
City of Swartz Creek, Michigan

**Financial Report
with Supplementary Information
June 30, 2023**

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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, 2023 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, 2023 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.

Other 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 other 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 other 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 October 17, 2023 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

October 17, 2023

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, 2023. 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, 2023:

- The City's total net position is approximately \$34.8 million.
- The City's overall unrestricted net position is approximately \$5.0 million.
- The City's General Fund revenue exceeded expenditures by \$1,869 before transfers in and out. After transfers in and out, the net decrease in fund balance was \$158,131, leaving the General Fund with a fund balance of \$1,767,735.

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			
	2022	2023	Change	Percent Change
Assets				
Current and other assets	\$ 5,566,395	\$ 6,286,423	\$ 720,028	12.9
Capital assets	14,882,167	16,009,525	1,127,358	7.6
Total assets	20,448,562	22,295,948	1,847,386	9.0
Deferred Outflows of Resources	145,876	458,349	312,473	214.2
Liabilities				
Current liabilities	1,068,916	1,648,166	579,250	54.2
Noncurrent liabilities	1,763,385	2,169,539	406,154	23.0
Total liabilities	2,832,301	3,817,705	985,404	34.8
Deferred Inflows of Resources	456,089	183,927	(272,162)	(59.7)
Net Position				
Net investment in capital assets	14,079,017	15,356,525	1,277,508	9.1
Restricted	1,439,750	2,041,105	601,355	41.8
Unrestricted	1,787,281	1,355,035	(432,246)	(24.2)
Total net position	\$ 17,306,048	\$ 18,752,665	\$ 1,446,617	8.4

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2022	2023	Change	Percent Change
Assets				
Current and other assets	\$ 5,303,148	\$ 4,700,650	\$ (602,498)	(11.4)
Capital assets	14,958,757	15,249,868	291,111	1.9
Total assets	20,261,905	19,950,518	(311,387)	(1.5)
Deferred Outflows of Resources	18,401	245,964	227,563	1,236.7
Liabilities				
Current liabilities	1,330,225	426,504	(903,721)	(67.9)
Long-term liabilities	3,335,558	3,682,821	347,263	10.4
Total liabilities	4,665,783	4,109,325	(556,458)	(11.9)
Deferred Inflows of Resources	206,027	5,583	(200,444)	(97.3)
Net Position				
Net investment in capital assets	11,877,907	12,265,868	387,961	3.3
Restricted	144,933	142,439	(2,494)	(1.7)
Unrestricted	3,385,656	3,673,267	287,611	8.5
Total net position	<u>\$ 15,408,496</u>	<u>\$ 16,081,574</u>	<u>\$ 673,078</u>	4.4

Governmental Activities

The governmental net position increased from a year ago, from approximately \$17.3 million to approximately \$18.8 million. In comparison, last year's net position increased by approximately 7 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$432,246 for the governmental activities. This represents a decrease of approximately 24 percent. The current level of unrestricted net position for our governmental activities stands at \$1,355,035, or about 27 percent of expenses.

Business-type Activities

The net position of business-type activities increased by about 4 percent from a year ago, from approximately \$15.4 million to approximately \$16.1 million.

Current liabilities included payments in progress for sewer relining projects.

Long-term liability increases were due to debt issuances.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by approximately \$288,000. This represents an increase of approximately 9 percent. The current level of unrestricted net position stands at approximately \$3.7 million, or about 97 percent of operating expenses.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2022	2023	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 339,787	\$ 301,349	\$ (38,438)	(11.3)
Operating grants	873,492	816,514	(56,978)	(6.5)
Capital grants	1,235,835	1,613,675	377,840	30.6
General revenue:				
Property taxes	2,727,808	2,660,318	(67,490)	(2.5)
State-shared revenue	750,944	768,162	17,218	2.3
Investment earnings	2,684	32,572	29,888	1,113.6
Other revenue	257,495	367,534	110,039	42.7
Total revenue	6,188,045	6,560,124	372,079	6.0
Expenses				
General government	1,198,995	1,130,524	(68,471)	(5.7)
Legislative	37,353	37,077	(276)	(0.7)
Public safety	1,435,658	1,837,233	401,575	28.0
Public works	1,503,342	1,825,973	322,631	21.5
Recreation and culture	155,738	262,828	107,090	68.8
Interest on long-term debt	22,726	19,872	(2,854)	(12.6)
Total expenses	4,353,812	5,113,507	759,695	17.4
Change in Net Position	1,834,233	1,446,617	(387,616)	(21.1)
Net Position - Beginning of year	15,471,815	17,306,048	1,834,233	11.9
Net Position - End of year	<u><u>\$ 17,306,048</u></u>	<u><u>\$ 18,752,665</u></u>	<u><u>\$ 1,446,617</u></u>	8.4
	Business-type Activities			
	2022	2023	Change	Percent Change
Revenue				
Operating revenue	\$ 3,595,087	\$ 3,767,199	\$ 172,112	4.8
General revenue:				
Investment earnings	3,855	45,474	41,619	1,079.6
Other revenue	1,100,066	660,043	(440,023)	(40.0)
Total revenue	4,699,008	4,472,716	(226,292)	(4.8)
Expenses				
Operating expenses - Other than depreciation	3,117,373	3,141,623	24,250	0.8
Depreciation	530,744	588,220	57,476	10.8
Interest expense	60,357	59,680	(677)	(1.1)
Debt service charge	7,115	10,115	3,000	42.2
Total expenses	3,715,589	3,799,638	84,049	2.3
Change in Net Position	983,419	673,078	(310,341)	(31.6)
Net Position - Beginning of year	14,425,077	15,408,496	983,419	6.8
Net Position - End of year	<u><u>\$ 15,408,496</u></u>	<u><u>\$ 16,081,574</u></u>	<u><u>\$ 673,078</u></u>	4.4

Governmental Activities

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's total governmental revenue increased by \$372,079. The majority of this can be attributed to the increase in property taxes and grant programs.

