deferred Inflows of Resources	183,927	145,573	(38,354)	(20.9)
Net Position				
Net investment in capital assets	15,356,525	16,948,976	1,592,451	10.4
Restricted	2,041,105	1,151,010	(890,095)	(43.6)
Unrestricted	1,355,035	3,299,118	1,944,083	143.5
Total net position	\$ 18,752,665	\$ 21,399,104	\$ 2,646,439	14.1

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2023	2024	Change	Percent Change
Assets				
Current and other assets	\$ 4,700,650	\$ 5,071,864	\$ 371,214	7.9
Capital assets	15,249,868	18,492,804	3,242,936	21.3
Total assets	19,950,518	23,564,668	3,614,150	18.1
Deferred Outflows of Resources	245,964	159,928	(86,036)	(35.0)
Liabilities				
Current liabilities	426,504	1,256,604	830,100	194.6
Long-term liabilities	3,682,821	6,458,422	2,775,601	75.4
Total liabilities	4,109,325	7,715,026	3,605,701	87.7
Deferred Inflows of Resources	5,583	-	(5,583)	(100.0)
Net Position				
Net investment in capital assets	12,265,868	12,333,908	68,040	0.6
Restricted	142,439	405,507	263,068	184.7
Unrestricted	3,673,267	3,270,155	(403,112)	(11.0)
Total net position	<u>\$ 16,081,574</u>	<u>\$ 16,009,570</u>	<u>\$ (72,004)</u>	(0.4)

Governmental Activities

The governmental net position increased from a year ago, from approximately \$18.8 million to approximately \$21.4 million. In comparison, last year's net position increased by approximately 8.4 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$1,944,038 for the governmental activities. This represents an increase of approximately 143.5 percent. The current level of unrestricted net position for our governmental activities stands at \$3,299,118, or about 70 percent of expenses.

Business-type Activities

The net position of business-type activities decreased by about 0.4 percent from a year ago, from approximately \$16.1 million to approximately \$16 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, decreased by approximately \$400,000. This represents a decrease of approximately 11 percent. The current level of unrestricted net position stands at approximately \$3.3 million, or about 140 percent of operating expenses.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2023	2024	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 301,349	\$ 320,567	\$ 19,218	6.4
Operating grants	816,514	852,397	35,883	4.4
Capital grants	1,613,675	1,546,298	(67,377)	(4.2)
General revenue:				
Property taxes	2,660,318	2,907,441	247,123	9.3
State-shared revenue	768,162	779,391	11,229	1.5
Investment earnings	32,572	120,855	88,283	271.0
Other revenue	367,534	821,658	454,124	123.6
Total revenue	6,560,124	7,348,607	788,483	12.0
Expenses				
General government	1,130,524	949,721	(180,803)	(16.0)
Legislative	37,077	41,696	4,619	12.5
Public safety	1,837,233	1,558,860	(278,373)	(15.2)
Public works	1,825,973	1,771,212	(54,761)	(3.0)
Recreation and culture	262,828	225,956	(36,872)	(14.0)
Interest on long-term debt	19,872	154,723	134,851	678.6
Total expenses	5,113,507	4,702,168	(411,339)	(8.0)
Change in Net Position	1,446,617	2,646,439	1,199,822	82.9
Net Position - Beginning of year	17,306,048	18,752,665	1,446,617	8.4
Net Position - End of year	<u>\$ 18,752,665</u>	<u>\$ 21,399,104</u>	<u>\$ 2,646,439</u>	14.1
Business-type Activities				
	2023	2024	Change	Percent Change
Revenue				
Operating revenue	\$ 3,767,199	\$ 3,657,232	\$ (109,967)	(2.9)
General revenue:				
Investment earnings	45,474	77,200	31,726	69.8
Other revenue	660,043	21,850	(638,193)	(96.7)
Total revenue	4,472,716	3,756,282	(716,434)	(16.0)
Expenses				
Operating expenses - Other than depreciation	3,141,623	3,083,225	(58,398)	(1.9)
Depreciation	588,220	647,285	59,065	10.0
Interest expense	59,680	75,161	15,481	25.9
Debt service charge	10,115	22,615	12,500	123.6
Total expenses	3,799,638	3,828,286	28,648	0.8
Change in Net Position	673,078	(72,004)	(745,082)	(110.7)
Net Position - Beginning of year	15,408,496	16,081,574	673,078	4.4
Net Position - End of year	<u>\$ 16,081,574</u>	<u>\$ 16,009,570</u>	<u>\$ (72,004)</u>	(0.4)

Governmental Activities

The City's total governmental revenue increased by \$788,483. The majority of this can be attributed to the increase in property taxes and other revenue.

Property tax revenue is composed of the following: general operating revenue of \$833,947, garbage collection revenue of \$466,675, public safety special assessment revenue of \$822,578, admin fee of \$90,512, and local street millage revenue of \$737,146, with the remainder of \$47,095 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed a decrease of \$278,373 between the fiscal years ended June 30, 2024 and 2023. The majority of this decrease was due to decreased repairs and maintenance expenses.

Business-type Activities

Operating revenue decreased by \$109,967, encompassing decreases 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 2024 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 \$8.9 million in 2024, followed by public safety at approximately \$1.5 million. Work was completed on the Genesee Valley Trail with funding from multiple grant programs. DNR formal close-out for this project is expected in December 2024. The Safe Routes to School Trail was substantially completed as of June 30, 2023. This project was officially closed with the MDOT in the fall of 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 portions of Miller Road. Road reconstruction and water main replacement were approximately 75 percent complete for Winshall, Durwood, Greenleaf, Norbury, and Whitney as of June 30, 2023. These projects were funded through a USDA loan and private GO bonds, which were sold in late 2023.

Preliminary engineering is now being completed for Don Shenk and Cappy Lane road reconstruction and water main replacement that are expected to occur in 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 \$265,000 under budget. Revenue was more than anticipated by approximately \$190,000. These events caused the General Fund fund balance to increase, before transfers, by approximately \$388,000. Overall, the General Fund fund balance increased from approximately \$1.77 million a year ago to approximately \$1.88 million at June 30, 2024.

Capital Assets and Debt Administration

At the end of 2024, the City had approximately \$41.3 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 2024, the City had \$13,274,185 in long-term liabilities. A total of approximately \$13.2 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$2,215,360 is related to accumulated compensated absences of \$69,685, the net pension liability of \$1,227,922, and the net other postemployment benefits liability of \$834,153.

