

---

# City of Swartz Creek, Michigan

---

**Financial Report  
with Supplemental Information  
June 30, 2020**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17-18
Fiduciary Funds:	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21-43
<b>Required Supplemental Information</b>	44
Budgetary Comparison Schedule - General Fund	45
Budgetary Comparison Schedules - Major Special Revenue Funds	46-49
Schedule of Changes in the Net Pension Liability and Related Ratios	50
Schedule of Pension Contributions	51
Schedule of Changes in the Total OPEB Liability and Related Ratios	52
Schedule of the City's Proportionate Share of the Net OPEB Liability - Metro Police Authority of Genesee County	53
Notes to Required Supplemental Information	54
<b>Other Supplemental Information</b>	55
Nonmajor Governmental Funds:	
Combining Balance Sheet	56
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	57
Fiduciary Funds:	
Combining Statement of Net Position	58
Combining Statement of Changes in Net Position	59

## **Independent Auditor's Report**

To the City Council  
City of Swartz Creek, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Swartz Creek, Michigan (the "City") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Swartz Creek, Michigan's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Swartz Creek, Michigan as of June 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2020, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the City Council  
City of Swartz Creek, Michigan

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Swartz Creek, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



September 30, 2020

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, 2020. 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, 2020:

- The City's total net position is approximately \$28.7 million.
- The City's overall unrestricted net position is approximately \$4.8 million.
- The City's General Fund revenue exceeded expenditures by \$67,097 before transfers in and out. After transfers in and out, the net decrease in fund balance was \$59,671, leaving the General Fund with a fund balance of \$1,521,100.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-wide Overall Financial Analysis**

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

**The City's Net Position**

	Governmental Activities			
	2019	2020	Change	Percent Change
<b>Assets</b>				
Current and other assets	\$ 4,591,842	\$ 4,677,670	\$ 85,828	1.9
Capital assets	12,725,408	12,804,600	79,192	0.6
Total assets	17,317,250	17,482,270	165,020	1.0
<b>Deferred Outflows of Resources</b>	429,552	155,177	(274,375)	(63.9)
<b>Liabilities</b>				
Current liabilities	489,145	125,803	(363,342)	(74.3)
Noncurrent liabilities	2,700,715	2,439,017	(261,698)	(9.7)
Total liabilities	3,189,860	2,564,820	(625,040)	(19.6)
<b>Deferred Inflows of Resources</b>	75,938	69,139	(6,799)	(9.0)
<b>Net Position</b>				
Net investment in capital assets	11,324,908	11,617,700	292,792	2.6
Restricted	1,732,113	1,964,412	232,299	13.4
Unrestricted	1,423,983	1,421,376	(2,607)	(0.2)
Total net position	<b>\$ 14,481,004</b>	<b>\$ 15,003,488</b>	<b>\$ 522,484</b>	3.6

# City of Swartz Creek, Michigan

## Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2019	2020	Change	Percent Change
<b>Assets</b>				
Current and other assets	\$ 4,012,835	\$ 4,717,512	\$ 704,677	17.6
Capital assets	10,890,292	10,936,586	46,294	0.4
Total assets	14,903,127	15,654,098	750,971	5.0
<b>Deferred Outflows of Resources</b>	186,768	17,984	(168,784)	(90.4)
<b>Liabilities</b>				
Current liabilities	487,080	800,126	313,046	64.3
Long-term liabilities	826,918	1,151,797	324,879	39.3
Total liabilities	1,313,998	1,951,923	637,925	48.5
<b>Deferred Inflows of Resources</b>	-	8,650	8,650	-
<b>Net Position</b>				
Net investment in capital assets	10,520,792	10,223,223	(297,569)	(2.8)
Restricted	-	130,250	130,250	-
Unrestricted	3,255,105	3,358,036	102,931	3.2
Total net position	<u>\$ 13,775,897</u>	<u>\$ 13,711,509</u>	<u>\$ (64,388)</u>	(0.5)

### *Governmental Activities*

The governmental net position increased from a year ago, from approximately \$14.5 million to approximately \$15.0 million. In comparison, last year's net position increased by less than 2 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$2,607 for the governmental activities. This represents a decrease of less than 1 percent. The current level of unrestricted net position for our governmental activities stands at \$1,421,376, or about 35 percent of expenditures.

### *Business-type Activities*

The net position of business-type activities decreased less than 1 percent from a year ago, from approximately \$13.78 million to approximately \$13.71 million.

Current liabilities included payments in process 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 \$103,000. This represents an increase of approximately 3 percent. The current level of unrestricted net position stands at approximately \$3.4 million, or about 95 percent of operating expenditures.

# City of Swartz Creek, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Changes in Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 309,881	\$ 333,578	\$ 23,697	7.6
Operating grants	678,666	631,851	(46,815)	(6.9)
General revenue:				
Property taxes	2,437,298	2,508,966	71,668	2.9
State-shared revenue	592,140	582,966	(9,174)	(1.5)
Investment earnings	18,069	20,058	1,989	11.0
Other revenue	282,783	450,985	168,202	59.5
Total revenue	4,318,837	4,528,404	209,567	4.9
<b>Expenses</b>				
General government	980,939	1,165,981	185,042	18.9
Legislative	20,942	33,669	12,727	60.8
Public safety	1,536,160	1,288,290	(247,870)	(16.1)
Public works	1,387,434	1,438,701	51,267	3.7
Recreation and culture	120,892	41,735	(79,157)	(65.5)
Interest on long-term debt	43,524	37,544	(5,980)	(13.7)
Total expenses	4,089,891	4,005,920	(83,971)	(2.1)
<b>Change in Net Position</b>	228,946	522,484	293,538	128.2
<b>Net Position - Beginning of year</b>	14,252,058	14,481,004	228,946	1.6
<b>Net Position - End of year</b>	<b>\$ 14,481,004</b>	<b>\$ 15,003,488</b>	<b>\$ 522,484</b>	3.6
<b>Business-type Activities</b>				
	2019	2020	Change	Percent Change
<b>Revenue</b>				
Operating revenue	\$ 3,497,726	\$ 3,426,827	\$ (70,899)	(2.0)
General revenue	34,624	48,962	14,338	41.4
Total revenue	3,532,350	3,475,789	(56,561)	(1.6)
<b>Expenses</b>				
Operating expenses - Other than depreciation	3,007,635	3,009,456	1,821	0.1
Depreciation	502,052	522,589	20,537	4.1
Interest expense	8,676	8,132	(544)	(6.3)
Debt service charge	115	-	(115)	(100.0)
Total expenses	3,518,478	3,540,177	21,699	0.6
<b>Change in Net Position</b>	13,872	(64,388)	(78,260)	(564.2)
<b>Net Position - Beginning of year</b>	13,762,025	13,775,897	13,872	0.1
<b>Net Position - End of year</b>	<b>\$ 13,775,897</b>	<b>\$ 13,711,509</b>	<b>\$ (64,388)</b>	(0.5)

#### *Governmental Activities*

The City's total governmental revenue increased by approximately \$209,567. The majority of this can be attributed to the increase in property taxes and joint ventures.