Property tax revenue is composed of the following: general operating revenue of \$789,675, garbage collection revenue of \$441,971, public safety special assessment revenue of \$776,314, and local street millage revenue of \$706,832, with the remainder of \$628 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed an increase of \$401,575 between the fiscal years ended June 30, 2023 and 2022. Much of this change is from the partial payment of the City's share of a new fire truck for the Swartz Creek Area Fire Department. In addition, purchases were made to replace other fire equipment.

The public works department showed an increase in expenses of \$322,631. The majority of this increase was due to ongoing major and local street repairs and maintenance.

Business-type Activities

Operating revenue increased by approximately \$172,000 encompassing increases in water, sewer, and penalty charges. Expenses increased for the purchase of water and sewage treatment. In addition, the sewer relining program accounted for an increase in general operating and maintenance expenses.

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 2023 include the General Fund, the Major Streets Fund, the Local Streets Fund, the Garbage Collection Fund, and the Local Streets Millage Fund.

The General Fund pays for most of the City's governmental services, such as public safety, which includes police and fire services. Governmental services also include streetlights, all city parks, community promotions, elections, assessing, building and zoning, and other administrative departments. The most significant is public works activities, which include major and local streets. Public works activities incurred expenses of approximately \$2.9 million in 2023, followed by public safety at approximately \$1.8 million. Work was completed on the Dye Road to Elms Road Trail with funding from multiple grant programs. The Safe Routes to School Trail was close to completion as of June 30, 2023. Grants were secured for the construction of this project.

The most significant increase is related to the City's ongoing local and major street reconstruction and repairs. The local street reconstruction is part of a road improvement plan receiving funding from the passage of a 20-year local street millage beginning in tax year 2016 and a 10-year bond issued in 2017. During the past year, preliminary work was completed on portions of Miller Road with construction set to begin in July or August 2023. Preliminary engineering was completed for portions of Winchester Village and Winchester Woods in anticipation of the issuance of city bonds to fund road reconstruction.

The City is awaiting approval, through a USDA Loan Program, to install new water lines in areas of Winchester Village and Winchester Woods. Preliminary engineering was done in anticipation of the start of this project.

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 \$1,500 under budget. Revenue was more than anticipated by approximately \$14,000. These events caused the General Fund's fund balance to increase, before transfers, by approximately \$1,900. Overall, the General Fund fund balance decreased from approximately \$1.93 million a year ago to approximately \$1.77 million at June 30, 2023.

Capital Assets and Debt Administration

At the end of 2023, the City had approximately \$31.3 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 2023, the City had \$5,852,360 in long-term liabilities. A total of approximately \$3.6 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 \$61,480, the net pension liability of \$1,347,992, and the net other postemployment benefits liability of \$805,888.

Economic Factors and Next Year's Budget and Rates

Overall, we expect significant changes in total revenue, with ARPA grant funding for city infrastructure improvements and MDOT grant funding for Miller Road reconstruction. In the next fiscal year, the City plans to issue bonds to fund reconstruction on several local streets, as well as secure a loan from the USDA for water main reconstruction. In addition, preventive maintenance on other streets will continue as part of the City's 20-year street improvement plan.

Contacting the City of Swartz Creek, Michigan's Management

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

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 3,134,900	\$ 1,712,992	\$ 4,847,892	\$ 133,333
Investments (Note 3)	1,100,000	1,540,000	2,640,000	-
Receivables:				
Property taxes receivable	22,411	-	22,411	-
Customer receivables	-	1,027,127	1,027,127	-
Accrued interest receivable	13,539	14,008	27,547	-
Other receivables	41,669	-	41,669	-
Due from other governments	239,216	-	239,216	-
Internal balances	(119,052)	119,052	-	-
Inventory	1,424	115,972	117,396	-
Prepaid expenses and other assets	62,835	29,060	91,895	1,700
Restricted cash (Note 1)	1,124,549	142,439	1,266,988	-
Investment in joint ventures (Note 8)	631,807	-	631,807	-
Land held for resale	33,125	-	33,125	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,898,743	462,218	5,360,961	-
Assets subject to depreciation - Net	11,110,782	14,787,650	25,898,432	6,605
Total assets	22,295,948	19,950,518	42,246,466	141,638
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	368,976	245,964	614,940	-
Deferred OPEB costs (Note 11)	89,373	-	89,373	-
Total deferred outflows of resources	458,349	245,964	704,313	-
Liabilities				
Accounts payable	239,177	60,532	299,709	2,032
Due to other governmental units	-	323,263	323,263	-
Deposits payable	-	28,400	28,400	-
Accrued liabilities and other	144,901	14,309	159,210	-
Unearned revenue (Note 1)	1,264,088	-	1,264,088	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	33,876	27,604	61,480	-
Current portion of long-term debt	157,677	100,323	258,000	-
Due in more than one year:				
Net pension liability (Note 9)	808,802	539,190	1,347,992	-
Net OPEB liability (Note 11)	673,861	132,027	805,888	-
Long-term debt (Note 6)	495,323	2,883,677	3,379,000	-
Total liabilities	3,817,705	4,109,325	7,927,030	2,032
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	183,927	5,583	189,510	-
Net Position				
Net investment in capital assets	15,356,525	12,265,868	27,622,393	6,605
Restricted:				
Roads	1,618,631	-	1,618,631	-
Garbage collection	422,474	-	422,474	-
Debt service - USDA bond reserve	-	142,439	142,439	-
Unrestricted	1,355,035	3,673,267	5,028,302	133,001
Total net position	\$ 18,752,665	\$ 16,081,574	\$ 34,834,239	\$ 139,606