Economic Factors and Next Year's Budget and Rates

The City expects ongoing expenses on roads and water main in 2025, which should spend down the remaining street GO bonds. The city may also be receiving significant funds in the form of a DNR Trust Fund Grant and congressional designated spending for Otterburn Park. 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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 3,445,218	\$ 1,839,083	\$ 5,284,301	\$ 219,331
Investments (Note 3)	1,104,909	1,575,526	2,680,435	-
Receivables:				
Property taxes receivable	20,341	-	20,341	-
Customer receivables	-	1,011,694	1,011,694	-
Accrued interest receivable	1,486	-	1,486	-
Other receivables	45,304	-	45,304	-
Due from other governments	267,285	-	267,285	-
Internal balances	(95,842)	95,842	-	-
Inventory	1,424	144,146	145,570	-
Prepaid expenses and other assets	80,433	66	80,499	-
Restricted cash (Note 1)	4,024,346	405,507	4,429,853	-
Investment in joint ventures (Note 8)	1,027,149	-	1,027,149	-
Land held for resale	33,125	-	33,125	-
Capital assets: (Note 4)				
Assets not subject to depreciation	11,343,285	4,296,605	15,639,890	-
Assets subject to depreciation - Net	11,554,845	14,196,199	25,751,044	4,731
Total assets	32,853,308	23,564,668	56,417,976	224,062
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	239,923	159,928	399,851	-
Deferred OPEB costs (Note 11)	107,305	-	107,305	-
Total deferred outflows of resources	347,228	159,928	507,156	-
Liabilities				
Accounts payable	107,573	1,006,866	1,114,439	1,829
Deposits payable	-	30,800	30,800	-
Accrued liabilities and other	90,806	26,157	116,963	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Construction payable from restricted assets	2,772,423	-	2,772,423	-
Compensated absences	39,381	30,304	69,685	-
Current portion of long-term debt	422,017	162,477	584,494	-
Due in more than one year:				
Net pension liability (Note 9)	736,760	491,162	1,227,922	-
Net OPEB liability (Note 11)	707,839	126,314	834,153	-
Long-term debt (Note 6)	6,779,060	5,840,946	12,620,006	-
Total liabilities	11,655,859	7,715,026	19,370,885	1,829
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	145,573	-	145,573	-
Net Position				
Net investment in capital assets	16,948,976	12,333,908	29,282,884	4,731
Restricted:				
Roads	676,784	-	676,784	-
Garbage collection	450,290	-	450,290	-
Debt service - USDA bond reserve	-	405,507	405,507	-
Public safety	1,138	-	1,138	-
Cosmos in the Creek	19,112	-	19,112	-
Disc golf park	3,686	-	3,686	-
Unrestricted	3,299,118	3,270,155	6,569,273	217,502
Total net position	\$ 21,399,104	\$ 16,009,570	\$ 37,408,674	\$ 222,233

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	\$ 949,721	\$ 178,244	\$ 40,391	\$ 139,167
Legislative	41,696	-	-	-
Public safety	1,558,860	105,821	10,000	-
Public works	1,771,212	17,771	793,019	1,407,131
Recreation and culture	225,956	18,731	8,987	-
Interest on long-term debt	154,723	-	-	-
Total governmental activities	<u>4,702,168</u>	<u>320,567</u>	<u>852,397</u>	<u>1,546,298</u>
Business-type activities:				
Sewer Fund	1,396,488	1,357,347	-	7,600
Water Fund	2,431,798	2,299,885	-	14,250
Total business-type activities	<u>3,828,286</u>	<u>3,657,232</u>	<u>-</u>	<u>21,850</u>
Total primary government	<u>\$ 8,530,454</u>	<u>\$ 3,977,799</u>	<u>\$ 852,397</u>	<u>\$ 1,568,148</u>
Component units - Downtown Development Authority	<u>\$ 87,409</u>	<u>\$ -</u>	<u>\$ -</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, 2024

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (591,919)	\$ -	\$ (591,919)	\$ -
(41,696)	-	(41,696)	-
(1,443,039)	-	(1,443,039)	-
446,709	-	446,709	-
(198,238)	-	(198,238)	-
(154,723)	-	(154,723)	-
(1,982,906)	-	(1,982,906)	-
-	(31,541)	(31,541)	-
-	(117,663)	(117,663)	-
-	(149,204)	(149,204)	-
(1,982,906)	(149,204)	(2,132,110)	-
-	-	-	(87,409)
2,907,441	-	2,907,441	169,834
779,391	-	779,391	-
120,855	77,200	198,055	202
100,930	-	100,930	-
395,342	-	395,342	-
325,386	-	325,386	-
4,629,345	77,200	4,706,545	170,036
2,646,439	(72,004)	2,574,435	82,627
18,752,665	16,081,574	34,834,239	139,606
\$ 21,399,104	\$ 16,009,570	\$ 37,408,674	\$ 222,233

City of Swartz Creek, Michigan

Governmental Funds Balance Sheet

June 30, 2024

	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)	\$ 884,162	\$ 167,301	\$ 394,721	\$ 456,534	\$ 1,159,693	\$ 172,740	\$ 3,235,151
Investments (Note 3)	815,913	1,569	-	20,077	251,437	-	1,088,996
Receivables:							
Property taxes receivable	9,592	-	-	5,601	5,148	-	20,341
Accrued interest receivable	-	-	1,486	-	-	-	1,486
Other receivables	42,673	2,631	-	-	-	-	45,304
Due from other governments	141,642	95,154	30,296	-	-	193	267,285
Prepaid expenses and other assets	80,433	-	-	-	-	-	80,433
Restricted cash and investments	-	-	-	-	4,024,346	-	4,024,346
Land held for resale	33,125	-	-	-	-	-	33,125
Total assets	\$ 2,007,540	\$ 266,655	\$ 426,503	\$ 482,212	\$ 5,440,624	\$ 172,933	\$ 8,796,467
Liabilities							
Accounts payable	\$ 59,618	\$ 14,128	\$ 3,243	\$ 26,283	\$ -	\$ -	\$ 103,272
Due to other funds (Note 5)	2,369	648	362	1,769	-	-	5,148
Accrued liabilities and other	38,869	1,626	1,429	3,870	44,848	-	90,642
Construction payable from restricted assets	-	-	-	-	2,772,423	-	2,772,423
Total liabilities	100,856	16,402	5,034	31,922	2,817,271	-	2,971,485
Deferred Inflows of Resources (Note 1)	31,612	-	-	5,546	5,062	-	42,220
Fund Balances							
Nonspendable:							
Prepays	80,433	-	-	-	-	-	80,433
Land held for resale	33,125	-	-	-	-	-	33,125
Restricted:							
Roads	-	250,253	421,469	-	2,617,153	-	3,288,875
Public safety	-	-	-	-	1,138	-	1,138
Garbage collection	-	-	-	444,744	-	-	444,744
Cosmos in the Creek	19,112	-	-	-	-	-	19,112
Disc golf park	3,686	-	-	-	-	-	3,686
Assigned:							
Subsequent year's budget	88,981	-	-	-	-	-	88,981
Capital projects	-	-	-	-	-	172,933	172,933
Unassigned	1,649,735	-	-	-	-	-	1,649,735
Total fund balances	1,875,072	250,253	421,469	444,744	2,618,291	172,933	5,782,762
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,007,540	\$ 266,655	\$ 426,503	\$ 482,212	\$ 5,440,624	\$ 172,933	\$ 8,796,467

