
City of Swartz Creek, Michigan

**Financial Report
with Supplemental Information
June 30, 2021**

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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, 2021 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021 on our consideration of the City of Swartz Creek, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Swartz Creek, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Swartz Creek, Michigan's internal control over financial reporting and compliance.



October 5, 2021

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, 2021. 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, 2021:

- The City's total net position is approximately \$29.9 million.
- The City's overall unrestricted net position is approximately \$5.5 million.
- The City's General Fund revenue exceeded expenditures by \$531,651 before transfers in and out. After transfers in and out, the net increase in fund balance was \$362,790, leaving the General Fund with a fund balance of \$1,883,890.

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			
	2020	2021	Change	Percent Change
Assets				
Current and other assets	\$ 4,677,670	\$ 4,968,797	\$ 291,127	6.2
Capital assets	12,804,600	13,013,468	208,868	1.6
Total assets	17,482,270	17,982,265	499,995	2.9
Deferred Outflows of Resources	155,177	159,285	4,108	2.6
Liabilities				
Current liabilities	125,803	301,482	175,679	139.6
Noncurrent liabilities	2,439,017	2,137,938	(301,079)	(12.3)
Total liabilities	2,564,820	2,439,420	(125,400)	(4.9)
Deferred Inflows of Resources	69,139	230,315	161,176	233.1
Net Position				
Net investment in capital assets	11,617,700	12,064,018	446,318	3.8
Restricted	1,964,412	1,674,280	(290,132)	(14.8)
Unrestricted	1,421,376	1,733,517	312,141	22.0
Total net position	\$ 15,003,488	\$ 15,471,815	\$ 468,327	3.1

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2020	2021	Change	Percent Change
Assets				
Current and other assets	\$ 4,717,512	\$ 5,380,159	\$ 662,647	14.0
Capital assets	10,936,586	13,688,802	2,752,216	25.2
Total assets	15,654,098	19,068,961	3,414,863	21.8
Deferred Outflows of Resources	17,984	15,823	(2,161)	(12.0)
Liabilities				
Current liabilities	800,126	1,006,977	206,851	25.9
Long-term liabilities	1,151,797	3,542,338	2,390,541	207.5
Total liabilities	1,951,923	4,549,315	2,597,392	133.1
Deferred Inflows of Resources	8,650	110,392	101,742	1,176.2
Net Position				
Net investment in capital assets	10,223,223	10,513,252	290,029	2.8
Restricted	130,250	175,672	45,422	34.9
Unrestricted	3,358,036	3,736,153	378,117	11.3
Total net position	<u>\$ 13,711,509</u>	<u>\$ 14,425,077</u>	<u>\$ 713,568</u>	5.2

Governmental Activities

The governmental net position increased from a year ago, from approximately \$15.0 million to approximately \$15.5 million. In comparison, last year's net position increased by less than 4 percent.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$312,141 for the governmental activities. This represents an increase of approximately 22 percent. The current level of unrestricted net position for our governmental activities stands at \$1,733,517, or about 42 percent of expenditures.

Business-type Activities

The net position of business-type activities increased by about 5 percent from a year ago, from approximately \$13.7 million to approximately \$14.4 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 \$378,000. This represents an increase of approximately 11 percent. The current level of unrestricted net position stands at approximately \$3.7 million, or about 128 percent of operating expenditures.

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2020	2021	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 333,578	\$ 425,992	\$ 92,414	27.7
Operating grants	631,851	747,080	115,229	18.2
General revenue:				
Property taxes	2,508,966	2,598,396	89,430	3.6
State-shared revenue	582,966	692,084	109,118	18.7
Investment earnings	20,058	2,822	(17,236)	(85.9)
Other revenue	450,985	162,184	(288,801)	(64.0)
Total revenue	4,528,404	4,628,558	100,154	2.2
Expenses				
General government	1,165,981	1,175,599	9,618	0.8
District court costs	33,669	38,008	33,669	100.0
Public safety	1,288,290	1,414,648	126,358	9.8
Public works	1,438,701	1,487,066	48,365	3.4
Recreation and culture	41,735	9,008	(32,727)	(78.4)
Interest on long-term debt	37,544	31,268	(6,276)	(16.7)
Total expenses	4,005,920	4,155,597	149,677	3.7
Transfers	-	(4,634)	(4,634)	-
Change in Net Position	522,484	468,327	(54,157)	(10.4)
Net Position - Beginning of year	14,481,004	15,003,488	522,484	3.6
Net Position - End of year	\$ 15,003,488	\$ 15,471,815	\$ 468,327	3.1
Business-type Activities				
	2020	2021	Change	Percent Change
Revenue				
Operating revenue	\$ 3,426,942	\$ 3,513,738	\$ 86,796	2.5
General revenue:				
Investment earnings	30,111	5,568	(24,543)	(81.5)
Other revenue	18,851	686,737	667,886	3,543.0
Total revenue	3,475,904	4,206,043	730,139	21.0
Expenses				
Operating expenses - Other than depreciation	3,009,456	2,927,293	(82,163)	(2.7)
Depreciation	522,589	528,350	5,761	1.1
Interest expense	8,132	28,351	20,219	248.6
Debt service charge	115	13,115	13,000	11,304.3
Total expenses	3,540,292	3,497,109	(43,183)	(1.2)
Transfers	-	4,634	4,634	-
Change in Net Position	(64,388)	713,568	777,956	(1,208.2)
Net Position - Beginning of year	13,775,897	13,711,509	(64,388)	(0.5)
Net Position - End of year	\$ 13,711,509	\$ 14,425,077	\$ 713,568	5.2