The property tax revenue is composed of the following: general operating revenue of \$761,973, garbage collection revenue of \$401,606, public safety special assessment revenue of \$696,366, and local street millage revenue of \$648,347, with the remainder of \$674 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed a decrease \$247,870 between the fiscal years ended June 30, 2019 and June 30, 2020. The majority of this change is the result of the prior fiscal year contribution to Swartz Creek Area Fire Department for the purpose of purchasing a new fire truck and air compressor.

#### *Business-type Activities*

Operating revenue decreased by approximately \$71,000 due to a decrease in the sale of water. Expenses increased mainly due to current year depreciation expense. Other revenue saw an increase from 2019 due to the increase in investment interest and FMV changes in 2020.

#### **Financial Analysis of Individual Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2020 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 \$2.1 million in 2020, followed by public safety at approximately \$1.2 million.

The most significant increase is related to the City's ongoing local and major street reconstruction and repairs. The local street reconstruction is part of a road improvement plan receiving funding from the passage of a 20-year local street millage beginning in tax year 2016 and a 10-year bond issued in 2017.

#### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall exceeded the budget, resulting in total expenditures of approximately \$2,000 above budget. Revenue was slightly lower than anticipated. These events caused the General Fund's fund balance to increase, before transfers, by approximately \$67,000. Overall, General Fund fund balance decreased from approximately \$1.58 million a year ago to approximately \$1.52 million at June 30, 2020.

#### **Capital Assets and Debt Administration**

At the end of 2020, the City had approximately \$23.8 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 2020, the City had \$3,590,814 in long-term liabilities. A total of \$1.90 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$1,690,551 is related to accumulated compensated absences of \$66,649, net pension liability of \$571,857, and the net other postemployment benefits liability of \$1,052,045.



***Economic Factors and Next Year's Budget and Rates***

The COVID-19 pandemic will likely affect the City's finances and budgets significantly in fiscal year 2021. State revenue sharing is projected to decrease, and the economic impact of the pandemic on the general public may result in increased delinquency rates for property tax collections and utility payments. Between the existing cash reserves and the ability to adjust certain expense categories, the City is well positioned to navigate the postpandemic financial landscape.

Overall, we expect no significant change in total revenue with the exception of USDA Grant funding for water main replacement. Property tax revenue is expected to be unchanged. Due to the phase-out of taxable personal property, we expect to see a continued reduction in personal property revenue. In the next fiscal year, the City will begin the work on several major and local roads, as well as water main reconstruction in those areas. 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,120,055	\$ 1,639,597	\$ 4,759,652	\$ 29,500
Investments (Note 3)	600,000	1,875,000	2,475,000	-
Receivables:				
Property taxes receivable	21,994	-	21,994	-
Customer receivables	-	1,003,132	1,003,132	-
Accrued interest receivable	1,752	4,644	6,396	-
Other receivables	53,697	-	53,697	-
Due from other governments	158,303	24,817	183,120	-
Internal balances	727	(727)	-	-
Inventory	1,424	32,880	34,304	-
Prepaid expenses and other assets	33,171	7,919	41,090	-
Restricted cash (Note 1)	-	130,250	130,250	-
Investment in joint ventures (Note 8)	489,176	-	489,176	-
Land held for resale	197,371	-	197,371	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,687,962	353,678	2,041,640	-
Assets subject to depreciation - Net	11,116,638	10,582,908	21,699,546	9,450
<b>Total assets</b>	<b>17,482,270</b>	<b>15,654,098</b>	<b>33,136,368</b>	<b>38,950</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 9)	21,935	14,616	36,551	-
Deferred OPEB costs (Note 11)	133,242	3,368	136,610	-
<b>Total deferred outflows of resources</b>	<b>155,177</b>	<b>17,984</b>	<b>173,161</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	86,105	365,466	451,571	610
Due to other governmental units	-	401,607	401,607	-
Deposits payable	-	20,100	20,100	-
Accrued liabilities and other	39,698	12,953	52,651	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	39,040	27,609	66,649	-
Current portion of long-term debt	237,294	80,706	318,000	-
Due in more than one year:				
Net pension liability (Note 9)	343,115	228,742	571,857	-
Net OPEB liability	869,962	182,083	1,052,045	-
Long-term debt (Note 6)	949,606	632,657	1,582,263	-
<b>Total liabilities</b>	<b>2,564,820</b>	<b>1,951,923</b>	<b>4,516,743</b>	<b>610</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 9)	11,386	7,590	18,976	-
Deferred OPEB cost reductions (Note 11)	57,753	1,060	58,813	-
<b>Total deferred inflows of resources</b>	<b>69,139</b>	<b>8,650</b>	<b>77,789</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	11,617,700	10,223,223	21,840,923	9,450
Restricted:				
Roads	1,610,049	-	1,610,049	-
Garbage collection	341,479	-	341,479	-
Weed control and sidewalks	12,884	-	12,884	-
Debt service	-	130,250	130,250	-
Unrestricted	1,421,376	3,358,036	4,779,412	28,890
<b>Total net position</b>	<b>\$ 15,003,488</b>	<b>\$ 13,711,509</b>	<b>\$ 28,714,997</b>	<b>\$ 38,340</b>

# City of Swartz Creek, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 1,165,981	\$ 144,347	\$ -	\$ -
Legislative	33,669	-	-	-
Public safety	1,288,290	141,064	-	-
Public works	1,438,701	36,383	631,851	-
Recreation and culture	41,735	11,784	-	-
Interest on long-term debt	37,544	-	-	-
Total governmental activities	4,005,920	333,578	631,851	-
Business-type activities:				
Water Fund	2,256,854	2,155,699	-	12,751
Sewer Fund	1,283,323	1,271,128	-	6,100
Total business-type activities	3,540,177	3,426,827	-	18,851
Total primary government	<u>\$ 7,546,097</u>	<u>\$ 3,760,405</u>	<u>\$ 631,851</u>	<u>\$ 18,851</u>
Component units - Downtown Development Authority	<u>\$ 59,947</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, 2020

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,021,634)	\$ -	\$ (1,021,634)	\$ -
(33,669)	-	(33,669)	-
(1,147,226)	-	(1,147,226)	-
(770,467)	-	(770,467)	-
(29,951)	-	(29,951)	-
(37,544)	-	(37,544)	-
(3,040,491)	-	(3,040,491)	-
-	(88,404)	(88,404)	-
-	(6,095)	(6,095)	-
-	(94,499)	(94,499)	-
(3,040,491)	(94,499)	(3,134,990)	-
-	-	-	(59,947)
2,508,966	-	2,508,966	46,513
582,966	-	582,966	-
20,058	30,111	50,169	15
114,015	-	114,015	-
199,376	-	199,376	-
137,594	-	137,594	-
3,562,975	30,111	3,593,086	46,528
522,484	(64,388)	458,096	(13,419)
14,481,004	13,775,897	28,256,901	51,759
<b>\$ 15,003,488</b>	<b>\$ 13,711,509</b>	<b>\$ 28,714,997</b>	<b>\$ 38,340</b>