City of Swartz Creek, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,130,524	\$ 168,302	\$ 40,000	\$ 30,552
Legislative	37,077	-	-	-
Public safety	1,837,233	88,105	-	-
Public works	1,825,973	27,157	773,973	1,583,123
Recreation and culture	262,828	17,785	2,541	-
Interest on long-term debt	19,872	-	-	-
Total governmental activities	<u>5,113,507</u>	<u>301,349</u>	<u>816,514</u>	<u>1,613,675</u>
Business-type activities:				
Sewer Fund	1,407,424	1,411,975	-	9,100
Water Fund	2,392,214	2,355,224	-	650,943
Total business-type activities	<u>3,799,638</u>	<u>3,767,199</u>	<u>-</u>	<u>660,043</u>
Total primary government	<u>\$ 8,913,145</u>	<u>\$ 4,068,548</u>	<u>\$ 816,514</u>	<u>\$ 2,273,718</u>
Component units - Downtown Development Authority	<u>\$ 66,184</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, 2023

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (891,670)	\$ -	\$ (891,670)	\$ -
(37,077)	-	(37,077)	-
(1,749,128)	-	(1,749,128)	-
558,280	-	558,280	-
(242,502)	-	(242,502)	-
(19,872)	-	(19,872)	-
(2,381,969)	-	(2,381,969)	-
-	13,651	13,651	-
-	613,953	613,953	-
-	627,604	627,604	-
(2,381,969)	627,604	(1,754,365)	-
-	-	-	(66,184)
2,660,318	-	2,660,318	108,889
768,162	-	768,162	-
32,572	45,474	78,046	31
110,566	-	110,566	-
134,869	-	134,869	-
122,099	-	122,099	-
3,828,586	45,474	3,874,060	108,920
1,446,617	673,078	2,119,695	42,736
17,306,048	15,408,496	32,714,544	96,870
\$ 18,752,665	\$ 16,081,574	\$ 34,834,239	\$ 139,606

City of Swartz Creek, Michigan

Governmental Funds Balance Sheet

June 30, 2023

	Major Special Revenue Funds					Nonmajor Fund - Fire Capital Project	Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage		
Assets							
Cash and cash equivalents (Note 3)	\$ 1,208,033	\$ 450,489	\$ 472,608	\$ 291,554	\$ 581,278	\$ 4,653	\$ 3,008,615
Investments (Note 3)	700,000	-	100,000	150,000	-	-	950,000
Receivables:							
Property taxes receivable	10,636	-	-	6,094	5,681	-	22,411
Accrued interest receivable	9,373	-	1,659	1,284	-	-	12,316
Other receivables	41,043	626	-	-	-	-	41,669
Due from other governments	109,701	98,257	31,258	-	-	-	239,216
Prepaid expenses and other assets	34,862	5,387	2,510	4,885	321	-	47,965
Restricted cash	-	1,124,549	-	-	-	-	1,124,549
Land held for resale	33,125	-	-	-	-	-	33,125
Total assets	\$ 2,146,773	\$ 1,679,308	\$ 608,035	\$ 453,817	\$ 587,280	\$ 4,653	\$ 5,479,866
Liabilities							
Accounts payable	\$ 90,300	\$ 53,513	\$ 67,027	\$ 25,084	\$ -	\$ -	\$ 235,924
Due to other funds (Note 5)	1,943	4,647	453	2,734	-	-	9,777
Accrued liabilities and other	129,709	3,635	2,168	3,525	-	-	139,037
Unearned revenue (Note 1)	139,539	1,124,549	-	-	-	-	1,264,088
Total liabilities	361,491	1,186,344	69,648	31,343	-	-	1,648,826
Deferred Inflows of Resources (Note 1)	17,547	-	-	6,112	5,710	-	29,369
Fund Balances							
Nonspendable:							
Prepays	34,862	5,387	2,510	4,885	321	-	47,965
Land held for resale	33,125	-	-	-	-	-	33,125
Restricted:							
Roads	-	487,577	535,877	-	581,249	-	1,604,703
Garbage collection	-	-	-	411,477	-	-	411,477
Assigned:							
Subsequent year's budget	204,487	-	-	-	-	-	204,487
Capital projects	-	-	-	-	-	4,653	4,653
Unassigned	1,495,261	-	-	-	-	-	1,495,261
Total fund balances	1,767,735	492,964	538,387	416,362	581,570	4,653	3,801,671
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,146,773	\$ 1,679,308	\$ 608,035	\$ 453,817	\$ 587,280	\$ 4,653	\$ 5,479,866

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 3,801,671
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	27,095,064
Accumulated depreciation	<u>(11,472,150)</u>
Net capital assets used in governmental activities	15,622,914
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	29,369
Investments in joint ventures are not financial resources and are not reported in the funds	631,807
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(653,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(5,588)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(33,651)
Net pension liability	(795,319)
Net OPEB liability	(661,049)
Deferred inflows of resources related to pension and OPEB	(183,386)
Deferred outflows of resources related to pension and OPEB	452,191
Internal service funds are included as part of governmental activities:	
Capital assets-related items	386,611
All other items	<u>160,095</u>
Net Position of Governmental Activities	<u><u>\$ 18,752,665</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	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	\$ 1,592,138	\$ -	\$ -	\$ 448,586	\$ 708,505	\$ -	\$ 2,749,229
State-shared revenue and state and federal grants	1,425,020	851,357	313,199	19,903	31,246	-	2,640,725
Charges for services	140,999	16,358	-	-	-	-	157,357
Licenses and permits	245,007	-	-	-	-	-	245,007
Investment income	22,731	414	2,590	4,167	73	2,597	32,572
Other revenue	112,904	12,438	37,051	883	-	-	163,276
Total revenue	3,538,799	880,567	352,840	473,539	739,824	2,597	5,988,166
Expenditures							
Current services:							
General government	502,725	-	-	30,409	-	-	533,134
Legislative	37,077	-	-	-	-	-	37,077
Public safety	1,455,378	-	-	-	-	387,425	1,842,803
Public works	1,291,224	768,122	468,373	396,956	384	-	2,925,059
Recreation and culture	250,526	-	-	-	-	-	250,526
Debt service:							
Principal	-	-	-	-	150,150	-	150,150
Interest on long-term debt	-	-	-	-	19,872	-	19,872
Total expenditures	3,536,930	768,122	468,373	427,365	170,406	387,425	5,758,621
Excess of Revenue Over (Under) Expenditures	1,869	112,445	(115,533)	46,174	569,418	(384,828)	229,545
Other Financing Sources (Uses)							
Transfers in (Note 5)	-	-	100,000	-	-	160,000	260,000
Transfers out (Note 5)	(160,000)	-	-	-	(100,000)	-	(260,000)
Total other financing (uses) sources	(160,000)	-	100,000	-	(100,000)	160,000	-
Net Change in Fund Balances	(158,131)	112,445	(15,533)	46,174	469,418	(224,828)	229,545
Fund Balances - Beginning of year	1,925,866	380,519	553,920	370,188	112,152	229,481	3,572,126
Fund Balances - End of year	\$ 1,767,735	\$ 492,964	\$ 538,387	\$ 416,362	\$ 581,570	\$ 4,653	\$ 3,801,671