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 5,782,762
Amounts reported for governmental activities in the statement of net position are difference because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	34,828,384
Accumulated depreciation	<u>(12,467,903)</u>
Net capital assets used in governmental activities	22,360,481
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	42,220
Investments in joint ventures are not financial resources and are not reported in the funds	1,027,149
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(7,201,077)
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	(39,381)
Net pension liability	(724,477)
Net OPEB liability	(695,581)
Deferred inflows of resources related to pension and OPEB	(145,573)
Deferred outflows of resources related to pension and OPEB	343,221
Internal service funds are included as part of governmental activities:	
Capital assets-related items	537,649
All other items	<u>111,711</u>
Net Position of Governmental Activities	<u><u>\$ 21,399,104</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	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	\$ 1,684,166	\$ -	\$ -	\$ 473,013	\$ 737,411	\$ -	\$ 2,894,590
State-shared revenue and state and federal grants	934,779	1,728,617	188,961	16,562	275,898	1,138	3,145,955
Charges for services	158,505	1,812	-	-	-	-	160,317
Licenses and permits	251,624	-	-	-	-	-	251,624
Investment income	28,747	2,896	488	6,124	83,788	12	122,055
Other revenue	324,407	14,945	25,551	-	980	-	365,883
Total revenue	3,382,228	1,748,270	215,000	495,699	1,098,077	1,150	6,940,424
Expenditures							
Current services:							
General government	514,293	-	-	39,869	-	-	554,162
Legislative	41,696	-	-	-	-	-	41,696
Public safety	1,411,305	-	-	-	-	113,870	1,525,175
Public works	683,265	1,990,981	331,918	427,448	5,454,710	-	8,888,322
Recreation and culture	343,332	-	-	-	-	-	343,332
Debt service:							
Principal	-	-	-	-	157,850	-	157,850
Interest on long-term debt	-	-	-	-	154,723	-	154,723
Total expenditures	2,993,891	1,990,981	331,918	467,317	5,767,283	113,870	11,665,260
Excess of Revenue Over (Under) Expenditures	388,337	(242,711)	(116,918)	28,382	(4,669,206)	(112,720)	(4,724,836)
Other Financing Sources (Uses)							
Transfers in (Note 5)	-	-	-	-	-	281,000	281,000
Transfers out (Note 5)	(281,000)	-	-	-	-	-	(281,000)
New debt issued	-	-	-	-	6,400,000	-	6,400,000
Debt premium	-	-	-	-	305,927	-	305,927
Total other financing (uses) sources	(281,000)	-	-	-	6,705,927	281,000	6,705,927
Net Change in Fund Balances	107,337	(242,711)	(116,918)	28,382	2,036,721	168,280	1,981,091
Fund Balances - Beginning of year	1,767,735	492,964	538,387	416,362	581,570	4,653	3,801,671
Fund Balances - End of year	\$ 1,875,072	\$ 250,253	\$ 421,469	\$ 444,744	\$ 2,618,291	\$ 172,933	\$ 5,782,762

Governmental Funds

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

Year Ended June 30, 2024

Net Change in Fund Balances Reported in Governmental Funds	\$	1,981,091
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		7,722,193
Depreciation expense		(995,743)
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		12,851
Increase in deferred inflows of resources related to pension and OPEB		(38,354)
Decrease in deferred outflows of resources related to pension and OPEB		111,121
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position		(6,705,927)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		157,850
The change in the net pension liability is recorded when incurred in the statement of activities		(56,062)
The change in the net OPEB liability is recorded when incurred in the statement of activities		(40,577)
Increase in equity interest in joint ventures		395,342
Internal service funds are included as part of governmental activities		102,654
Change in Net Position of Governmental Activities	\$	<u>2,646,439</u>

Proprietary Funds
Statement of Net Position

June 30, 2024

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,177,388	\$ 661,695	\$ 1,839,083	\$ 210,067
Investments (Note 3)	617,374	958,152	1,575,526	15,913
Receivables - Customer receivables Due from other funds (Note 5)	643,362	368,332	1,011,694	-
Inventory	142,960	1,186	144,146	7,059
Prepaid expenses and other assets	66	-	66	1,424
Total current assets	2,581,150	1,989,365	4,570,515	234,463
Noncurrent assets:				
Restricted cash	405,507	-	405,507	-
Advances to other funds (Note 5)	-	97,753	97,753	-
Capital assets: (Note 4)				
Assets not subject to depreciation	3,850,746	445,859	4,296,605	-
Assets subject to depreciation - Net	8,664,746	5,531,453	14,196,199	537,649
Total noncurrent assets	12,920,999	6,075,065	18,996,064	537,649
Total assets	15,502,149	8,064,430	23,566,579	772,112
Deferred Outflows of Resources - Deferred pension costs (Note 9)	79,964	79,964	159,928	4,007
Liabilities				
Current liabilities:				
Accounts payable	823,660	183,206	1,006,866	4,301
Due to other funds (Note 5)	1,817	94	1,911	-
Deposits payable	30,800	-	30,800	-
Accrued liabilities and other	20,054	6,103	26,157	164
Compensated absences (Note 6)	12,646	17,658	30,304	-
Current portion of long-term debt (Note 6)	162,477	-	162,477	-
Total current liabilities	1,051,454	207,061	1,258,515	4,465
Noncurrent liabilities:				
Advances from other funds (Note 5)	-	-	-	97,753
Net pension liability (Note 9)	245,581	245,581	491,162	12,283
Net OPEB liability (Note 11)	56,508	69,806	126,314	12,258
Long-term debt (Note 6)	5,840,946	-	5,840,946	-
Total noncurrent liabilities	6,143,035	315,387	6,458,422	122,294
Total liabilities	7,194,489	522,448	7,716,937	126,759
Net Position				
Net investment in capital assets	6,356,596	5,977,312	12,333,908	537,649
Restricted - Debt service - USDA bond reserve	405,507	-	405,507	-
Unrestricted	1,625,521	1,644,634	3,270,155	111,711
Total net position	\$ 8,387,624	\$ 7,621,946	\$ 16,009,570	\$ 649,360

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,285,496	\$ -	\$ 2,285,496	\$ -
Sewage disposal charges	-	1,348,802	1,348,802	-
Interest and penalty charges	14,389	8,545	22,934	-
Equipment rental	-	-	-	191,954
Total operating revenue	2,299,885	1,357,347	3,657,232	191,954
Operating Expenses				
Cost of water	1,829,412	-	1,829,412	-
Cost of sewage treatment	-	864,072	864,072	360
General operations and maintenance net of change in pension and OPEB liability	67,944	2,073	70,017	58,066
Meter reading and billing	90,053	229,671	319,724	-
Depreciation	346,613	300,672	647,285	77,216
Total operating expenses	2,334,022	1,396,488	3,730,510	135,642
Operating (Loss) Income	(34,137)	(39,141)	(73,278)	56,312
Nonoperating Revenue (Expense)				
Investment interest and FMV changes	39,461	37,739	77,200	1,475
Interest expense	(97,776)	-	(97,776)	(3,578)
Gain on sale of assets	-	-	-	48,445
Total nonoperating (expense) revenue	(58,315)	37,739	(20,576)	46,342
(Loss) Income - Before capital contributions	(92,452)	(1,402)	(93,854)	102,654
Capital Contributions - Tap fees	14,250	7,600	21,850	-
Change in Net Position	(78,202)	6,198	(72,004)	102,654
Net Position - Beginning of year	8,465,826	7,615,748	16,081,574	546,706
Net Position - End of year	<u>\$ 8,387,624</u>	<u>\$ 7,621,946</u>	<u>\$ 16,009,570</u>	<u>\$ 649,360</u>

City of Swartz Creek, Michigan

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2024

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,303,224	\$ 1,369,441	\$ 3,672,665	\$ 210
Receipts from interfund services and reimbursements	-	-	-	195,865
Payments to suppliers	(1,909,987)	(957,827)	(2,867,814)	(40,733)
Payments to employees	(210,844)	(142,295)	(353,139)	(2,256)
Net cash and cash equivalents provided by operating activities	182,393	269,319	451,712	153,086
Cash Flows from Noncapital Financing Activities				
Principal and interest paid on operating debt	-	-	-	(3,578)
Loans made to other funds	-	-	-	(22,702)
Loan received from other funds	542	22,668	23,210	-
Net cash and cash equivalents provided by (used in) noncapital financing activities	542	22,668	23,210	(26,280)
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	3,177,573	-	3,177,573	-
Tap fees	14,250	7,600	21,850	-
Proceeds from sale of capital assets	-	-	-	48,445
Purchase of capital assets	(2,760,699)	(333,438)	(3,094,137)	(228,254)
Principal and interest paid on capital debt	(246,731)	-	(246,731)	-
Net cash and cash equivalents provided by (used in) capital and related financing activities	184,393	(325,838)	(141,445)	(179,809)
Cash Flows from Investing Activities				
Interest received on investments	45,779	45,429	91,208	2,698
Purchases of investment securities	(600,000)	(941,870)	(1,541,870)	(15,913)
Proceeds from sale and maturities of investment securities	782,626	723,718	1,506,344	150,000
Net cash and cash equivalents provided by (used in) investing activities	228,405	(172,723)	55,682	136,785
Net Increase (Decrease) in Cash and Cash Equivalents	595,733	(206,574)	389,159	83,782
Cash and Cash Equivalents - Beginning of year	987,162	868,269	1,855,431	126,285
Cash and Cash Equivalents - End of year	\$ 1,582,895	\$ 661,695	\$ 2,244,590	\$ 210,067