# City of Swartz Creek, Michigan

## Governmental Funds Balance Sheet

June 30, 2020

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
<b>Assets</b>							
Cash and cash equivalents (Note 3)	\$ 843,286	\$ 686,122	\$ 775,998	\$ 313,408	\$ 68,462	\$ 116,400	\$ 2,803,676
Investments (Note 3)	425,000	-	-	45,000	-	-	470,000
Receivables:							
Property taxes receivable	11,249	-	-	5,427	5,318	-	21,994
Accrued interest receivable	193	-	-	5	-	-	198
Other receivables Due from other governments	46,990	935	-	-	-	5,772	53,697
Prepaid expenses and other assets	71,299	66,011	20,993	-	-	-	158,303
Land held for resale	10,859	4,033	1,150	4,727	321	-	21,090
	197,371	-	-	-	-	-	197,371
<b>Total assets</b>	<b>\$ 1,606,247</b>	<b>\$ 757,101</b>	<b>\$ 798,141</b>	<b>\$ 368,567</b>	<b>\$ 74,101</b>	<b>\$ 122,172</b>	<b>\$ 3,726,329</b>
<b>Liabilities</b>							
Accounts payable	\$ 45,097	\$ 3,632	\$ 11,370	\$ 23,950	\$ -	\$ -	\$ 84,049
Due to other funds	304	294	1,070	1,171	-	-	2,839
Accrued liabilities and other	28,427	1,234	1,694	1,967	-	-	33,322
<b>Total liabilities</b>	<b>73,828</b>	<b>5,160</b>	<b>14,134</b>	<b>27,088</b>	<b>-</b>	<b>-</b>	<b>120,210</b>
<b>Deferred Inflows of Resources</b>							
(Note 1)	11,319	-	-	5,427	5,318	2,310	24,374
<b>Fund Balances</b>							
Nonspendable:							
Prepays	10,859	4,033	1,150	4,727	321	-	21,090
Land held for resale	197,371	-	-	-	-	-	197,371
Restricted:							
Roads	-	747,908	782,857	-	68,462	-	1,599,227
Garbage collection	-	-	-	331,325	-	-	331,325
Weed control and sidewalks	-	-	-	-	-	10,574	10,574
Assigned:							
Debt service	-	-	-	-	-	2,338	2,338
Capital projects	-	-	-	-	-	106,950	106,950
Unassigned	1,312,870	-	-	-	-	-	1,312,870
<b>Total fund balances</b>	<b>1,521,100</b>	<b>751,941</b>	<b>784,007</b>	<b>336,052</b>	<b>68,783</b>	<b>119,862</b>	<b>3,581,745</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 1,606,247</b>	<b>\$ 757,101</b>	<b>\$ 798,141</b>	<b>\$ 368,567</b>	<b>\$ 74,101</b>	<b>\$ 122,172</b>	<b>\$ 3,726,329</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 3,581,745</b>
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	21,285,551
Accumulated depreciation	<u>(8,570,007)</u>
Net capital assets used in governmental activities	12,715,544
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	24,374
Investments in joint ventures are not financial resources and are not reported in the funds	489,176
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,186,900)
Accrued interest is not due and payable in the current period and is not reported in the funds	(5,588)
Some employee fringe benefits are payable over a long period of year and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(37,095)
Net pension liability	(337,396)
Net OPEB liability	(840,590)
Deferred inflows of resources related to pension and OPEB	(68,767)
Deferred outflows of resources related to pension and OPEB	154,264
Internal service funds are included as part of governmental activities:	
Capital assets-related items	89,056
All other items	<u>425,665</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 15,003,488</u></u></b>

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
<b>Revenue</b>							
Property taxes	\$ 1,458,945	\$ -	\$ -	\$ 401,935	\$ 648,866	\$ -	\$ 2,509,746
Special assessments	-	-	-	-	-	4,700	4,700
State-shared revenue and grants	552,719	481,440	171,690	13,246	-	-	1,219,095
Charges for services	134,682	2,410	-	-	-	-	137,092
Licenses and permits	260,808	-	-	-	-	-	260,808
Investment income	23,364	460	84	2,186	132	29	26,255
Other revenue	146,941	39,627	23,651	-	-	1,215	211,434
<b>Total revenue</b>	<b>2,577,459</b>	<b>523,937</b>	<b>195,425</b>	<b>417,367</b>	<b>648,998</b>	<b>5,944</b>	<b>4,369,130</b>
<b>Expenditures</b>							
Current services:							
General government	358,783	-	-	41,060	-	-	399,843
Legislative	33,669	-	-	-	-	-	33,669
Public safety	1,211,274	-	-	-	-	8,214	1,219,488
Public works	758,581	346,691	600,154	371,402	385	-	2,077,213
Recreation and culture	148,055	-	-	-	-	-	148,055
Debt service:							
Principal	-	-	-	-	138,600	75,000	213,600
Interest on long-term debt	-	-	-	-	27,225	10,319	37,544
<b>Total expenditures</b>	<b>2,510,362</b>	<b>346,691</b>	<b>600,154</b>	<b>412,462</b>	<b>166,210</b>	<b>93,533</b>	<b>4,129,412</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>67,097</b>	<b>177,246</b>	<b>(404,729)</b>	<b>4,905</b>	<b>482,788</b>	<b>(87,589)</b>	<b>239,718</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in (Note 5)	34,000	-	540,000	-	-	160,768	734,768
Transfers out (Note 5)	(160,768)	(100,000)	-	-	(440,000)	(34,000)	(734,768)
<b>Total other financing (uses) sources</b>	<b>(126,768)</b>	<b>(100,000)</b>	<b>540,000</b>	<b>-</b>	<b>(440,000)</b>	<b>126,768</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(59,671)</b>	<b>77,246</b>	<b>135,271</b>	<b>4,905</b>	<b>42,788</b>	<b>39,179</b>	<b>239,718</b>
<b>Fund Balances - Beginning of year</b>	<b>1,580,771</b>	<b>674,695</b>	<b>648,736</b>	<b>331,147</b>	<b>25,995</b>	<b>80,683</b>	<b>3,342,027</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,521,100</b>	<b>\$ 751,941</b>	<b>\$ 784,007</b>	<b>\$ 336,052</b>	<b>\$ 68,783</b>	<b>\$ 119,862</b>	<b>\$ 3,581,745</b>

## City of Swartz Creek, Michigan

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 239,718
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	996,785
Depreciation expense	(959,850)
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	(1,170)
Decrease in deferred inflows of resources related to pension and OPEB	7,161
Decrease in deferred outflows of resources related to pension and OPEB	(270,616)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	213,600
Increase in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	(13,538)
The change in the net pension liability is recorded when incurred in the statement of activities	74,513
The change in the net OPEB liability is recorded when incurred in the statement of activities	4,455
Increase in equity interest in joint ventures	199,376
Internal service funds are included as part of governmental activities	32,050
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 522,484</b>