Governmental Funds

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 229,545
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,929,150
Depreciation expense	(952,887)
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	(88,911)
Decrease in deferred inflows of resources related to pension and OPEB	267,522
Increase in deferred outflows of resources related to pension and OPEB	306,820
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	150,150
The change in the net pension liability is recorded when incurred in the statement of activities	(702,752)
The change in the net OPEB liability is recorded when incurred in the statement of activities	156,401
Increase in equity interest in joint ventures	134,869
Internal service funds are included as part of governmental activities	16,710
Change in Net Position of Governmental Activities	<u>\$ 1,446,617</u>

Proprietary Funds
Statement of Net Position

June 30, 2023

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 844,723	\$ 868,269	\$ 1,712,992	\$ 126,285
Investments (Note 3)	800,000	740,000	1,540,000	150,000
Receivables:				
Customer receivables	646,701	380,426	1,027,127	-
Accrued interest receivable	6,318	7,690	14,008	1,223
Due from other funds (Note 5)	-	-	-	11,180
Inventory	114,786	1,186	115,972	1,424
Prepaid expenses and other assets	17,671	11,389	29,060	14,870
Total current assets	2,430,199	2,008,960	4,439,159	304,982
Noncurrent assets:				
Restricted cash	142,439	-	142,439	-
Advances to other funds (Note 5)	-	120,455	120,455	-
Capital assets: (Note 4)				
Assets not subject to depreciation	328,646	133,572	462,218	-
Assets subject to depreciation - Net	8,976,676	5,810,974	14,787,650	386,611
Total noncurrent assets	9,447,761	6,065,001	15,512,762	386,611
Total assets	11,877,960	8,073,961	19,951,921	691,593
Deferred Outflows of Resources - Deferred pension costs (Note 9)	122,982	122,982	245,964	6,158
Liabilities				
Current liabilities:				
Accounts payable	36,271	24,261	60,532	3,253
Due to other governmental units	131,999	191,264	323,263	-
Due to other funds (Note 5)	1,275	128	1,403	-
Deposits payable	28,400	-	28,400	-
Accrued liabilities and other	7,628	6,681	14,309	276
Compensated absences (Note 6)	14,387	13,217	27,604	225
Current portion of long-term debt (Note 6)	100,323	-	100,323	-
Total current liabilities	320,283	235,551	555,834	3,754
Noncurrent liabilities:				
Advances from other funds (Note 5)	-	-	-	120,455
Net pension liability (Note 9)	269,595	269,595	539,190	13,483
Net OPEB liability (Note 11)	59,064	72,963	132,027	12,812
Long-term debt (Note 6)	2,883,677	-	2,883,677	-
Total noncurrent liabilities	3,212,336	342,558	3,554,894	146,750
Total liabilities	3,532,619	578,109	4,110,728	150,504
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	2,497	3,086	5,583	541
Net Position				
Net investment in capital assets	6,321,322	5,944,546	12,265,868	386,611
Restricted - Debt service - USDA bond reserve	142,439	-	142,439	-
Unrestricted	2,002,065	1,671,202	3,673,267	160,095
Total net position	\$ 8,465,826	\$ 7,615,748	\$ 16,081,574	\$ 546,706

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,336,065	\$ -	\$ 2,336,065	\$ -
Sewage disposal charges	-	1,394,435	1,394,435	-
Interest and penalty charges	19,159	17,540	36,699	-
Equipment rental	-	-	-	179,325
Total operating revenue	2,355,224	1,411,975	3,767,199	179,325
Operating Expenses				
Cost of water	1,911,022	-	1,911,022	-
Cost of sewage treatment	-	899,886	899,886	67
General operations and maintenance net of change in pension and OPEB liability	47,775	(4,644)	43,131	114,398
Meter reading and billing	70,587	216,997	287,584	-
Depreciation	293,035	295,185	588,220	49,726
Total operating expenses	2,322,419	1,407,424	3,729,843	164,191
Operating Income	32,805	4,551	37,356	15,134
Nonoperating Revenue (Expense)				
Investment interest and FMV changes	25,543	19,931	45,474	1,576
Interest expense	(69,795)	-	(69,795)	-
Total nonoperating (expense) revenue	(44,252)	19,931	(24,321)	1,576
(Loss) Income - Before capital contributions	(11,447)	24,482	13,035	16,710
Capital Contributions				
Capital grants - Federal	635,193	-	635,193	-
Tap fees	15,750	9,100	24,850	-
Total capital contributions	650,943	9,100	660,043	-
Change in Net Position	639,496	33,582	673,078	16,710
Net Position - Beginning of year	7,826,330	7,582,166	15,408,496	529,996
Net Position - End of year	<u><u>\$ 8,465,826</u></u>	<u><u>\$ 7,615,748</u></u>	<u><u>\$ 16,081,574</u></u>	<u><u>\$ 546,706</u></u>