City of Swartz Creek, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue increased by \$100,154. The majority of this can be attributed to the increase in property taxes and joint ventures.

Property tax revenue is composed of the following: general operating revenue of \$778,914, garbage collection revenue of \$418,480, public safety special assessment revenue of \$724,625, and local street millage revenue of \$668,247, with the remainder of \$8,130 collected on delinquent tax obligations during the fiscal year.

The City's public safety expenses showed an increase of \$126,356 between the fiscal years ended June 30, 2021 and 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 increased by approximately \$87,000 due to a decrease in the sale of water. Expenses increased mainly due to current year depreciation expense. Other revenue saw an increase from 2020 due to the USDA grant funding received in 2021.

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 2021 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 \$2.3 million in 2021, followed by public safety at approximately \$1.3 million. Preliminary work has been ongoing on the Dye Road to Elms Road Trail and the Safe Routes to School Trail with grants secured for work on both of these projects.

The most significant increase is related to the City's ongoing local and major street reconstruction and repairs. The local street reconstruction is part of a road improvement plan receiving funding from the passage of a 20-year local street millage beginning in tax year 2016 and a 10-year bond issued in 2017. During the past year, work was completed on several streets including Winston Drive from Oakview Drive to Chesterfield Drive, Oxford Court, and Chelmsford Drive from Seyour Road to Oakview Drive. Road work began on Oakview Drive from Seymour Road to Chesterfield Drive and preliminary engineering was done for portions of Miller Road and Morrish Road in anticipation of reconstruction.

The Water Fund, through a USDA Grant and Loan Program, was able to install new water lines on Winston Drive, Oxford Court, and portions of both Bristol Road and Morrish Road. Additional watermain work was in progress at year end on Miller Road, Chelmsford Drive, and Oakview Drive.

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 \$11,000 above budget. Revenue was slightly higher than anticipated. These events caused the General Fund's fund balance to increase, before transfers, by approximately \$532,000. Overall, General Fund fund balance increased from approximately \$1.52 million a year ago to approximately \$1.88 million at June 30, 2021.

Capital Assets and Debt Administration

At the end of 2021, the City had approximately \$26.7 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 2021, the City had \$5,680,276 in long-term liabilities. A total of \$4.125 million of long-term liabilities is the balance on the City's long-term debt bonds. The remaining \$1,555,276 is related to accumulated compensated absences of \$63,947, the net pension liability of \$392,105, and the net other postemployment benefits liability of \$1,099,224.

Economic Factors and Next Year's Budget and Rates

The COVID-19 pandemic will likely affect the City's finances and budgets in fiscal year 2022. Costs for the procurement of goods and services are projected to increase, 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 post-pandemic financial landscape.