Proprietary Funds  
Statement of Net Position

June 30, 2020

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 741,668	\$ 897,929	\$ 1,639,597	\$ 316,379
Investments (Note 3)	750,000	1,125,000	1,875,000	130,000
Receivables:				
Customer receivables	638,199	364,933	1,003,132	-
Accrued interest receivable	190	4,454	4,644	1,554
Due from other governments	24,817	-	24,817	-
Due from other funds	-	-	-	3,566
Inventory	31,694	1,186	32,880	1,424
Prepaid expenses and other assets	4,631	3,288	7,919	12,081
Total current assets	2,191,199	2,396,790	4,587,989	465,004
Noncurrent assets:				
Restricted cash	130,250	-	130,250	-
Capital assets - Net (Note 4)	5,015,009	5,921,577	10,936,586	89,056
Total noncurrent assets	5,145,259	5,921,577	11,066,836	89,056
Total assets	7,336,458	8,318,367	15,654,825	554,060
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 9)	7,308	7,308	14,616	370
Deferred OPEB costs (Note 11)	1,847	1,521	3,368	543
Total deferred outflows of resources	9,155	8,829	17,984	913
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	43,230	322,236	365,466	2,056
Due to other governmental units	248,424	153,183	401,607	-
Due to other funds	536	191	727	-
Deposits payable	17,600	2,500	20,100	-
Accrued liabilities and other	4,943	8,010	12,953	788
Compensated absences (Note 6)	14,832	12,777	27,609	-
Current portion of long-term debt (Note 6)	80,706	-	80,706	-
Total current liabilities	410,271	498,897	909,168	2,844
Noncurrent liabilities:				
Compensated absences (Note 6)	-	-	-	1,945
Net pension liability (Note 9)	114,371	114,371	228,742	5,719
Net OPEB liability	99,850	82,233	182,083	29,372
Long-term debt (Note 6)	632,657	-	632,657	-
Total noncurrent liabilities	846,878	196,604	1,043,482	37,036
Total liabilities	1,257,149	695,501	1,952,650	39,880
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 9)	3,795	3,795	7,590	201
Deferred OPEB cost reductions (Note 11)	581	479	1,060	171
Total deferred inflows of resources	4,376	4,274	8,650	372
<b>Net Position</b>				
Net investment in capital assets	4,301,646	5,921,577	10,223,223	89,056
Restricted - Debt service	130,250	-	130,250	-
Unrestricted	1,652,192	1,705,844	3,358,036	425,665
Total net position	\$ 6,084,088	\$ 7,627,421	\$ 13,711,509	\$ 514,721

See notes to financial statements.

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
<b>Operating Revenue</b>				
Sale of water	\$ 2,145,369	\$ -	\$ 2,145,369	\$ -
Sewage disposal charges	-	1,264,155	1,264,155	-
Interest and penalty charges	10,541	6,973	17,514	-
Equipment rental	-	-	-	178,082
Total operating revenue	2,155,910	1,271,128	3,427,038	178,082
<b>Operating Expenses</b>				
Cost of water	1,805,959	-	1,805,959	-
Cost of sewage treatment	-	786,375	786,375	238
General operations and maintenance	49,812	29,837	79,649	125,876
Meter reading and billing	153,522	183,951	337,473	-
Depreciation	239,429	283,160	522,589	23,396
Total operating expenses	2,248,722	1,283,323	3,532,045	149,510
<b>Operating (Loss) Income</b>	(92,812)	(12,195)	(105,007)	28,572
<b>Nonoperating Revenue (Expense)</b>				
Investment interest and FMV changes	11,701	18,410	30,111	3,478
Interest expense	(8,132)	-	(8,132)	-
Debt service charge	(211)	-	(211)	-
Total nonoperating revenue	3,358	18,410	21,768	3,478
<b>(Loss) Income - Before capital contributions</b>	(89,454)	6,215	(83,239)	32,050
<b>Capital Contributions - Tap fees</b>	12,751	6,100	18,851	-
<b>Change in Net Position</b>	(76,703)	12,315	(64,388)	32,050
<b>Net Position - Beginning of year</b>	6,160,791	7,615,106	13,775,897	482,671
<b>Net Position - End of year</b>	<b>\$ 6,084,088</b>	<b>\$ 7,627,421</b>	<b>\$ 13,711,509</b>	<b>\$ 514,721</b>

**City of Swartz Creek, Michigan**

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended June 30, 2020**

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 2,152,111	\$ 1,262,785	\$ 3,414,896	\$ 1,036
Receipts from interfund services and reimbursements	536	191	727	173,480
Payments to suppliers	(1,885,709)	(414,255)	(2,299,964)	(73,546)
Payments to employees	(70,056)	(188,739)	(258,795)	(42,877)
Net cash and cash equivalents provided by operating activities	196,882	659,982	856,864	58,093
<b>Cash Flows from Capital and Related Financing Activities</b>				
Issuance of bonds	385,263	-	385,263	-
Tap fees	12,750	6,100	18,850	-
Purchase of capital assets	(158,434)	(410,449)	(568,883)	(65,653)
Principal and interest paid on capital debt	(49,531)	-	(49,531)	-
Debt service charge	(211)	-	(211)	-
Net cash and cash equivalents provided by (used in) capital and related financing activities	189,837	(404,349)	(214,512)	(65,653)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	15,566	17,804	33,370	3,456
Purchases of investment securities	(1,740,000)	(975,000)	(2,715,000)	(50,000)
Proceeds from sale and maturities of investment securities	1,665,000	700,000	2,365,000	95,000
Net cash and cash equivalents (used in) provided by investing activities	(59,434)	(257,196)	(316,630)	48,456
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	327,285	(1,563)	325,722	40,896
<b>Cash and Cash Equivalents - Beginning of year</b>	544,633	899,492	1,444,125	275,483
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 871,918</b>	<b>\$ 897,929</b>	<b>\$ 1,769,847</b>	<b>\$ 316,379</b>
<b>Classification of Cash and Cash Equivalents</b>				
Cash and cash equivalents	\$ 741,668	\$ 897,929	\$ 1,639,597	\$ 316,379
Restricted cash	130,250	-	130,250	-
<b>Total cash and cash equivalents</b>	<b>\$ 871,918</b>	<b>\$ 897,929</b>	<b>\$ 1,769,847</b>	<b>\$ 316,379</b>

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

**Year Ended June 30, 2020**

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
	<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (92,812)	\$ (12,195)	\$ (105,007)	\$ 28,572
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	239,429	283,160	522,589	23,396
Changes in assets and liabilities:				
Receivables	(28,616)	(8,343)	(36,959)	-
Due to and from other funds	536	191	727	(3,566)
Inventories	317	317	634	633
Prepaid and other assets	2,187	1,197	3,384	(11,529)
Accrued and other liabilities	80,218	78,955	159,173	21,774
Accounts payable	(4,377)	316,700	312,323	(1,187)
Total adjustments	289,694	672,177	961,871	29,521
Net cash and cash equivalents provided by operating activities	<b>\$ 196,882</b>	<b>\$ 659,982</b>	<b>\$ 856,864</b>	<b>\$ 58,093</b>

**City of Swartz Creek, Michigan**

---

**Fiduciary Funds  
Statement of Fiduciary Net Position**

---

**June 30, 2020**

	<u>Custodial Funds - Property Tax Collection Funds</u>
<b>Assets - Receivables</b>	\$ 80,433
<b>Liabilities - Unremitted tax collections</b>	<u>80,433</u>
<b>Net Position</b>	<u><u>\$ -</u></u>

## City of Swartz Creek, Michigan

---

### Fiduciary Funds Statement of Changes in Fiduciary Net Position

---

Year Ended June 30, 2020

	<u>Custodial Funds - Property Tax Collection Funds</u>
<b>Additions</b> - Property tax collections	\$ 5,415,041
<b>Deductions</b> - Tax distributions to other governments	<u>5,415,041</u>
<b>Net Change in Fiduciary Net Position</b>	-
<b>Net Position</b> - Beginning of year	<u>-</u>
<b>Net Position</b> - 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, if any, are reported as separate columns in the fund financial statements.