City of Swartz Creek, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2023

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,358,182	\$ 1,418,935	\$ 3,777,117	\$ 1,257
Receipts from interfund services and reimbursements	-	-	-	173,623
Payments to suppliers	(2,141,701)	(1,662,124)	(3,803,825)	(83,579)
Payments to employees	(175,953)	(131,238)	(307,191)	(36,387)
Net cash and cash equivalents provided by (used in) operating activities	40,528	(374,427)	(333,899)	54,914
Cash Flows from Noncapital Financing Activities				
Principal and interest paid on operating debt	(10,115)	-	(10,115)	-
Loan received from (made to) other funds	435	(120,734)	(120,299)	120,455
Net cash and cash equivalents (used in) provided by noncapital financing activities	(9,680)	(120,734)	(130,414)	120,455
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	687,537	-	687,537	-
Tap fees	15,750	9,100	24,850	-
Purchase of capital assets	(730,892)	(148,439)	(879,331)	(200,821)
Principal and interest paid on capital debt	(156,530)	-	(156,530)	-
Net cash and cash equivalents used in capital and related financing activities	(184,135)	(139,339)	(323,474)	(200,821)
Cash Flows from Investing Activities				
Interest received on investments	19,554	9,116	28,670	353
Purchases of investment securities	(600,000)	(200,000)	(800,000)	(150,000)
Proceeds from sale and maturities of investment securities	450,000	650,000	1,100,000	-
Net cash and cash equivalents (used in) provided by investing activities	(130,446)	459,116	328,670	(149,647)
Net Decrease in Cash and Cash Equivalents	(283,733)	(175,384)	(459,117)	(175,099)
Cash and Cash Equivalents - Beginning of year	1,270,895	1,043,653	2,314,548	301,384
Cash and Cash Equivalents - End of year	<u>\$ 987,162</u>	<u>\$ 868,269</u>	<u>\$ 1,855,431</u>	<u>\$ 126,285</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 844,723	\$ 868,269	\$ 1,712,992	\$ 126,285
Restricted cash	142,439	-	142,439	-
Total cash and cash equivalents	<u>\$ 987,162</u>	<u>\$ 868,269</u>	<u>\$ 1,855,431</u>	<u>\$ 126,285</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 32,805	\$ 4,551	\$ 37,356	\$ 15,134
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	293,035	295,185	588,220	49,726
Changes in assets and liabilities:				
Receivables	2,958	6,960	9,918	-
Due to and from other funds	-	-	-	(4,445)
Inventories	(86,731)	-	(86,731)	-
Prepaid and other assets	1,070	(492)	578	(2,237)
Accrued and other liabilities	7,574	3,609	11,183	(1,422)
Accounts payable	(210,183)	(684,240)	(894,423)	(1,842)
Total adjustments	<u>7,723</u>	<u>(378,978)</u>	<u>(371,255)</u>	<u>39,780</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 40,528</u>	<u>\$ (374,427)</u>	<u>\$ (333,899)</u>	<u>\$ 54,914</u>

City of Swartz Creek, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2023

	<u>Custodial Funds - Property Tax Collection Funds</u>
Assets - Receivables	\$ 80,427
Liabilities - Unremitted tax collections	<u>80,427</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, 2023

	<u>Custodial Funds - Property Tax Collection Funds</u>
Additions - Property tax collections from other governments	\$ 6,680,073
Deductions - Tax distributions to other governments	<u>6,680,073</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

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

Blended Component Unit

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

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

Discretely Presented Component Unit

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

Note 1 - Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value or estimated fair value.

Receivables and Payables

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

Inventories and Prepaid Items

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

Land Held for Resale

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

Restricted Cash

The USDA revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Additionally, there is restricted cash in the Major Streets Fund related to an advance funded grant cash receipt that is restricted for future project spending.

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

Unearned Revenue

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided. The City has two items, unearned revenue related to funds received from the American Rescue Plan Act and an advance funded grant, which qualifies for reporting in this category.

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

The City has deferred outflows of resources related to the 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 strives 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.

June 30, 2023

Note 1 - Significant Accounting Policies (Continued)

The City's 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

Purpose	Millage Rate	Revenue
General operating	4.6938 \$	789,675
Garbage collection	2.6270	441,971
Local streets	4.1019	706,832
Public safety	4.9000	776,314
Total		<u>\$ 2,714,792</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 April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

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.

Note 2 - Stewardship, Compliance, and Accountability

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

	Budget	Actual
General Fund - Public works	\$ 1,291,118	\$ 1,291,224
General Fund - General government	502,477	502,725

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

June 30, 2023

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2022	\$ (396,432)
Current year permit revenue	52,848
Related expenses - Direct costs	<u>76,276</u>
Current year shortfall	<u>(23,428)</u>
Cumulative shortfall at June 30, 2023	<u>\$ (419,860)</u>

Note 3 - Deposits and Investments

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

The City has designated several banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City, including its component unit, had bank deposits totaling \$5,353,166 (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.