Overall, we expect no significant change in total revenue, with the exception of USDA Grant funding for water main replacement. 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 3,560,522	\$ 1,773,884	\$ 5,334,406	\$ 51,447
Investments (Note 3)	250,000	1,900,000	2,150,000	-
Receivables:				
Property taxes receivable	21,824	-	21,824	-
Customer receivables	-	982,532	982,532	-
Accrued interest receivable	148	1,349	1,497	-
Other receivables	46,198	-	46,198	-
Due from other governments	226,582	481,100	707,682	-
Inventory	1,424	35,169	36,593	-
Prepaid expenses and other assets	60,276	30,453	90,729	-
Restricted cash (Note 1)	-	175,672	175,672	-
Investment in joint ventures (Note 8)	447,642	-	447,642	-
Land held for resale	354,181	-	354,181	-
Capital assets: (Note 4)				
Assets not subject to depreciation	2,679,187	2,427,250	5,106,437	-
Assets subject to depreciation - Net	10,334,281	11,261,552	21,595,833	10,384
Total assets	17,982,265	19,068,961	37,051,226	61,831
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	21,937	14,612	36,549	-
Deferred OPEB costs (Note 11)	137,348	1,211	138,559	-
Total deferred outflows of resources	159,285	15,823	175,108	-
Liabilities				
Accounts payable	254,103	656,437	910,540	10,128
Due to other governmental units	-	303,538	303,538	-
Deposits payable	-	22,500	22,500	-
Accrued liabilities and other	47,379	24,502	71,881	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	37,475	26,472	63,947	-
Current portion of long-term debt	145,683	82,861	228,544	-
Due in more than one year:				
Net pension liability (Note 9)	235,269	156,836	392,105	-
Net OPEB liability (Note 11)	915,744	183,480	1,099,224	-
Long-term debt (Note 6)	803,767	3,092,689	3,896,456	-
Total liabilities	2,439,420	4,549,315	6,988,735	10,128
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	165,590	110,392	275,982	-
Deferred OPEB cost reductions (Note 11)	64,725	-	64,725	-
Total deferred inflows of resources	230,315	110,392	340,707	-
Net Position				
Net investment in capital assets	12,064,018	10,513,252	22,577,270	10,384
Restricted:				
Roads	1,314,940	-	1,314,940	-
Garbage collection	359,340	-	359,340	-
Debt service	-	175,672	175,672	-
Unrestricted	1,733,517	3,736,153	5,469,670	41,319
Total net position	\$ 15,471,815	\$ 14,425,077	\$ 29,896,892	\$ 51,703

City of Swartz Creek, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,175,599	\$ 147,591	\$ 18,769	\$ -
Legislative	38,008	-	-	-
Public safety	1,414,648	229,062	-	-
Public works	1,487,066	31,025	728,311	-
Recreation and culture	9,008	18,314	-	-
Interest on long-term debt	31,268	-	-	-
Total governmental activities	4,155,597	425,992	747,080	-
Business-type activities:				
Water Fund	2,282,840	2,215,225	-	661,137
Sewer Fund	1,201,154	1,285,398	-	25,600
Total business-type activities	3,483,994	3,500,623	-	686,737
Total primary government	<u>\$ 7,639,591</u>	<u>\$ 3,926,615</u>	<u>\$ 747,080</u>	<u>\$ 686,737</u>
Component units - Downtown Development Authority	<u>\$ 58,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Loss from joint ventures				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2021

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,009,239)	\$ -	\$ (1,009,239)	\$ -
(38,008)	-	(38,008)	-
(1,185,586)	-	(1,185,586)	-
(727,730)	-	(727,730)	-
9,306	-	9,306	-
(31,268)	-	(31,268)	-
(2,982,525)	-	(2,982,525)	-
-	593,522	593,522	-
-	109,844	109,844	-
-	703,366	703,366	-
(2,982,525)	703,366	(2,279,159)	-
-	-	-	(58,754)
2,598,396	-	2,598,396	72,111
692,084	-	692,084	-
2,822	5,568	8,390	6
112,886	-	112,886	-
(41,534)	-	(41,534)	-
90,832	-	90,832	-
3,455,486	5,568	3,461,054	72,117
(4,634)	4,634	-	-
468,327	713,568	1,181,895	13,363
15,003,488	13,711,509	28,714,997	38,340
\$ 15,471,815	\$ 14,425,077	\$ 29,896,892	\$ 51,703