***Fund Accounting***

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

**Governmental Funds**

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

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

**Proprietary Funds**

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

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

The City's Internal Service Fund is used 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 another asset in both the government-wide and fund financial statements.

**Restricted Assets**

The 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.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

**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 defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 11, respectively.

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

The City has deferred inflows of resources related to the defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 11. The governmental funds report unavailable revenue from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position**

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

**Net Position Flow Assumption**

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

**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.

**Property Tax Revenue**

Property taxes attach as an enforceable lien on property as of July 1. Taxes are also levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The City's 2019 property tax revenue was levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

Purpose	Millage Rate	Revenue
General operating	4.8289 \$	730,785
Garbage collection	2.6270	397,578
Local streets	4.2200	646,915
Public safety	4.9000	696,366
Total		<u>\$ 2,471,644</u>

**Note 1 - Significant Accounting Policies (Continued)**

**Pension**

The City offers a defined benefit pension plan to its employees hired before July 1, 1997. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund, major and nonmajor governmental funds, Water Fund, Sewer Fund, and Internal Service Fund are used to liquidate the pension obligation.

**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.

**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.

**Note 1 - Significant Accounting Policies (Continued)**

***Adoption of New Accounting Pronouncement***

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the property tax collection fund now reports additions and deductions within the statement of changes in fiduciary net position.

***Upcoming Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

**Note 2 - Stewardship, Compliance, and Accountability**

During the year, the City incurred expenditures in the General Fund and major special revenue funds, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - General government	\$ 358,673	\$ 358,783
General Fund - Public safety	1,209,978	1,211,274
General Fund - Recreation and culture	147,892	148,055
Major Streets - Public works	345,841	346,691

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

June 30, 2020

**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, 2019	\$ (365,024)
Current year permit revenue	88,058
Related expenses - Direct costs	<u>75,272</u>
Current year surplus	<u>12,786</u>
Cumulative shortfall June 30, 2020	<u><u>\$ (352,238)</u></u>

**Note 3 - Deposits and Investments**

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

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

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

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City, including its component unit, had \$4,165,299 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City, including its component unit, believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



June 30, 2020

**Note 3 - Deposits and Investments (Continued)**

**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, 2020, 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	\$ 850	AAA	S&P

The Michigan CLASS investments pool interests 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, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,519,035	\$ -	\$ -	\$ -	\$ 1,519,035
Construction in progress	412,866	(361,336)	117,397	-	168,927
Subtotal	1,931,901	(361,336)	117,397	-	1,687,962
Capital assets being depreciated:					
Infrastructure	13,677,203	361,336	225,407	-	14,263,946
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	1,019,733	-	4,277	(92,596)	931,414
Vehicles	495,647	-	65,297	-	560,944
Land improvements	1,089,806	-	650,060	-	1,739,866
Subtotal	19,015,320	361,336	945,041	(92,596)	20,229,101
Accumulated depreciation:					
Infrastructure	4,851,320	-	807,526	-	5,658,846
Buildings and improvements	1,388,458	-	54,747	-	1,443,205
Machinery and equipment	912,504	-	23,297	(92,596)	843,205
Vehicles	449,277	-	23,199	-	472,476
Land improvements	620,254	-	74,477	-	694,731
Subtotal	8,221,813	-	983,246	(92,596)	9,112,463
Net capital assets being depreciated	10,793,507	361,336	(38,205)	-	11,116,638
Net capital assets	\$ 12,725,408	\$ -	\$ 79,192	\$ -	\$ 12,804,600



June 30, 2020

**Note 4 - Capital Assets (Continued)**

**Business-type Activities**

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Construction in progress	\$ 222,011	\$ 131,667	\$ -	\$ 353,678
Capital assets being depreciated:				
Water and sewer lines	17,317,147	369,507	-	17,686,654
Machinery and equipment	180,282	67,709	-	247,991
Subtotal	17,497,429	437,216	-	17,934,645
Accumulated depreciation:				
Water and sewer lines	6,681,954	499,526	-	7,181,480
Machinery and equipment	147,194	23,063	-	170,257
Subtotal	6,829,148	522,589	-	7,351,737
Net capital assets being depreciated	10,668,281	(85,373)	-	10,582,908
Net capital assets	<u>\$ 10,890,292</u>	<u>\$ 46,294</u>	<u>\$ -</u>	<u>\$ 10,936,586</u>

**Component Unit**

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets being depreciated:					
Machinery and equipment	\$ -	\$ -	\$ 8,272	\$ -	\$ 8,272
Vehicles	4,721	-	-	-	4,721
Subtotal	4,721	-	8,272	-	12,993
Accumulated depreciation:					
Machinery and equipment	-	-	1,182	-	1,182
Vehicles	1,416	-	945	-	2,361
Subtotal	1,416	-	2,127	-	3,543
Net capital assets	<u>\$ 3,305</u>	<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ -</u>	<u>\$ 9,450</u>

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

Governmental activities:	
General government	\$ 692,262
Public safety	11,688
Public works	234,074
Recreation and culture	21,826
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>23,396</u>
Total governmental activities	<u>\$ 983,246</u>

June 30, 2020

**Note 4 - Capital Assets (Continued)**

Business-type activities:	
Water	\$ 239,429
Sewer	<u>283,160</u>
Total business-type activities	<u>\$ 522,589</u>
Component unit activities - Community development	<u>\$ 2,127</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>
Watermain project	\$ 124,580	\$ 4,934,504
Water improvement programs	247,928	448,472

**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	\$ 304
	Major Street Fund	294
	Local Street Fund	1,070
	Garbage Collection Fund	1,171
	Water Fund	536
	Sewer Fund	<u>191</u>
	Total	<u>\$ 3,566</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.

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 funds	\$ 160,768
Major Streets Fund	Local Streets Fund	100,000
Local Streets Millage Fund	Local Streets Fund	440,000
Nonmajor governmental funds	General Fund	<u>34,000</u>
	Total	<u>\$ 734,768</u>

The transfers from the General Fund to the nonmajor governmental funds were for resources to service debt and the use of unrestricted resources to fund purchase of fire equipment in accordance with budgetary authorizations.