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 1,177,388	\$ 661,695	\$ 1,839,083	\$ 210,067
Restricted cash	405,507	-	405,507	-
Total cash and cash equivalents	<u><u>\$ 1,582,895</u></u>	<u><u>\$ 661,695</u></u>	<u><u>\$ 2,244,590</u></u>	<u><u>\$ 210,067</u></u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (34,137)	\$ (39,141)	\$ (73,278)	\$ 56,312
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	346,613	300,672	647,285	77,216
Changes in assets and liabilities:				
Receivables	3,339	12,094	15,433	-
Due to and from other funds	-	-	-	4,121
Inventories	(28,174)	-	(28,174)	-
Prepaid and other assets	17,605	11,389	28,994	14,870
Accrued and other liabilities	15,441	16,624	32,065	(481)
Accounts payable	(138,294)	(32,319)	(170,613)	1,048
Total adjustments	<u>216,530</u>	<u>308,460</u>	<u>524,990</u>	<u>96,774</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 182,393</u></u>	<u><u>\$ 269,319</u></u>	<u><u>\$ 451,712</u></u>	<u><u>\$ 153,086</u></u>

City of Swartz Creek, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2024

	<u>Custodial Funds - Property Tax Collection Funds</u>
Assets - Receivables	\$ 78,972
Liabilities - Unremitted tax collections	<u>78,972</u>
Net Position	<u><u>\$ -</u></u>

City of Swartz Creek, Michigan

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	<u>Custodial Funds - Property Tax Collection Funds</u>
Additions - Property tax collections from other governments	\$ 6,760,395
Deductions - Tax distributions to other governments	<u>6,760,395</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

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

Blended Component Unit

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

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 \$2,500 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 \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	Depreciable Life - Years
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 plan, which are disclosed in more detail in Notes 9 and 11, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City has deferred inflows of resources related to the 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 2023 property tax revenue was levied and collectible on July 1, 2023 and is recognized as revenue in the year ended June 30, 2024 when the proceeds of the levy are budgeted and available for the financing of operations.

Purpose	Millage Rate	Revenue
General operating	4.6938	\$ 833,947
Garbage collection	2.6270	466,675
Local streets	4.1019	737,146
Public safety	4.9000	822,578
Total		<u>\$ 2,860,346</u>

Pension

The City offers a defined benefit pension plan to its employees hired before July 1, 1997. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, 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. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund is used to liquidate the obligation.

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.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

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-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The 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, 2024

Note 2 - Stewardship, Compliance, and Accountability

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

	Budget	Actual
General Fund - General government - Treasurer	\$ 135,204	\$ 142,634
General Fund - General government - Administration and clerk	40,908	41,860
General Fund - Legislative	38,927	41,696
Local Streets Millage Fund - Public works	3,390,392	5,454,710
Local Streets Millage Fund - Debt service	267,725	312,573

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, 2023	\$ (419,860)
Current year permit revenue	66,454
Related expenses - Direct costs	79,858
Current year shortfall	(13,404)
Cumulative shortfall at June 30, 2024	\$ (433,264)

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.

Note 3 - Deposits and Investments (Continued)

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 \$9,232,425 (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.

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.

Investment	Carrying Value	Weighted-average Maturity (Years)
U.S. Treasury	\$ 1,500,000	0.04

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, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
United States Treasury bill	\$ 1,500,000	AA+	S&P
Money market securities	2,775,783	AAAm	S&P
Michigan CLASS investment pool	245,184	AAA	S&P
Total	<u>\$ 4,520,967</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.

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2024:

- U.S. Treasury securities of \$1,500,000 and money market securities of \$2,775,783 are valued using quoted marketed prices (Level 1 inputs).
- Michigan CLASS investment pool of \$245,184 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.

At June 30, 2024, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS investment pool	\$ 245,184	\$ -	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.

June 30, 2024

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 1,482,840	\$ -	\$ -	\$ -	\$ 1,482,840
Construction in progress	3,415,903	(792,038)	7,236,580	-	9,860,445
Subtotal	4,898,743	(792,038)	7,236,580	-	11,343,285
Capital assets being depreciated:					
Roads and sidewalks	16,822,157	792,038	339,463	-	17,953,658
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	990,587	-	34,057	-	1,024,644
Vehicles	906,991	-	228,254	(238,972)	896,273
Land improvements	1,748,170	-	121,448	-	1,869,618
Subtotal	23,200,836	792,038	723,222	(238,972)	24,477,124
Accumulated depreciation:					
Roads and sidewalks	8,117,224	-	849,481	-	8,966,705
Buildings and improvements	1,607,445	-	54,557	-	1,662,002
Machinery and equipment	903,838	-	28,152	(11,669)	920,321
Vehicles	548,359	-	71,899	(238,972)	381,286
Land improvements	913,188	-	78,777	-	991,965
Subtotal	12,090,054	-	1,082,866	(250,641)	12,922,279
Net capital assets being depreciated	11,110,782	792,038	(359,644)	11,669	11,554,845
Net capital assets	<u>\$ 16,009,525</u>	<u>\$ -</u>	<u>\$ 6,876,936</u>	<u>\$ 11,669</u>	<u>\$ 22,898,130</u>

Business-type Activities

	Balance July 1, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated - Construction in progress	\$ 462,218	\$ -	\$ 3,834,387	\$ -	\$ 4,296,605
Capital assets being depreciated:					
Water and sewer lines	23,496,688	-	-	-	23,496,688
Machinery and equipment	289,714	-	55,834	-	345,548
Subtotal	23,786,402	-	55,834	-	23,842,236
Accumulated depreciation:					
Water and sewer lines	8,759,374	-	615,987	-	9,375,361
Machinery and equipment	239,378	-	31,298	-	270,676
Subtotal	8,998,752	-	647,285	-	9,646,037
Net capital assets being depreciated	14,787,650	-	(591,451)	-	14,196,199
Net capital assets	<u>\$ 15,249,868</u>	<u>\$ -</u>	<u>\$ 3,242,936</u>	<u>\$ -</u>	<u>\$ 18,492,804</u>

June 30, 2024

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets being depreciated:					
Machinery and equipment	\$ 11,332	\$ -	\$ -	\$ -	\$ 11,332
Vehicles	4,721	-	-	-	4,721
Subtotal	16,053	-	-	-	16,053
Accumulated depreciation:					
Machinery and equipment	4,727	-	1,874	-	6,601
Vehicles	4,721	-	-	-	4,721
Subtotal	9,448	-	1,874	-	11,322
Net capital assets	<u>\$ 6,605</u>	<u>\$ -</u>	<u>\$ (1,874)</u>	<u>\$ -</u>	<u>\$ 4,731</u>

On October 24, 2024, the Downtown Development Authority component unit purchased a property for approximately \$125,000.