City of Swartz Creek, Michigan

Governmental Funds Balance Sheet

June 30, 2021

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
Assets							
Cash and cash equivalents (Note 3)	\$ 1,300,254	\$ 279,345	\$ 925,873	\$ 349,386	\$ 69,004	\$ 182,090	\$ 3,105,952
Investments (Note 3)	200,000	-	-	50,000	-	-	250,000
Receivables:							
Property taxes receivable	10,887	-	-	5,238	5,699	-	21,824
Accrued interest receivable	75	-	-	73	-	-	148
Other receivables	45,349	849	-	-	-	-	46,198
Due from other governments	114,290	85,198	27,094	-	-	-	226,582
Prepaid expenses and other assets	33,475	5,585	2,708	4,859	321	-	46,948
Land held for resale	354,181	-	-	-	-	-	354,181
Total assets	\$ 2,058,511	\$ 370,977	\$ 955,675	\$ 409,556	\$ 75,024	\$ 182,090	\$ 4,051,833
Liabilities							
Accounts payable	\$ 127,292	\$ 48,763	\$ 30,284	\$ 45,912	\$ -	\$ -	\$ 252,251
Accrued liabilities and other	28,517	3,748	3,941	4,304	-	-	40,510
Total liabilities	155,809	52,511	34,225	50,216	-	-	292,761
Deferred Inflows of Resources (Note 1)	18,812	-	-	5,238	5,699	-	29,749
Fund Balances							
Nonspendable:							
Prepays	33,475	5,585	2,708	4,859	321	-	46,948
Land held for resale	354,181	-	-	-	-	-	354,181
Restricted:							
Roads	-	312,881	918,742	-	69,004	-	1,300,627
Garbage collection	-	-	-	349,243	-	-	349,243
Assigned - Capital projects	-	-	-	-	-	182,090	182,090
Unassigned	1,496,234	-	-	-	-	-	1,496,234
Total fund balances	1,883,890	318,466	921,450	354,102	69,325	182,090	3,729,323
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,058,511	\$ 370,977	\$ 955,675	\$ 409,556	\$ 75,024	\$ 182,090	\$ 4,051,833

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 3,729,323
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	22,485,621
Accumulated depreciation	<u>(9,540,980)</u>
Net capital assets used in governmental activities	12,944,641
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	29,749
Investments in joint ventures are not financial resources and are not reported in the funds	447,642
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(949,450)
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	(33,602)
Net pension liability	(231,347)
Net OPEB liability	(886,146)
Deferred inflows of resources related to pension and OPEB	(227,543)
Deferred outflows of resources related to pension and OPEB	158,719
Internal service funds are included as part of governmental activities:	
Capital assets-related items	68,827
All other items	<u>426,590</u>
Net Position of Governmental Activities	<u><u>\$ 15,471,815</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Streets	Local Streets	Garbage Collection	Local Streets Millage	Nonmajor Funds	
Revenue							
Property taxes	\$ 1,503,743	\$ -	\$ -	\$ 418,591	\$ 668,377	\$ -	\$ 2,590,711
State-shared revenue and grants	705,178	529,542	192,114	16,587	-	-	1,443,421
Charges for services	135,169	2,335	-	-	-	-	137,504
Licenses and permits	301,789	-	-	-	-	-	301,789
Investment income	13,492	83	119	314	146	145	14,299
Other revenue	185,717	8,317	24,310	147	-	-	218,491
Total revenue	2,845,088	540,277	216,543	435,639	668,523	145	4,706,215
Expenditures							
Current services:							
General government	391,026	-	-	44,628	-	-	435,654
Legislative	38,008	-	-	-	-	-	38,008
Public safety	1,338,562	-	-	-	-	-	1,338,562
Public works	379,696	873,992	679,340	373,503	385	-	2,306,916
Recreation and culture	166,145	-	-	-	-	-	166,145
Debt service:							
Principal	-	-	-	-	142,450	95,000	237,450
Interest on long-term debt	-	-	-	-	25,146	6,122	31,268
Total expenditures	2,313,437	873,992	679,340	418,131	167,981	101,122	4,554,003
Excess of Revenue Over (Under) Expenditures	531,651	(333,715)	(462,797)	17,508	500,542	(100,977)	152,212
Other Financing Sources (Uses)							
Transfers in (Note 5)	10,574	240	600,240	542	-	173,779	785,375
Transfers out (Note 5)	(179,435)	(100,000)	-	-	(500,000)	(10,574)	(790,009)
Total other financing (uses) sources	(168,861)	(99,760)	600,240	542	(500,000)	163,205	(4,634)
Net Change in Fund Balances	362,790	(433,475)	137,443	18,050	542	62,228	147,578
Fund Balances - Beginning of year	1,521,100	751,941	784,007	336,052	68,783	119,862	3,581,745
Fund Balances - End of year	\$ 1,883,890	\$ 318,466	\$ 921,450	\$ 354,102	\$ 69,325	\$ 182,090	\$ 3,729,323