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

**Note 6 - Long-term Debt**

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 - 2001 Building Authority Bond, used to renovate city hall, bearing interest from 4.25 to 5.65 percent, maturing in 2021	\$ 170,000	\$ -	\$ (75,000)	\$ 95,000	\$ 95,000
General obligations - 2017 General Obligation Limited Tax Bonds, used to fund a portion of certain capital improvements in the City, bearing interest from 1.15 to 2.75 percent, maturing in 2027	1,230,500	-	(138,600)	1,091,900	142,294
Total bonds and contracts payable - Other debt	1,400,500	-	(213,600)	1,186,900	237,294
Compensated absences	26,006	26,764	(13,730)	39,040	39,040
Total governmental activities long-term debt	<u>\$ 1,426,506</u>	<u>\$ 26,764</u>	<u>\$ (227,330)</u>	<u>\$ 1,225,940</u>	<u>\$ 276,334</u>

June 30, 2020

**Note 6 - Long-term Debt (Continued)**

***Business-type 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	\$ 369,500	\$ -	\$ (41,400)	\$ 328,100	\$ 42,706
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	-	385,263	-	385,263	38,000
Total bonds and					
contracts payable -					
Other debt	369,500	385,263	(41,400)	713,363	80,706
Compensated absences	18,994	18,325	(9,710)	27,609	27,609
Total business-type					
activities long-term					
debt	<u>\$ 388,494</u>	<u>\$ 403,588</u>	<u>\$ (51,110)</u>	<u>\$ 740,972</u>	<u>\$ 108,315</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 \$5,190,594. During the current year, net revenue of the system was \$142,177, compared to annual debt requirements of \$0.

***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.

**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			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 237,294	\$ 26,595	\$ 263,889	\$ 80,706	\$ 99,048	\$ 179,754
2022	146,154	21,277	167,431	82,846	97,071	179,917
2023	150,000	18,277	168,277	85,000	94,952	179,952
2024	157,692	14,888	172,580	89,308	92,686	181,994
2025	161,538	11,056	172,594	91,462	90,223	181,685
2026-2030	334,222	9,172	343,394	335,778	416,315	752,093
Thereafter	-	-	-	2,503,000	1,389,875	3,892,875
<b>Total</b>	<b>\$ 1,186,900</b>	<b>\$ 101,265</b>	<b>\$ 1,288,165</b>	<b>\$ 3,268,100</b>	<b>\$ 2,280,170</b>	<b>\$ 5,548,270</b>

Included in the maturity table above is the entire amount of the Water Supply System Revenue Bond, Series 2020, even though the entire bond had not been drawn upon as of June 30, 2020. Therefore, there is a difference between the outstanding principal in the maturity table and the current year activity table.

***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 \$385,263, 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 \$489,176 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2020, the City was billed \$40,326 for fire runs by the Fire Department. The City contributed an additional \$100,826 toward operating costs and an additional \$5,839 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 \$28,714,997.

During the year ended June 30, 2020, the City was billed \$992,886 for police services by the Police Authority.

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

Audited financial statements are available for public inspection at the Police Authority's headquarters.

**Note 9 - Defined Benefit Pension Plan**

***Plan Description***

The City of Swartz Creek, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers some employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Note 9 - Defined Benefit Pension Plan (Continued)**

***Benefits Provided***

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers general employees hired prior to July 1, 1997 and supervisor employees hired prior to July 1, 1997.

Retirement benefits for general employees hired prior to July 1, 1997 are calculated as 2 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 30 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Retirement benefits for supervisor employees hired prior to July 1, 1997 are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial valuation.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date for supervisor employees hired prior to July 1, 1997. The annual adjustments are 2.5 percent, noncompounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

***Employees Covered by Benefit Terms***

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan
Inactive plan members or beneficiaries currently receiving benefits	15
Active plan members	2
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.

**Note 9 - Defined Benefit Pension Plan (Continued)**

For general employees hired prior to July 1, 1997, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. General employees hired prior to July 1, 1997 are required to deposit 2 percent of all monetary compensation, including overtime. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. The City's average monthly contribution was approximately \$592 for general employees hired prior to July 1, 1997.

For supervisor employees hired prior to July 1, 1997, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Supervisor employees hired prior to July 1, 1997 are required to contribute 4 percent of all monetary compensation, including overtime. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. The City currently does not have a required monthly contribution for supervisor employees hired prior to July 1, 1997, although the City's average monthly contribution was approximately \$5,500 for supervisor employees.

For the defined contribution plan, the City contributes 7 percent of supervisors' wages and 5 percent of AFSCME employees' annual compensation. No employee contributions are required, but voluntary contributions can be made by the participants in accordance with IRS regulations. Participants vest in the employer contribution at the rate of 20 percent for each year of employment, becoming fully vested after five years. Contribution requirements and plan provisions are established and may be amended by the City Council.

**Net Pension Liability**

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2020 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, 2019 measurement date. The December 31, 2019 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
<b>Balance at December 31, 2018</b>	\$ 6,618,095	\$ 5,919,948	\$ 698,147
Changes for the year:			
Service cost	8,408	-	8,408
Interest	508,630	-	508,630
Differences between expected and actual experience	(14,093)	-	(14,093)
Changes in assumptions	216,306	-	216,306
Contributions - Employer	-	73,104	(73,104)
Contributions - Employee	-	2,168	(2,168)
Net investment income	-	783,758	(783,758)
Benefit payments, including refunds	(528,836)	(528,836)	-
Administrative expenses	-	(13,489)	13,489
<b>Net changes</b>	<b>190,415</b>	<b>316,705</b>	<b>(126,290)</b>
<b>Balance at December 31, 2019</b>	<b>\$ 6,808,510</b>	<b>\$ 6,236,653</b>	<b>\$ 571,857</b>



June 30, 2020

**Note 9 - Defined Benefit Pension Plan (Continued)**

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

For the year ended June 30, 2020, the City recognized pension expense of \$396,158. At June 30, 2020, the City reported deferred outflows 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	\$ -	\$ (18,976)
Employer contributions to the plan subsequent to the measurement date	36,551	-
Total	\$ 36,551	\$ (18,976)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$36,551 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2021	\$ (38,975)
2022	9,074
2023	81,243
2024	(70,318)
Total	\$ (18,976)

***Actuarial Assumptions***

The total pension liability in the December 31, 2019 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 7.60 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted from 2009-2013.

Mortality rates were based on the 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

***Projected Cash Flows***

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

**Note 9 - Defined Benefit Pension Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2019, 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 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

**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 7.60 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 (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 1,175,861	\$ 571,857	\$ 49,294

**Pension Plan Fiduciary Net Position**

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

**Assumption Changes**

As of December 31, 2019 measurement date, the investment rate of return was reduced to 7.60 percent, and the assumed rate of wage inflation was reduced from 3.75 to 3.0 percent.

**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.

**Note 10 - Defined Contribution Pension Plan (Continued)**

The City's total payroll during the current year was \$669,549. The current year contribution was calculated based on covered payroll of \$595,526, resulting in an employer contribution of \$35,932. 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:

	<u>City OPEB Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	8
Active plan members	<u>4</u>
Total plan members	<u><u>12</u></u>

***Contributions***

Retiree 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 \$35,983 for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$38,440 into the City OPEB Plan.