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, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan CLASS pool	\$ 235,390	AAA	S&P

June 30, 2023

Note 3 - Deposits and Investments (Continued)

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

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,391,697	\$ -	\$ 91,143	\$ -	\$ 1,482,840
Construction in progress	3,661,879	(1,952,052)	1,706,076	-	3,415,903
Subtotal	5,053,576	(1,952,052)	1,797,219	-	4,898,743
Capital assets being depreciated:					
Roads and sidewalks	14,746,851	1,952,052	123,254	-	16,822,157
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	959,721	-	30,866	-	990,587
Vehicles	754,663	-	170,328	(18,000)	906,991
Land improvements	1,739,866	-	8,304	-	1,748,170
Subtotal	20,934,032	1,952,052	332,752	(18,000)	23,200,836
Accumulated depreciation:					
Roads and sidewalks	7,302,460	-	814,764	-	8,117,224
Buildings and improvements	1,552,698	-	54,747	-	1,607,445
Machinery and equipment	888,066	-	15,772	-	903,838
Vehicles	519,432	-	46,927	(18,000)	548,359
Land improvements	842,785	-	70,403	-	913,188
Subtotal	11,105,441	-	1,002,613	(18,000)	12,090,054
Net capital assets being depreciated	9,828,591	1,952,052	(669,861)	-	11,110,782
Net capital assets	<u>\$ 14,882,167</u>	<u>\$ -</u>	<u>\$ 1,127,358</u>	<u>\$ -</u>	<u>\$ 16,009,525</u>

June 30, 2023

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated - Construction in progress	\$ 3,721,917	\$ (3,721,917)	\$ 462,218	\$ -	\$ 462,218
Capital assets being depreciated:					
Water and sewer lines	19,387,070	3,721,917	387,701	-	23,496,688
Machinery and equipment	260,302	-	29,412	-	289,714
Subtotal	19,647,372	3,721,917	417,113	-	23,786,402
Accumulated depreciation:					
Water and sewer lines	8,194,600	-	564,774	-	8,759,374
Machinery and equipment	215,932	-	23,446	-	239,378
Subtotal	8,410,532	-	588,220	-	8,998,752
Net capital assets being depreciated	11,236,840	3,721,917	(171,107)	-	14,787,650
Net capital assets	<u>\$ 14,958,757</u>	<u>\$ -</u>	<u>\$ 291,111</u>	<u>\$ -</u>	<u>\$ 15,249,868</u>

Component Unit

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
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	3,545	-	1,182	-	4,727
Vehicles	4,249	-	472	-	4,721
Subtotal	7,794	-	1,654	-	9,448
Net capital assets	<u>\$ 8,259</u>	<u>\$ -</u>	<u>\$ (1,654)</u>	<u>\$ -</u>	<u>\$ 6,605</u>

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

Governmental activities:	
General government	\$ 685,909
Public safety	11,688
Public works	235,364
Recreation and culture	19,926
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	49,726
Total governmental activities	<u>\$ 1,002,613</u>

June 30, 2023

Note 4 - Capital Assets (Continued)

Business-type activities:	
Water	\$ 293,035
Sewer	<u>295,185</u>
Total business-type activities	<u>\$ 588,220</u>
Component unit activities - Community development	<u>\$ 1,654</u>

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Safe Routes to Schools	\$ -	\$ 800,000
Miller Rd - Morrish to Seymour	-	1,368,913

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Motor Pool Fund	General Fund	\$ 1,943
	Major Streets Fund	4,647
	Local Streets Fund	453
	Garbage Collection Fund	2,734
	Water Fund	1,275
	Sewer Fund	<u>128</u>
	Total Motor Pool Fund	<u>\$ 11,180</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:

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
Sewer Fund	Motor Pool Fund	\$ 120,455

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

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund - Fire Capital Project Fund	\$ 160,000
Local Streets Millage Fund	Local Streets Fund	<u>100,000</u>
	Total	<u>\$ 260,000</u>

June 30, 2023

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

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

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

Note 6 - Long-term Debt

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt -					
General obligations - 2017					
General Obligation					
Limited Tax Bonds, used					
to fund a portion of certain					
capital improvements in					
the City, bearing interest					
from 1.15 to 2.75 percent,					
maturing in 2027	\$ 803,150	\$ -	\$ (150,150)	\$ 653,000	\$ 157,677
Compensated absences	34,962	-	(1,086)	33,876	33,876
	<u>838,112</u>	<u>-</u>	<u>(151,236)</u>	<u>686,876</u>	<u>191,553</u>
Total governmental					
activities long-term					
debt	\$ 838,112	\$ -	\$ (151,236)	\$ 686,876	\$ 191,553

June 30, 2023

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	\$ 2,839,000	\$ -	\$ (52,000)	\$ 2,787,000	\$ 53,000
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	241,850	-	(44,850)	197,000	47,323
Total bonds and contracts payable	3,080,850	-	(96,850)	2,984,000	100,323
Compensated absences	23,788	3,816	-	27,604	27,604
Total business-type activities long-term debt	<u>\$ 3,104,638</u>	<u>\$ 3,816</u>	<u>\$ (96,850)</u>	<u>\$ 3,011,604</u>	<u>\$ 127,927</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 \$3,889,258. During the current year, net revenue of the system was \$256,377, compared to annual debt requirements of \$105,231.

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.

June 30, 2023

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities				
	Other Debt			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2024	\$ 157,677	\$ 14,888	\$ 172,565	\$ 53,000	\$ 52,256	\$ 47,323	\$ 4,467	\$ 157,046
2025	161,538	11,056	172,594	54,000	51,263	48,462	3,317	157,042
2026	165,385	6,845	172,230	55,000	50,250	49,615	2,053	156,918
2027	168,400	2,327	170,727	56,000	49,219	51,600	698	157,517
2028	-	-	-	57,000	48,169	-	-	105,169
2029-2033	-	-	-	300,000	224,438	-	-	524,438
Thereafter	-	-	-	2,212,000	626,663	-	-	2,838,663
Total	\$ 653,000	\$ 35,116	\$ 688,116	\$ 2,787,000	\$ 1,102,258	\$ 197,000	\$ 10,535	\$ 4,096,793

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 \$631,807 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2023, the City was billed \$44,043 for fire runs by the Fire Department. The City contributed an additional \$125,989 toward operating costs. Additionally, during 2023, the City contributed an additional \$387,425 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, 2023, the City was billed \$1,148,447 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, 2022 measurement date, the following employees were covered by the benefit terms:

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

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

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, 2023 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, 2023 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, 2022 measurement date. The December 31, 2022 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, 2021	\$ 7,136,281	\$ 6,979,404	\$ 156,877
Changes for the year:			
Service cost	3,710	-	3,710
Interest	497,501	-	497,501
Differences between expected and actual experience	12,540	-	12,540
Contributions - Employer	-	99,990	(99,990)
Contributions - Employee	-	2,200	(2,200)
Net investment loss	-	(767,104)	767,104
Benefit payments, including refunds	(552,113)	(552,113)	-
Administrative expenses	-	(12,450)	12,450
Net changes	(38,362)	(1,229,477)	1,191,115
Balance at December 31, 2022	<u>\$ 7,097,919</u>	<u>\$ 5,749,927</u>	<u>\$ 1,347,992</u>

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, 2023, the City recognized pension expense of \$217,474. At June 30, 2023, 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	\$ 559,344	\$ -
Employer contributions to the plan subsequent to the measurement date	55,596	-
Total	<u>\$ 614,940</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
2024	\$ 31,147
2025	101,466
2026	175,461
2027	251,270
Total	<u>\$ 559,344</u>

Actuarial Assumptions

The total pension liability in the December 31, 2022 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 7.25 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 7.25 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, 2022, 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 7.25 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 1,973,993	\$ 1,347,992	\$ 807,398

Pension Plan Fiduciary Net Position

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

Note 10 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$788,113. The current year contribution was calculated based on covered payroll of \$740,000, resulting in an employer contribution of \$41,999. 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	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	8
Active plan members	3
	11
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, 2023 and for the fiscal year ended June 30, 2022, the City made payments for postemployment health benefit premiums of \$31,389 into the City OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$454,316 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2021.

June 30, 2023

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, 2022	\$ 570,094
Changes for the year:	
Service cost	3,084
Interest	19,063
Differences between expected and actual experience	(16,454)
Changes in assumptions	(90,082)
Benefit payments, including refunds	(31,389)
Net changes	(115,778)
Balance at June 30, 2023	<u>\$ 454,316</u>

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$190,250. At June 30, 2023, the City reported deferred inflows and deferred outflows of resources related to the City's OPEB plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,967)
Changes in assumptions	-	(16,244)
Total	<u>\$ -</u>	<u>\$ (19,211)</u>

Year Ending June 30	Amount
2024	\$ (19,211)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.0 percent; an investment rate of return (net of investment expenses) of 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.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 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	\$ 525,967	\$ 454,316	\$ 443,812

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	\$ 478,457	\$ 454,316	\$ 484,786

Assumption Changes

For the June 30, 2021 actuarial valuation and June 30, 2023 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 discount rates and 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, 2023, the City reported a liability of \$351,572 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2023, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$53,799 and \$116,499 for its proportionate share of changes in assumptions and deferred outflows of \$1,319 for its proportionate share of the difference between expected and actual experience and \$88,054 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2023 was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The City's proportionate share of the net OPEB liability was based on the portion of the liability for the Police Authority that related to police officers transferred from the City to the new Police Authority calculated by the City's proportionate share of the actuarial determined contribution. At December 31, 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 \$7,075 of OPEB expense to the Police Authority during the period of January 1, 2023 to June 30, 2023, as there was one city retiree in the Police Authority at that date.

Assumption Changes

As of the December 31, 2022 measurement date, the discount rate was updated to 6.02 percent from 5.03 percent, and the mortality improvement scale was updated from MP-2020 to scale MP-2021.

Required Supplementary Information

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,579,300	\$ 1,592,138	\$ 1,592,138	\$ -
State-shared revenue and state and federal grants	1,609,892	1,414,658	1,425,020	10,362
Charges for services	133,542	139,932	140,999	1,067
Licenses and permits	222,450	244,991	245,007	16
Investment income	900	22,731	22,731	-
Other revenue	61,361	110,461	112,904	2,443
Total revenue	3,607,445	3,524,911	3,538,799	13,888
Expenditures				
Current services:				
General government	442,827	502,477	502,725	(248)
Legislative	37,065	37,086	37,077	9
Public safety	1,415,227	1,456,091	1,455,378	713
Public works	1,336,190	1,291,118	1,291,224	(106)
Recreation and culture	411,299	251,615	250,526	1,089
Total expenditures	3,642,608	3,538,387	3,536,930	1,457
Excess of Revenue (Under) Over Expenditures	(35,163)	(13,476)	1,869	15,345
Other Financing Uses - Transfers out	(155,000)	(160,000)	(160,000)	-
Net Change in Fund Balance	(190,163)	(173,476)	(158,131)	15,345
Fund Balance - Beginning of year	1,925,866	1,925,866	1,925,866	-
Fund Balance - End of year	<u>\$ 1,735,703</u>	<u>\$ 1,752,390</u>	<u>\$ 1,767,735</u>	<u>\$ 15,345</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 642,135	\$ 884,583	\$ 851,357	\$ (33,226)
Charges for services	2,100	16,358	16,358	-
Investment income	70	414	414	-
Other revenue	5,000	12,438	12,438	-
Total revenue	649,305	913,793	880,567	(33,226)
Expenditures - Current services - Public works	937,087	779,586	768,122	11,464
Net Change in Fund Balance	(287,782)	134,207	112,445	(21,762)
Fund Balance - Beginning of year	380,519	380,519	380,519	-
Fund Balance - End of year	<u>\$ 92,737</u>	<u>\$ 514,726</u>	<u>\$ 492,964</u>	<u>\$ (21,762)</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and state and federal grants	\$ 173,500	\$ 323,500	\$ 313,199	\$ (10,301)
Investment income	25	2,590	2,590	-
Other revenue	16,400	37,051	37,051	-
Total revenue	189,925	363,141	352,840	(10,301)
Expenditures - Current services - Public works	408,766	478,825	468,373	10,452
Excess of Expenditures Over Revenue	(218,841)	(115,684)	(115,533)	151
Other Financing Sources - Transfers in	300,000	100,000	100,000	-
Net Change in Fund Balance	81,159	(15,684)	(15,533)	151
Fund Balance - Beginning of year	553,920	553,920	553,920	-
Fund Balance - End of year	<u>\$ 635,079</u>	<u>\$ 538,236</u>	<u>\$ 538,387</u>	<u>\$ 151</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 439,025	\$ 448,586	\$ 448,586	\$ -
State-shared revenue and state and federal grants	6,250	19,903	19,903	-
Investment income	10	4,167	4,167	-
Other revenue	-	883	883	-
Total revenue	445,285	473,539	473,539	-
Expenditures				
Current services:				
General government	36,752	30,822	30,409	413
Public works	427,615	397,322	396,956	366
Total expenditures	464,367	428,144	427,365	779
Net Change in Fund Balance	(19,082)	45,395	46,174	779
Fund Balance - Beginning of year	370,188	370,188	370,188	-
Fund Balance - End of year	<u>\$ 351,106</u>	<u>\$ 415,583</u>	<u>\$ 416,362</u>	<u>\$ 779</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, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 710,638	\$ 706,373	\$ 708,505	\$ 2,132
State-shared revenue and state and federal grants	9,890	33,327	31,246	(2,081)
Investment income	20	123	73	(50)
Total revenue	<u>720,548</u>	<u>739,823</u>	<u>739,824</u>	<u>1</u>
Expenditures				
Current services - Public works	380	385	384	1
Debt service	170,022	170,022	170,022	-
Total expenditures	<u>170,402</u>	<u>170,407</u>	<u>170,406</u>	<u>1</u>
Excess of Revenue Over Expenditures	550,146	569,416	569,418	2
Other Financing Uses - Transfers out	<u>(300,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance	250,146	469,416	469,418	2
Fund Balance - Beginning of year	<u>112,152</u>	<u>112,152</u>	<u>112,152</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 362,298</u></u>	<u><u>\$ 581,568</u></u>	<u><u>\$ 581,570</u></u>	<u><u>\$ 2</u></u>