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

Governmental activities:		
General government		\$ 715,928
Public safety		11,498
Public works		244,275
Recreation and culture		33,949
Internal service fund depreciation is charged to the various functions based on their usage of the asset		<u>77,216</u>
Total governmental activities		<u>\$ 1,082,866</u>
Business-type activities:		
Water		\$ 346,613
Sewer		<u>300,672</u>
Total business-type activities		<u>\$ 647,285</u>
Component unit activities - Community development		<u>\$ 1,874</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Winchester Woods Local Road Improvements	\$ 5,454,005	\$ 1,251,922
Winchester Village Water Main Replacement	2,219,817	1,810,183

June 30, 2024

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Motor Pool Fund	General Fund	\$ 2,369
	Major Streets Fund	648
	Local Streets Fund	362
	Garbage Collection Fund	1,769
	Water Fund	1,817
	Sewer Fund	94
	Total Motor Pool Fund	<u>\$ 7,059</u>

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

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

Fund Borrowed From	Fund Loaned To	Amount
Sewer Fund	Motor Pool Fund	\$ 97,753

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:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental fund - Fire Capital Project Fund	\$ 281,000

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.

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.

June 30, 2024

Note 6 - Long-term Debt (Continued)

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	\$ 653,000	\$ -	\$ (157,850)	\$ 495,150	\$ 161,523
General obligations - 2023 Capital Improvement Bond, bearing interest of 4.00 percent, maturing in 2035	-	6,400,000	-	6,400,000	235,000
Unamortized bond premiums	-	305,927	-	305,927	25,494
Compensated absences	33,876	5,505	-	39,381	39,381
	<u>33,876</u>	<u>5,505</u>	<u>-</u>	<u>39,381</u>	<u>39,381</u>
Total governmental activities long-term debt	<u>\$ 686,876</u>	<u>\$ 6,711,432</u>	<u>\$ (157,850)</u>	<u>\$ 7,240,458</u>	<u>\$ 461,398</u>

June 30, 2024

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	\$ 2,787,000	\$ -	\$ (53,000)	\$ 2,734,000	\$ 54,000
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	-	3,177,573	(58,000)	3,119,573	60,000
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	197,000	-	(47,150)	149,850	48,477
Total bonds and contracts payable	2,984,000	3,177,573	(158,150)	6,003,423	162,477
Compensated absences	27,604	2,700	-	30,304	30,304
Total business-type activities long-term debt	<u>\$ 3,011,604</u>	<u>\$ 3,180,273</u>	<u>\$ (158,150)</u>	<u>\$ 6,033,727</u>	<u>\$ 192,781</u>

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water Fund, net of operating expenses, to repay the water revenue bonds listed below. Proceeds from the bonds provided financing for the construction of the water system and a drinking water program. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds total \$7,870,415. During the current year, net revenue of the system was \$214,700, compared to annual debt requirements of \$246,667.

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
2025	\$ 396,523	\$ 261,749	\$ 658,272	\$ 114,000	\$ 155,528	\$ 48,477	\$ 3,924	\$ 321,929
2026	420,368	247,687	668,055	116,000	152,940	49,362	2,712	321,014
2027	444,214	232,528	676,742	119,000	150,308	52,011	1,397	322,716
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
2030-2034	3,095,000	638,100	3,733,100	600,000	680,445	-	-	1,280,445
Thereafter	1,559,045	63,400	1,622,445	4,658,573	585,188	-	-	5,243,761
Total	\$ 6,895,150	\$ 1,855,664	\$ 8,750,814	\$ 5,853,573	\$ 2,016,842	\$ 149,850	\$ 8,033	\$ 8,028,298

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 \$1,027,149 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2024, the City was billed \$38,153 for fire runs by the Fire Department. The City contributed an additional \$140,415 toward operating costs. Additionally, during 2023, the City contributed an additional \$113,870 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, 2024, the City was billed \$1,140,054 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, 2023 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	16
Active plan members	1
	<hr/>
Total employees covered by MERS	17
	<hr/> <hr/>

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, 2024, 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, 2024 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, 2023 measurement date. The December 31, 2023 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, 2022	\$ 7,097,915	\$ 5,749,924	\$ 1,347,991
Changes for the year:			
Service cost	3,492	-	3,492
Interest	492,856	-	492,856
Differences between expected and actual experience	71,854	-	71,854
Changes in assumptions	39,655	-	39,655
Contributions - Employer	-	111,192	(111,192)
Contributions - Employee	-	1,300	(1,300)
Net investment income	-	628,530	(628,530)
Benefit payments, including refunds	(603,285)	(603,285)	-
Administrative expenses	-	(13,096)	13,096
Net changes	4,572	124,641	(120,069)
Balance at December 31, 2023	\$ 7,102,487	\$ 5,874,565	\$ 1,227,922

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, 2024, the City recognized pension expense of \$206,210. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 344,255	\$ -
Employer contributions to the plan subsequent to the measurement date	55,596	-
Total	<u>\$ 399,851</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	Amount
2025	\$ 55,481
2026	129,476
2027	205,284
2028	(45,986)
Total	<u>\$ 344,255</u>

Actuarial Assumptions

The total pension liability in the December 31, 2023 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 2014-2018.

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, 2023, 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	2.00
Private investments	20.00	7.00

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

The following presents the net pension liability of the City, calculated using the discount rate of 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	\$ 1,841,037	\$ 1,227,922	\$ 697,047

Pension Plan Fiduciary Net Position

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

Assumption Changes

As of the December 31, 2023 measurement date, the investment rate of return was updated to 7.18 percent from 7.25 percent as of the December 31, 2022 measurement date.

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 \$859,598. The current year contribution was calculated based on covered payroll of approximately \$738,000, resulting in an employer contribution of \$72,383. 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	2
Total plan members	11

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The actuarially determined contribution (ADC), calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability, was \$34,207 for the fiscal year ended June 30, 2024 and for the fiscal year ended June 30, 2024, the City made payments for postemployment health benefit premiums of \$52,604 into the City OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$434,656 was measured as of June 30, 2024 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, 2024.

June 30, 2024

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, 2023	\$ 454,316
Changes for the year:	
Service cost	2,605
Interest	18,231
Differences between expected and actual experience	15,511
Changes in assumptions	(3,403)
Benefit payments, including refunds	(52,604)
Net changes	(19,660)
Balance at June 30, 2024	<u>\$ 434,656</u>

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$7,482.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation 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 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	\$ 480,785	\$ 434,656	\$ 406,207

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	\$ 438,368	\$ 434,656	\$ 442,795

Assumption Changes

For the June 30, 2024 measurement date, 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 health care trend rate changes. See above for the assumptions used.

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, 2024, the City reported a liability of \$399,497 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2024, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$44,231 and \$101,342 for its proportionate share of changes in assumptions and deferred outflows of \$1,723 for its proportionate share of the difference between expected and actual experience and \$105,582 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2024 was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. 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, 2023, the City's proportion was 10.7 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 \$3,250 of OPEB expense to the Police Authority during the period from January 1, 2024 to June 30, 2024, as there was one city retiree in the Police Authority at that date.

Assumption Changes

As of the December 31, 2023 measurement date, the discount rate was updated to 5.41 percent from 6.02 percent.