***Total OPEB Liability***

The City's total OPEB liability of \$587,370 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

June 30, 2020

**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
<b>Balance at July 1, 2019</b>	\$ 513,465
Changes for the year:	
Service cost	6,639
Interest	17,462
Changes in benefits	39,417
Differences between expected and actual experience	(22,410)
Changes in assumptions	71,238
Contributions - Employer	(38,441)
Net changes	73,905
<b>Balance at June 30, 2020</b>	<b>\$ 587,370</b>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$104,896. At June 30, 2020, 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	\$ -	\$ (3,419)
Changes in assumptions	10,867	-
<b>Total</b>	<b>\$ 10,867</b>	<b>\$ (3,419)</b>

Year Ending June 30	Amount
2021	\$ 7,448

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses) of 2.66 percent; a health care cost trend rate of 8.5 percent for pre-65 participants and 7.0 percent for post-65 participants in 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for pre-65 participants in 2037 and post-65 participants in 2030 and later years; and the PUB-2010 mortality tables.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.66 percent. The discount rate was based on the 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 2.66 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 (1.66%)	Current Discount Rate (2.66%)	1 Percentage Point Increase (3.66%)
Total OPEB liability of the City OPEB Plan	\$ 649,298	\$ 587,370	\$ 531,963

***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 8.5 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 (7.5%)	Current Health Care Cost Trend Rate (8.5%)	1 Percentage Point Increase (9.5%)
Total OPEB liability of the City OPEB Plan	\$ 584,690	\$ 587,370	\$ 590,148

***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, 2020, the City reported a liability of \$464,675 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2020, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$55,394 and deferred outflows of \$125,743 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2020 was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net OPEB liability was based on the portion of the liability for the Police Authority that related to police officers transferred from the City to the new Police Authority calculated by the City's proportionate share of the actuarial determined contribution. At December 31, 2019, the City's proportion was 13.00 percent of the Police Authority in total. As this arrangement meets the definition of a special funding situation per GASB Statement No. 75, the City did not pay any OPEB expense to the Police Authority as of June 30, 2019, as there are no retirees in the Police Authority at that date.

**Note 12 - COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the City's operations have not been significantly impacted, but the City continues to monitor the situation. No impairments were recorded as of the statement of net position/balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the City's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

---

## Required Supplemental Information

---

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,414,884	\$ 1,458,620	\$ 1,458,945	\$ 325
State-shared revenue and grants	585,277	569,446	552,719	(16,727)
Charges for services	122,347	133,242	134,682	1,440
Licenses and permits	222,000	262,793	260,808	(1,985)
Investment income	4,800	23,364	23,364	-
Other revenue	63,250	135,725	146,941	11,216
Total revenue	2,412,558	2,583,190	2,577,459	(5,731)
<b>Expenditures</b>				
Current services:				
General government	382,531	358,673	358,783	(110)
Legislative	34,371	33,671	33,669	2
Public safety	1,269,482	1,209,978	1,211,274	(1,296)
Public works	588,730	758,581	758,581	-
Recreation and culture	151,243	147,892	148,055	(163)
Total expenditures	2,426,357	2,508,795	2,510,362	(1,567)
<b>Excess of Revenue (Under) Over Expenditures</b>	(13,799)	74,395	67,097	(7,298)
<b>Other Financing Sources (Uses)</b>				
Transfers in	38,000	34,000	34,000	-
Transfers out	(164,930)	(160,768)	(160,768)	-
Total other financing uses	(126,930)	(126,768)	(126,768)	-
<b>Net Change in Fund Balance</b>	(140,729)	(52,373)	(59,671)	(7,298)
<b>Fund Balance - Beginning of year</b>	-	-	1,580,771	1,580,771
<b>Fund Balance - End of year</b>	<b>\$ (140,729)</b>	<b>\$ (52,373)</b>	<b>\$ 1,521,100</b>	<b>\$ 1,573,473</b>

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 430,871	\$ 462,621	\$ 481,440	\$ 18,819
Charges for services	500	2,410	2,410	-
Investment income	500	460	460	-
Other revenue	207,088	39,627	39,627	-
Total revenue	638,959	505,118	523,937	18,819
<b>Expenditures</b> - Current services - Public works	503,038	345,841	346,691	(850)
<b>Excess of Revenue Over Expenditures</b>	135,921	159,277	177,246	17,969
<b>Other Financing Uses</b> - Transfers out	(100,000)	(100,000)	(100,000)	-
<b>Net Change in Fund Balance</b>	35,921	59,277	77,246	17,969
<b>Fund Balance</b> - Beginning of year	-	-	674,695	674,695
<b>Fund Balance</b> - End of year	<u>\$ 35,921</u>	<u>\$ 59,277</u>	<u>\$ 751,941</u>	<u>\$ 692,664</u>



**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 151,701	\$ 164,565	\$ 171,690	\$ 7,125
Investment income	240	84	84	-
Other revenue	15,588	23,651	23,651	-
Total revenue	167,529	188,300	195,425	7,125
<b>Expenditures</b> - Current services - Public works	411,584	600,158	600,154	4
<b>Excess of Expenditures Over Revenue</b>	(244,055)	(411,858)	(404,729)	7,129
<b>Other Financing Sources</b> - Transfers in	540,000	540,000	540,000	-
<b>Net Change in Fund Balance</b>	295,945	128,142	135,271	7,129
<b>Fund Balance</b> - Beginning of year	648,736	648,736	648,736	-
<b>Fund Balance</b> - End of year	<u>\$ 944,681</u>	<u>\$ 776,878</u>	<u>\$ 784,007</u>	<u>\$ 7,129</u>

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 390,633	\$ 401,935	\$ 401,935	\$ -
State-shared revenue and grants	4,310	13,246	13,246	-
Investment income	480	2,186	2,186	-
Total revenue	395,423	417,367	417,367	-
<b>Expenditures</b>				
Current services:				
General government	44,792	41,488	41,060	428
Public works	346,398	371,403	371,402	1
Total expenditures	391,190	412,891	412,462	429
<b>Net Change in Fund Balance</b>	4,233	4,476	4,905	429
<b>Fund Balance - Beginning of year</b>	331,147	331,147	331,147	-
<b>Fund Balance - End of year</b>	<u>\$ 335,380</u>	<u>\$ 335,623</u>	<u>\$ 336,052</u>	<u>\$ 429</u>

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 631,180	\$ 648,866	\$ 648,866	\$ -
Investment income	40	132	132	-
Total revenue	631,220	648,998	648,998	-
<b>Expenditures</b>				
Current services - Public works	650	385	385	-
Debt service	164,825	165,825	165,825	-
Total expenditures	165,475	166,210	166,210	-
<b>Excess of Revenue Over Expenditures</b>	465,745	482,788	482,788	-
<b>Other Financing Uses</b> - Transfers out	(440,000)	(440,000)	(440,000)	-
<b>Net Change in Fund Balance</b>	25,745	42,788	42,788	-
<b>Fund Balance</b> - Beginning of year	25,995	25,995	25,995	-
<b>Fund Balance</b> - End of year	<u>\$ 51,740</u>	<u>\$ 68,783</u>	<u>\$ 68,783</u>	<u>\$ -</u>