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

Last Nine Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 3,710	\$ 6,493	\$ 8,214	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	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	12,540	(11,956)	(258)	(14,093)	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	-	194,834	203,897	216,306	-	-	-	418,907	-
Benefit payments, including refunds	(552,113)	(544,354)	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Net Change in Total Pension Liability	(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	7,136,281	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	\$ 7,097,919	\$ 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	\$ 99,990	\$ 80,946	\$ 73,104	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	2,200	2,157	2,117	2,168	2,144	3,697	12,249	11,530	13,280
Net investment (loss) income	(767,104)	861,891	825,964	783,758	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(12,450)	(10,267)	(12,212)	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(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	(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	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	\$ 5,749,927	\$ 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	\$ 1,347,992	\$ 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	81.01 %	97.80 %	94.38 %	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
Covered Payroll	\$ 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	2,405.45 %	142.85 %	370.44 %	532.55 %	651.36 %	18.28 %	213.29 %	474.64 %	260.42 %

City of Swartz Creek, Michigan

Required Supplementary Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 111,192	\$ 88,788	\$ 39,264	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181	\$ 96,931
Contributions in relation to the actuarially determined contribution	111,192	88,788	73,104	73,104	73,104	739,018	117,167	655,770	97,181	96,931
Contribution Excess	\$ -	\$ -	\$ 33,840	\$ -	\$ -	\$ 688,616	\$ 23,106	\$ 555,396	\$ -	\$ -
Covered Payroll	\$ 92,140	\$ 109,821	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398	\$ 475,620
Contributions as a Percentage of Covered Payroll	120.68 %	80.85 %	69.07 %	68.08 %	68.40 %	706.14 %	22.89 %	135.90 %	20.44 %	20.38 %

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, 2023 were determined based on the actuarial valuation as of December 31, 2020. The most recent valuation is as of December 31, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent
Investment rate of return	7.6 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 Six Fiscal Years					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 3,084	\$ 5,395	\$ 8,651	\$ 6,639	\$ 5,212	\$ 5,481
Interest	19,063	12,606	15,183	17,462	17,671	17,105
Changes in benefit terms	-	-	-	39,417	-	-
Differences between expected and actual experience	(16,454)	12,325	1,181	(22,410)	-	-
Changes in assumptions	(90,082)	(5,845)	22,259	71,238	-	(17,762)
Benefit payments, including refunds	(31,389)	(46,251)	(42,780)	(38,441)	(42,537)	(46,938)
Net Change in Total OPEB Liability	(115,778)	(21,770)	4,494	73,905	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	570,094	591,864	587,370	513,465	533,119	575,233
Total OPEB Liability - End 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>
Covered-employee Payroll	\$ 138,452	\$ 197,251	\$ 202,102	\$ 107,845	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered-employee Payroll	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						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net OPEB liability	10.70000 %	12.01000 %	12.00000 %	13.00000 %	15.94700 %	12.45500 %	12.47700 %
City's proportionate share of the authority's net OPEB liability	\$ 351,572	\$ 429,222	\$ 507,360	\$ 464,675	\$ 501,021	\$ 327,459	\$ 275,306
City's contributions to Metro Police Authority of Genesee County OPEB Plan	-	-	-	-	-	-	-
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-	-	-	-	-	-	-

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

Budgetary Information

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

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

Pension Information

Changes in Assumptions

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

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 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.

Other Supplementary Information

City of Swartz Creek, Michigan

**Other Supplementary Information
Combining Statement of Net Position
Fiduciary Funds**

June 30, 2023

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Assets - Receivables	\$ -	\$ -	\$ 80,427	\$ 80,427
Liabilities - Unremitted tax collections	-	-	80,427	80,427
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2023

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Additions - Property tax collections	\$ 5,087,965	\$ 1,589,916	\$ 2,192	\$ 6,680,073
Deductions - Tax distributions to other governments	<u>5,087,965</u>	<u>1,589,916</u>	<u>2,192</u>	<u>6,680,073</u>
Net Change in Fiduciary Net Position	-	-	-	-
Net Position - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>