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, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 147,578
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,202,694
Depreciation expense	(970,973)
Net book value of assets disposed of	(2,624)
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	5,375
Increase in deferred inflows of resources related to pension and OPEB	(158,776)
Increase in deferred outflows of resources related to pension and OPEB	4,455
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	237,450
Decrease in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	3,493
The change in the net pension liability is recorded when incurred in the statement of activities	106,049
The change in the net OPEB liability is recorded when incurred in the statement of activities	(45,556)
Decrease in equity interest in joint ventures	(41,534)
Internal service funds are included as part of governmental activities	(19,304)
Change in Net Position of Governmental Activities	<u>\$ 468,327</u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 621,949	\$ 1,151,935	\$ 1,773,884	\$ 454,570
Investments (Note 3)	950,000	950,000	1,900,000	-
Receivables:				
Customer receivables	627,293	355,239	982,532	-
Accrued interest receivable	815	534	1,349	-
Due from other governments	481,100	-	481,100	-
Inventory	33,983	1,186	35,169	1,424
Prepaid expenses and other assets	18,730	11,723	30,453	13,328
Total current assets	2,733,870	2,470,617	5,204,487	469,322
Noncurrent assets:				
Restricted cash	175,672	-	175,672	-
Capital assets - Net (Note 4)	8,020,594	5,668,208	13,688,802	68,827
Total noncurrent assets	8,196,266	5,668,208	13,864,474	68,827
Total assets	10,930,136	8,138,825	19,068,961	538,149
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	7,306	7,306	14,612	371
Deferred OPEB costs (Note 11)	664	547	1,211	195
Total deferred outflows of resources	7,970	7,853	15,823	566
Liabilities				
Current liabilities:				
Accounts payable	650,612	5,825	656,437	1,852
Due to other governmental units	149,905	153,633	303,538	-
Deposits payable	20,000	2,500	22,500	-
Accrued liabilities and other	9,940	14,562	24,502	1,281
Compensated absences (Note 6)	14,967	11,505	26,472	3,873
Current portion of long-term debt (Note 6)	82,861	-	82,861	-
Total current liabilities	928,285	188,025	1,116,310	7,006
Noncurrent liabilities:				
Net pension liability (Note 9)	78,418	78,418	156,836	3,922
Net OPEB liability	100,620	82,860	183,480	29,598
Long-term debt (Note 6)	3,092,689	-	3,092,689	-
Total noncurrent liabilities	3,271,727	161,278	3,433,005	33,520
Total liabilities	4,200,012	349,303	4,549,315	40,526
Deferred Inflows of Resources - Deferred pension cost reductions (Note 9)	55,196	55,196	110,392	2,772
Net Position				
Net investment in capital assets	4,845,044	5,668,208	10,513,252	68,827
Restricted - Debt service	175,672	-	175,672	-
Unrestricted	1,662,182	2,073,971	3,736,153	426,590
Total net position	\$ 6,682,898	\$ 7,742,179	\$ 14,425,077	\$ 495,417

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,221,800	\$ -	\$ 2,221,800	\$ -
Sewage disposal charges	-	1,281,083	1,281,083	-
Interest and penalty charges	6,540	4,315	10,855	-
Equipment rental	-	-	-	138,121
Total operating revenue	2,228,340	1,285,398	3,513,738	138,121
Operating Expenses				
Cost of water	1,907,255	-	1,907,255	-
Cost of sewage treatment	-	755,090	755,090	278
General operations and maintenance	17,451	23,838	41,289	137,235
Meter reading and billing	84,733	138,926	223,659	-
Depreciation	245,050	283,300	528,350	20,385
Total operating expenses	2,254,489	1,201,154	3,455,643	157,898
Operating (Loss) Income	(26,149)	84,244	58,095	(19,777)
Nonoperating Revenue (Expense)				
Investment interest and FMV changes	2,971	2,597	5,568	473
Interest expense	(28,351)	-	(28,351)	-
Debt service charge	(13,115)	-	(13,115)	-
Total nonoperating (expense) revenue	(38,495)	2,597	(35,898)	473
(Loss) Income - Before capital contributions	(64,644)	86,841	22,197	(19,304)
Capital Contributions				
Capital grants	628,887	-	628,887	-
Tap fees	32,250	25,600	57,850	-
Total capital contributions	661,137	25,600	686,737	-
Transfers In	2,317	2,317	4,634	-
Change in Net Position	598,810	114,758	713,568	(19,304)
Net Position - Beginning of year	6,084,088	7,627,421	13,711,509	514,721
Net Position - End of year	\$ 6,682,898	\$ 7,742,179	\$ 14,425,077	\$ 495,417