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

Last Six Years Ended December 31

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	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	(14,093)	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	216,306	-	-	-	418,907	-
Benefit payments, including refunds	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
<b>Net Change in Total Pension Liability</b>	190,415	(25,549)	(1,933,962)	(385,173)	500,385	127,331
<b>Total Pension Liability - Beginning of year</b>	6,618,095	6,643,644	8,577,606	8,962,779	8,462,394	8,335,063
<b>Total Pension Liability - End of year</b>	<b>\$ 6,808,510</b>	<b>\$ 6,618,095</b>	<b>\$ 6,643,644</b>	<b>\$ 8,577,606</b>	<b>\$ 8,962,779</b>	<b>\$ 8,462,394</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	2,168	2,144	3,697	12,249	11,530	13,280
Net investment income (loss)	783,758	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(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)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	316,705	(704,561)	(861,271)	813,347	(551,930)	(38,491)
<b>Plan Fiduciary Net Position - Beginning of year</b>	5,919,948	6,624,509	7,485,780	6,672,433	7,224,363	7,262,854
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 6,236,653</b>	<b>\$ 5,919,948</b>	<b>\$ 6,624,509</b>	<b>\$ 7,485,780</b>	<b>\$ 6,672,433</b>	<b>\$ 7,224,363</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 571,857</b>	<b>\$ 698,147</b>	<b>\$ 19,135</b>	<b>\$ 1,091,826</b>	<b>\$ 2,290,346</b>	<b>\$ 1,238,031</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
<b>Covered Payroll</b>	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	532.55 %	651.36 %	18.28 %	213.29 %	474.64 %	260.42 %

# City of Swartz Creek, Michigan

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181	\$ 96,931	\$ 79,846	\$ 76,298	\$ 76,075
Contributions in relation to the actuarially determined contribution	73,104	73,104	739,018	117,167	655,770	97,181	96,931	79,846	93,164	105,824
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 688,616</b>	<b>\$ 23,106</b>	<b>\$ 555,396</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,866</b>	<b>\$ 29,749</b>
<b>Covered Payroll</b>	<b>\$ 107,380</b>	<b>\$ 106,871</b>	<b>\$ 104,656</b>	<b>\$ 511,896</b>	<b>\$ 482,539</b>	<b>\$ 475,398</b>	<b>\$ 475,620</b>	<b>\$ 573,530</b>	<b>\$ 568,710</b>	<b>\$ 572,087</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>68.08 %</b>	<b>68.40 %</b>	<b>706.14 %</b>	<b>22.89 %</b>	<b>135.90 %</b>	<b>20.44 %</b>	<b>20.38 %</b>	<b>13.92 %</b>	<b>16.38 %</b>	<b>18.50 %</b>

#### 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, 2020 were determined based on the actuarial valuation as of December 31, 2017. The most recent valuation is as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent - Gross of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	RP-2014 Mortality Tables of a 50 percent male and 50 percent female blend
Other information	None

**City of Swartz Creek, Michigan**

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

	<b>Last Three Fiscal Years</b>		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 6,639	\$ 5,212	\$ 5,481
Interest	17,462	17,671	17,105
Changes in benefit terms	39,417	-	-
Differences between expected and actual experience	(22,410)	-	-
Changes in assumptions	71,238	-	(17,762)
Benefit payments, including refunds	(38,441)	(42,537)	(46,938)
<b>Net Change in Total OPEB Liability</b>	73,905	(19,654)	(42,114)
<b>Total OPEB Liability - Beginning of year</b>	513,465	533,119	575,233
<b>Total OPEB Liability - End of year</b>	<b>\$ 587,370</b>	<b>\$ 513,465</b>	<b>\$ 533,119</b>
<b>Covered-employee Payroll</b>	\$ 107,845	\$ 215,943	\$ 250,825
<b>Total OPEB Liability as a Percentage of Covered-employee Payroll</b>	544.64 %	237.78 %	212.55 %

**City of Swartz Creek, Michigan**

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

	<b>Last Four Plan Years</b>			
	<b>Years Ended December 31</b>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net OPEB liability	13.00000 %	15.94700 %	12.45500 %	12.47700 %
City's proportionate share of the authority's net OPEB liability	\$ 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.

**June 30, 2020**

***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, or 2018.

In 2019, assumption 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 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 Supplemental Information

---

**City of Swartz Creek, Michigan**

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds**

**June 30, 2020**

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 7,112	\$ 2,338	\$ 106,950	\$ 116,400
Receivables	5,772	-	-	5,772
Total assets	<b>\$ 12,884</b>	<b>\$ 2,338</b>	<b>\$ 106,950</b>	<b>\$ 122,172</b>
<b>Deferred Inflows of Resources</b>	\$ 2,310	\$ -	\$ -	\$ 2,310
<b>Fund Balances</b>				
Restricted - Weed control and sidewalks	10,574	-	-	10,574
Assigned:				
Debt service	-	2,338	-	2,338
Capital projects	-	-	106,950	106,950
Total fund balances	10,574	2,338	106,950	119,862
Total deferred inflows of resources and fund balances	<b>\$ 12,884</b>	<b>\$ 2,338</b>	<b>\$ 106,950</b>	<b>\$ 122,172</b>

**City of Swartz Creek, Michigan**

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund**  
**Balances**  
**Nonmajor Governmental Funds**

**Year Ended June 30, 2020**

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
<b>Revenue</b>				
Special assessments	\$ 4,700	\$ -	\$ -	\$ 4,700
Investment income	-	13	16	29
Other revenue	1,215	-	-	1,215
Total revenue	5,915	13	16	5,944
<b>Expenditures</b>				
Current services - Public safety	2,375	-	5,839	8,214
Debt service:				
Principal	-	75,000	-	75,000
Interest on long-term debt	-	10,319	-	10,319
Total expenditures	2,375	85,319	5,839	93,533
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	3,540	(85,306)	(5,823)	(87,589)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,200	84,568	75,000	160,768
Transfers out	(34,000)	-	-	(34,000)
Total other financing (uses) sources	(32,800)	84,568	75,000	126,768
<b>Net Change in Fund Balances</b>	(29,260)	(738)	69,177	39,179
<b>Fund Balances - Beginning of year</b>	39,834	3,076	37,773	80,683
<b>Fund Balances - End of year</b>	<b>\$ 10,574</b>	<b>\$ 2,338</b>	<b>\$ 106,950</b>	<b>\$ 119,862</b>

**City of Swartz Creek, Michigan**

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

**June 30, 2020**

	<u>Custodial Fund - Current Tax Collection Fund</u>	<u>Custodial Fund - Winter Tax Collection Fund</u>	<u>Custodial Fund - Delinquent Personal Property Tax Fund</u>	<u>Total Custodial Funds</u>
<b>Assets - Receivables</b>	\$ -	\$ -	\$ 80,433	\$ 80,433
<b>Liabilities - Unremitted tax collections</b>	-	-	80,433	80,433
<b>Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Swartz Creek, Michigan**

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

**Year Ended June 30, 2020**

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
<b>Additions</b> - Property tax collections	\$ 4,220,210	\$ 1,189,498	\$ 5,333	\$ 5,415,041
<b>Deductions</b> - Tax distributions to other governments	4,220,210	1,189,498	5,333	5,415,041
<b>Net Change in Fiduciary Net Position</b>	-	-	-	-
<b>Net Position</b> - Beginning of year	-	-	-	-
<b>Net Position</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>