Required Supplementary Information

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,644,260	\$ 1,644,260	\$ 1,684,166	\$ 39,906
State-shared revenue and state and federal grants	766,194	791,673	934,779	143,106
Charges for services	156,027	155,637	158,505	2,868
Licenses and permits	241,690	242,730	251,624	8,894
Investment income	7,500	26,500	28,747	2,247
Other revenue	127,368	331,578	324,407	(7,171)
Total revenue	2,943,039	3,192,378	3,382,228	189,850
Expenditures				
Current services:				
General government:				
Executive	296,604	234,183	186,250	47,933
Information technology	20,518	22,518	20,498	2,020
Treasurer	111,204	135,204	142,634	(7,430)
Assessing	55,198	55,198	42,037	13,161
Board of review	3,916	3,916	1,912	2,004
Administration and clerk	40,701	40,908	41,860	(952)
Legal	18,900	18,900	12,628	6,272
Elections	79,023	79,023	66,474	12,549
Legislative	38,776	38,927	41,696	(2,769)
Public safety:				
Police	1,276,312	1,227,312	1,201,279	26,033
Fire	182,362	190,162	180,452	9,710
Building inspections and related	38,427	38,517	29,574	8,943
Public works	410,795	689,545	683,265	6,280
Recreation and culture	293,776	484,390	343,332	141,058
Total expenditures	2,866,512	3,258,703	2,993,891	264,812
Excess of Revenue Over (Under) Expenditures	76,527	(66,325)	388,337	454,662
Other Financing Uses - Transfers out	(281,000)	(281,000)	(281,000)	-
Net Change in Fund Balance	(204,473)	(347,325)	107,337	454,662
Fund Balance - Beginning of year	1,767,735	1,767,735	1,767,735	-
Fund Balance - End of year	<u>\$ 1,563,262</u>	<u>\$ 1,420,410</u>	<u>\$ 1,875,072</u>	<u>\$ 454,662</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 1,724,549	\$ 1,724,549	\$ 1,728,617	\$ 4,068
Charges for services	3,800	3,800	1,812	(1,988)
Investment income	75	1,775	2,896	1,121
Other revenue	5,000	15,000	14,945	(55)
Total revenue	1,733,424	1,745,124	1,748,270	3,146
Expenditures - Current services - Public works	1,781,700	2,012,960	1,990,981	21,979
Net Change in Fund Balance	(48,276)	(267,836)	(242,711)	25,125
Fund Balance - Beginning of year	492,964	492,964	492,964	-
Fund Balance - End of year	<u>\$ 444,688</u>	<u>\$ 225,128</u>	<u>\$ 250,253</u>	<u>\$ 25,125</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 190,000	\$ 190,000	\$ 188,961	\$ (1,039)
Investment income	400	500	488	(12)
Other revenue	17,200	17,200	25,551	8,351
Total revenue	207,600	207,700	215,000	7,300
Expenditures - Current services - Public works	3,752,395	476,684	331,918	144,766
Excess of Expenditures Over Revenue	(3,544,795)	(268,984)	(116,918)	152,066
Other Financing Sources - Transfers in	3,593,000	-	-	-
Net Change in Fund Balance	48,205	(268,984)	(116,918)	152,066
Fund Balance - Beginning of year	538,387	538,387	538,387	-
Fund Balance - End of year	<u>\$ 586,592</u>	<u>\$ 269,403</u>	<u>\$ 421,469</u>	<u>\$ 152,066</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 464,120	\$ 464,120	\$ 473,013	\$ 8,893
State-shared revenue and state and federal grants	6,600	6,600	16,562	9,962
Investment income	1,200	5,200	6,124	924
Total revenue	471,920	475,920	495,699	19,779
Expenditures				
Current services:				
General government	32,965	40,165	39,869	296
Public works	423,727	433,614	427,448	6,166
Total expenditures	456,692	473,779	467,317	6,462
Net Change in Fund Balance	15,228	2,141	28,382	26,241
Fund Balance - Beginning of year	416,362	416,362	416,362	-
Fund Balance - End of year	<u><u>\$ 431,590</u></u>	<u><u>\$ 418,503</u></u>	<u><u>\$ 444,744</u></u>	<u><u>\$ 26,241</u></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, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 739,080	\$ 757,301	\$ 737,411	\$ (19,890)
State-shared revenue and state and federal grants	11,000	25,898	275,898	250,000
Investment income	65	24,065	83,788	59,723
Other revenue	-	-	980	980
Total revenue	750,145	807,264	1,098,077	290,813
Expenditures				
Current services - Public works	385	3,390,392	5,454,710	(2,064,318)
Debt service	174,569	267,725	312,573	(44,848)
Total expenditures	174,954	3,658,117	5,767,283	(2,109,166)
Excess of Revenue Over (Under) Expenditures	575,191	(2,850,853)	(4,669,206)	(1,818,353)
Other Financing (Uses) Sources				
Transfers out	(3,593,000)	-	-	-
New debt issued	6,400,000	6,400,000	6,400,000	-
Debt premium	-	-	305,927	305,927
Total other financing sources	2,807,000	6,400,000	6,705,927	305,927
Net Change in Fund Balance	3,382,191	3,549,147	2,036,721	(1,512,426)
Fund Balance - Beginning of year	581,570	581,570	581,570	-
Fund Balance - End of year	\$ 3,963,761	\$ 4,130,717	\$ 2,618,291	\$ (1,512,426)

City of Swartz Creek, Michigan

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

Last Ten Years Ended December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 3,492	\$ 3,710	\$ 6,493	\$ 8,214	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	492,856	497,501	510,128	497,368	508,630	510,983	664,703	694,370	673,081	665,445
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	-	-	-	(2,036,121)	-	-	-
Differences between expected and actual experience	71,854	12,540	(11,956)	(258)	(14,093)	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	39,655	-	194,834	203,897	216,306	-	-	-	418,907	-
Benefit payments, including refunds	(603,285)	(552,113)	(544,354)	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Net Change in Total Pension Liability	4,572	(38,362)	155,145	172,626	190,415	(25,549)	(1,933,962)	(385,173)	500,385	127,331
Total Pension Liability - Beginning of year	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	8,335,063
Total Pension Liability - End of year	\$ 7,102,491	\$ 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
Plan Fiduciary Net Position										
Contributions - Employer	\$ 111,192	\$ 99,990	\$ 80,946	\$ 73,104	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	1,300	2,200	2,157	2,117	2,168	2,144	3,697	12,249	11,530	13,280
Net investment income (loss)	628,530	(767,104)	861,891	825,964	783,758	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(13,095)	(12,450)	(10,267)	(12,212)	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(603,285)	(552,113)	(544,354)	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	-	-	-	(1,225,547)	-	-	-
Net Change in Plan Fiduciary Net Position	124,642	(1,229,477)	390,373	352,378	316,705	(704,561)	(861,271)	813,347	(551,930)	(38,491)
Plan Fiduciary Net Position - Beginning of year	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	7,262,854
Plan Fiduciary Net Position - End of year	\$ 5,874,569	\$ 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
City's Net Pension Liability - Ending	\$ 1,227,922	\$ 1,347,992	\$ 156,877	\$ 392,105	\$ 571,857	\$ 698,147	\$ 19,135	\$ 1,091,826	\$ 2,290,346	\$ 1,238,031
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.71 %	81.01 %	97.80 %	94.38 %	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
Covered Payroll	\$ 57,426	\$ 56,039	\$ 109,821	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
City's Net Pension Liability as a Percentage of Covered Payroll	2,138.27 %	2,405.45 %	142.85 %	370.44 %	532.55 %	651.36 %	18.28 %	213.29 %	474.64 %	260.42 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 111,192	\$ 111,192	\$ 88,788	\$ 39,264	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181
Contributions in relation to the actuarially determined contribution	111,192	111,192	88,788	73,104	73,104	73,104	739,018	117,167	655,770	97,181
Contribution Excess	\$ -	\$ -	\$ -	\$ 33,840	\$ -	\$ -	\$ 688,616	\$ 23,106	\$ 555,396	\$ -
Covered Payroll	\$ 58,573	\$ 92,140	\$ 109,821	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
Contributions as a Percentage of Covered Payroll	189.83 %	120.68 %	80.85 %	69.07 %	68.08 %	68.40 %	706.14 %	22.89 %	135.90 %	20.44 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2024 were determined based on the actuarial valuation as of December 31, 2021. The most recent valuation is as of December 31, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent
Investment rate of return	7.25 percent - Net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	Pub-2010 mortality tables
Other information	None

City of Swartz Creek, Michigan

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

	Last Seven Fiscal Years						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 2,605	\$ 3,084	\$ 5,395	\$ 8,651	\$ 6,639	\$ 5,212	\$ 5,481
Interest	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	<u>(52,604)</u>	<u>(31,389)</u>	<u>(46,251)</u>	<u>(42,780)</u>	<u>(38,441)</u>	<u>(42,537)</u>	<u>(46,938)</u>
Net Change in Total OPEB Liability	(19,660)	(115,778)	(21,770)	4,494	73,905	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	<u>454,316</u>	<u>570,094</u>	<u>591,864</u>	<u>587,370</u>	<u>513,465</u>	<u>533,119</u>	<u>575,233</u>
Total OPEB Liability - End of year	<u>\$ 434,656</u>	<u>\$ 454,316</u>	<u>\$ 570,094</u>	<u>\$ 591,864</u>	<u>\$ 587,370</u>	<u>\$ 513,465</u>	<u>\$ 533,119</u>
Covered-employee Payroll	\$ 127,025	\$ 138,452	\$ 197,251	\$ 202,102	\$ 107,845	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered-employee Payroll	342.18 %	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 Seven Plan Years						
	Years Ended December 31						
	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	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	\$ 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 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 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, 2024

	Custodial Funds				
	Current Tax Collection	Winter Tax Collection	Delinquent Personal Property Tax	Tax in lieu of Mari-Dan	Total Custodial Funds
Assets - Receivables	\$ 100	\$ -	\$ 74,678	\$ 4,194	\$ 78,972
Liabilities - Unremitted tax collections	100	-	74,678	4,194	78,972
Net Position	\$ -	\$ -	\$ -	\$ -	\$ -

City of Swartz Creek, Michigan

**Supplementary Information
Combining Statement of Changes in Net Position
Fiduciary Funds**

Year Ended June 30, 2024

	Custodial Funds				
	Current Tax Collection	Winter Tax Collection	Delinquent Personal Property Tax	Tax in lieu of Mari-Dan	Total Custodial Funds
Additions - Property tax collections	\$ 5,170,438	\$ 1,587,918	\$ 2,039	\$ -	\$ 6,760,395
Deductions - Tax distributions to other governments	5,170,438	1,587,918	2,039	-	6,760,395
Net Change in Fiduciary Net Position	-	-	-	-	-
Net Position - Beginning of year	-	-	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 16, 2024

To Ms. Nichols
City of Swartz Creek, Michigan
8083 Civic Drive
Swartz Creek, MI 48473

Dear Ms. Nichols:

Enclosed are your annual financial reports and report to the council for the year ended June 30, 2024 as follows:

- Financial statements
- Single audit report
- Single audit data collection form
- Required communication, under AU 260, to the council

To assist you in determining the distribution requirements of your annual reports, the filing requirements for several agencies are summarized below. In general, please ensure that the financial statements are included with any distributions of the single audit report.

The single audit report package (as referred to below) includes the following:

- Financial statements
- Single audit report
- Summary schedule of prior audit findings prepared by the City of Swartz Creek, Michigan
- Corrective action plan prepared by the City of Swartz Creek, Michigan

Single Audit Filing Requirements

- We are in the process of preparing the data collection form (DCF) on your behalf.
- The DCF will be completed by us in the Excel workbooks provided by the FAC. Plante & Moran, PLLC will send the completed workbooks for your review via email. Your review of the workbooks is critical, as we are unable to edit the form once it is uploaded to the FAC. Once your review is complete, communicate the status of your review to Ashley Frase and Pam Hill.
- Before your DCF can be certified and submitted to the FAC, you will need to prepare the following:
 - The summary schedule of prior audit findings should address each prior year finding. It must provide/identify the prior year finding reference number, fiscal year in which the finding initially occurred, Assistance Listing Number (ALN), program name, a description of the original finding, the status of the finding (e.g., corrected, partially corrected, or unresolved), and the planned corrective action if the finding has not been corrected. If you have not already done so, please provide us with this corrective action plan and summary schedule of prior audit findings, on letterhead, as soon as possible to include in the uploaded reporting package to the FAC.
- We will upload the entire reporting package electronically to the FAC. You no longer need to send any hard copies of the reports to the clearinghouse.

- You will need to electronically certify the single audit data collection form. You will receive an email from Plante & Moran, PLLC with certification instructions. In order to certify, you will need to ensure the certifying official at your organization has set up a personal account within the internet data entry system (IDES) being used by the FAC for these data collection form filings.
- Plante & Moran, PLLC will electronically forward your financial statements, single audit report, and report to the council to the State of Michigan, Department of Treasury.

Other Filing Requirements

Michigan Department of Treasury

- **Form F-65** - The Michigan Department of Treasury requires Form F-65 to be completed and submitted within six months after the close of your government's fiscal year. Local units are required to submit Form F-65 using the electronic online format on the State of Michigan website. The State is no longer accepting Excel or hard copy submissions. Upon submission, you may receive error messages that will need to be addressed. Local units will now file Form F-65, audit reports, and the qualifying statements in the same location using only one login (user ID and password). The form can be filed at the following link: <https://treas-secure.state.mi.us/LAFDeform/TL41W71.aspx>.
- **Qualifying Statement** - Communities are required to submit a filing once a year with the Michigan Department of Treasury. This filing will serve as a preapproval for future debt issues. The current filing is due within six months of the government's year end and is good for one year thereafter. The annual qualifying statement must be submitted electronically using the Department of Treasury's website.
- **Tax Increment Financing Authorities Subject to PA 57 of 2018 (Such as TIFA, DDA, LDFA, CIA, NIA, and WRA)** - Under PA 57 of 2018, there are new TIF reporting requirements. More information about both the public reporting requirements under Section 910 and the treasury reporting requirements under Section 911, which are due 180 days after the end of the authority's fiscal year (starting with fiscal year 2019), is available on the Michigan Department of Treasury's website here: https://www.michigan.gov/treasury/0,4679,7-121-1751_2194_90562---,00.html.
- **Brownfield Redevelopment Authorities** - A financial report on the status of activities of the authority is due to the Michigan Economic Development Corporation (MEDC) each year. This must be submitted via the online portal provided by MEDC, which can be found at: <https://medc.secure.force.com/SiteLogin>.
- **Deficit Elimination Plan** - In accordance with PA 140 of 1971 and the State Department of Treasury Numbered Letter 2016-1, a local unit of government ending its fiscal year in a deficit condition must create and file a deficit elimination plan with the Department of Treasury prior to or concurrent with the submission of the local unit's audit report to the State.
- **Legacy Cost Reporting** - In accordance with PA 314 of 1965, as amended, an investment fiduciary of a public employee retirement system is required to publish a summary annual report. The summary annual report requires, among other items, systems' assets and liabilities and changes in plan net assets on a plan-year basis and systems' funded ratio of valuation assets to actuarial accrued liabilities on a plan-year basis. PA 530 of 2016 amended this act to require the summary annual report to include the actuarial assumed rate of health care inflation. Also, this summary annual report is required to be sent to the Michigan Department of Treasury within 30 days of publication. The Michigan Department of Treasury will post an executive summary of each summary annual report it receives.
- In addition, any public employee retirement system not at least 60 percent funded shall post an informational report on the system's website outlining steps, if any, the system may be taking to decrease the system's unfunded actuarial accrued liability.

To Ms. Nichols
City of Swartz Creek, Michigan

December 16, 2024

- In addition, PA 202 of 2017 has additional reporting requirements. Information regarding filing can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html. The due date for completion of Form 5572 is no later than six months after the end of your fiscal year. In addition to submitting this new form to the Department of Treasury, local units must also post this information on their websites. The governing body of a local unit will also need to receive a copy of this form in accordance with the act, but the act does not require approval by the governing body before submission to the Treasury.

Michigan Department of Transportation (MDOT)

The government's Act 51 Highway report is due 120 days after year end. The Act 51 report can be electronically submitted through the MDOT ADARS (Act 51 Distribution and Reporting System) site. Instructions can be found at: http://www.michigan.gov/documents/mdot/mdot_act51_street_financial_report_guide_359394_7.pdf.

The Michigan Department of Transportation has granted an automatic 60-day extension to cities and villages that are required to file the Act 51 report. The updated policy will extend the Act 51 report deadline to be due within six months of your fiscal year end date, which will align with the due date for the audited financial statements. This extension does not apply to counties. Counties are required to submit the Act 51 report to MDOT by May 1, every year, regardless of their fiscal year end.

Thank you for the opportunity to serve as your auditors. Please contact us if you have any questions regarding these filing requirements.

Very truly yours,

Plante & Moran, PLLC

City of Swartz Creek, Michigan

Federal Awards Supplemental Information
June 30, 2024

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the City Council
City of Swartz Creek, Michigan

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, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 16, 2024, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 16, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 16, 2024

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, the basic 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, 2024 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2024.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-001 to be a significant deficiency.

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 Responses to the Findings

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

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 16, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the City Council
City of Swartz Creek, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Swartz Creek, Michigan's (the "City") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal program.

To the City Council
City of Swartz Creek, Michigan

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the City Council
City of Swartz Creek, Michigan

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 16, 2024

City of Swartz Creek, Michigan

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture - Community Facilities Loans and Grants Cluster:				
Community Facilities Loans and Grants - Loan (Note 3)	10.766		\$ -	\$ 2,787,000
Community Facilities Loans and Grants - Loan (Note 3)	10.766		<u>-</u>	<u>3,177,573</u>
Total U.S. Department of Agriculture - Community Facilities Loans and Grants Cluster			-	5,964,573
U.S. Department of Housing and Urban Development - Passed through Genesee County, Michigan - CDBG Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants Program				
	14.218	B-20-UC-26-0001	-	2,101
U.S. Department of the Treasury:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Passed through Genesee County, Michigan - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	139,167
	21.027	N/A	<u>-</u>	<u>27,582</u>
Total U.S. Department of the Treasury			-	166,749
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 6,133,423</u>

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Swartz Creek, Michigan (the "City") under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Loan Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. Existing loans are included because there are continuing compliance requirements. The balances of loans outstanding at June 30, 2024 consist of the following:

<u>Federal Program</u>	<u>ALN</u>	<u>Loan Balances</u>
Community Facilities Loans and Grants Program	10.766	\$ 2,734,000
Community Facilities Loans and Grants Program	10.766	<u>3,119,573</u>
Total		<u>\$ 5,853,573</u>

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.766	Community Facilities Loans and Grants Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section II - Financial Statement Audit Findings

Reference Number	Finding
2024-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City is required to have segregation of duties related to the input, processing, and review of payroll information in the City's general ledger and payroll system.</p> <p>Condition - During the audit, we noted that the City has a process in place related to the input, processing, and review of payroll. However, the individuals who are involved in reviewing and/or approving payroll are also able to add and change employee information in the payroll system.</p> <p>Context - The City does have additional mitigating controls in place, such as the city manager approving all manual journal entries and the City Council and city manager reviewing monthly budget-to-actual statements looking for large fluctuations from budget. However, without the appropriate level of detailed review, there are risks that an employee could be paid an incorrect amount or a fictitious employee could be paid.</p> <p>Cause - The City's user access rights within the general ledger system have not been reviewed consistently or holistically.</p> <p>Effect - The current user access in the system allows for many individuals at the City to make adjustments to the payroll system.</p> <p>Recommendation - We recommend that the City review its user access reports at least annually to ensure that the appropriate individuals have access to only what is needed to perform their job duties. We also recommend that, if the individual who approves payroll cannot be fully segregated from being able to make changes to employee pay information, the City consider having an independent person at the City run a pay change report and review it for anything unusual each pay run or monthly.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Entitlements will be changed so that those reviewing and/or approving payroll cannot make changes in the payroll system. Also, a new review/check has been added to the process by which the City Manager will review and initial the check proofing report in payroll with the ACH deposit report to affirm that amounts did not change throughout the payroll process.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2024-002	<p>Finding Type - Material weakness</p> <p>Criteria - Nonexchange revenue should be recognized in the City's general ledger in the same fund in which the grant expenses are incurred. Additionally, inventory should be recorded in the City's general ledger at cost based on inventory on hand, and prepaid expenses should be recorded for payments made for costs applicable to future years.</p> <p>Condition - Grant revenue was recognized in a fund different than the fund that incurred the related grant expenses. Additionally, inventory balances were recorded at the same balance as prior year, and there were payments for costs applicable to future years that were recorded as current year expenses instead of prepaid expenses.</p> <p>Context - There was \$250,000 of grant revenue that was recognized in a different fund than the fund that incurred the \$250,000 of grant expenses, resulting in an audit adjustment. Additionally, an audit adjustment was made to increase the recorded inventory balance by \$28,174 to reflect the inventory balances at June 30, 2024. There were also uncorrected misstatements to the financial statements to record prepaid expenses and reduce fiscal year 2024 expenses totaling \$18,410 for governmental activities, \$1,515 for component units, \$12,153 for the General Fund, \$3,723 for the Major Streets Fund, and \$1,373 for the Garbage Collection Fund.</p> <p>Cause - Although the City has processes and controls in place surrounding recognizing grant revenue earned by the City, these processes did not ensure that the grant revenue was recognized in the proper fund. Additionally, the City does not have adequate processes and controls in place to ensure inventory is recorded in the general ledger to reflect inventory cost on hand at year end. Further, even though the City has processes and controls in place surrounding recording prepaid expenses, these processes did not ensure that the prepaid expenses recorded were complete for all payments made for costs applicable to future years.</p> <p>Effect - Audit adjustments were recorded to recognize grant revenue in the same fund that incurred the grant expenses, as well as to adjust inventory to the proper balance at June 30, 2024. There were uncorrected misstatements to the financial statements to record prepaid expenses for immaterial amounts.</p> <p>Recommendation - The City should expand procedures and review processes to ensure proper grant revenue recognition, inventory balances, and prepaid expenses are recorded prior to the start of the audit and, when applicable, throughout the year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Inventory will be done correctly at fiscal year end going forward. Expenses and revenue will be recorded in the correct year and reviewed by the finance officer.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	