City of Swartz Creek, Michigan

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,239,246	\$ 1,295,092	\$ 3,534,338	\$ 1,936
Receipts from interfund services and reimbursements	-	-	-	139,751
Payments to suppliers	(1,476,324)	(1,204,017)	(2,680,341)	(102,623)
Payments to employees	(16,822)	(16,572)	(33,394)	(32,744)
Net cash and cash equivalents provided by operating activities	746,100	74,503	820,603	6,320
Cash Flows from Noncapital Financing Activities - Transfers from other funds	2,317	2,317	4,634	-
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	2,554,737	-	2,554,737	-
Receipt of capital grants	172,606	-	172,606	-
Tap fees	32,250	25,600	57,850	-
Purchase of capital assets	(3,250,637)	(29,931)	(3,280,568)	(156)
Principal and interest paid on capital debt	(120,901)	-	(120,901)	-
Debt service charge	(13,115)	-	(13,115)	-
Net cash and cash equivalents used in capital and related financing activities	(625,060)	(4,331)	(629,391)	(156)
Cash Flows from Investing Activities				
Interest received on investments	2,346	6,517	8,863	2,027
Purchases of investment securities	(950,000)	(950,000)	(1,900,000)	-
Proceeds from sale and maturities of investment securities	750,000	1,125,000	1,875,000	130,000
Net cash and cash equivalents (used in) provided by investing activities	(197,654)	181,517	(16,137)	132,027
Net (Decrease) Increase in Cash and Cash Equivalents	(74,297)	254,006	179,709	138,191
Cash and Cash Equivalents - Beginning of year	871,918	897,929	1,769,847	316,379
Cash and Cash Equivalents - End of year	<u>\$ 797,621</u>	<u>\$ 1,151,935</u>	<u>\$ 1,949,556</u>	<u>\$ 454,570</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 621,949	\$ 1,151,935	\$ 1,773,884	\$ 454,570
Restricted cash	175,672	-	175,672	-
Total cash and cash equivalents	<u>\$ 797,621</u>	<u>\$ 1,151,935</u>	<u>\$ 1,949,556</u>	<u>\$ 454,570</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (26,149)	\$ 84,244	\$ 58,095	\$ (19,777)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	245,050	283,300	528,350	20,385
Changes in assets and liabilities:				
Receivables	10,906	9,694	20,600	-
Due to and from other funds	(536)	(191)	(727)	3,566
Inventories	(2,289)	-	(2,289)	-
Prepaid and other assets	(14,099)	(8,435)	(22,534)	(1,247)
Accrued and other liabilities	21,954	21,852	43,806	3,597
Accounts payable	511,263	(315,961)	195,302	(204)
Total adjustments	<u>772,249</u>	<u>(9,741)</u>	<u>762,508</u>	<u>26,097</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 746,100</u>	<u>\$ 74,503</u>	<u>\$ 820,603</u>	<u>\$ 6,320</u>

City of Swartz Creek, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2021

	<u>Custodial Funds - Property Tax Collection Funds</u>
Assets - Receivables	\$ 78,665
Liabilities - Unremitted tax collections	<u>78,665</u>
Net Position	<u><u>\$ -</u></u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	<u>Custodial Funds - Property Tax Collection Funds</u>
Additions - Property tax collections from other governments	\$ 6,113,019
Deductions - Tax distributions to other governments	<u>6,113,019</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

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

Blended Component Unit

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

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

Discretely Presented Component Unit

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

Report Presentation

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

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

Fund Accounting

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value or estimated fair value.

Receivables and Payables

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

Inventories and Prepaid Items

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

Land Held for Resale

Land held for resale is valued at the lower of cost or market and is recorded as 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. 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.

June 30, 2021

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 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

Purpose	Revenue	
General operating	4.7545 \$	749,843
Garbage collection	2.6270	414,324
Local streets	4.1550	666,801
Public safety	4.9000	724,625
Total		<u>\$ 2,555,593</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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The General Fund, major and nonmajor governmental funds, Water Fund, Sewer Fund, and Internal Service Fund are used to liquidate the pension obligation.

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

In accordance with contracts negotiated with the various employee groups of the City, individual employees have a vested right upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund is used to liquidate the obligation.

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.

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 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, 2021 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*.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

Note 2 - Stewardship, Compliance, and Accountability

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

	Budget	Actual
General Fund - Public safety	\$ 1,337,034	\$ 1,338,562
General Fund - Public works	368,651	379,696

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2020	\$ (352,238)
Current year permit revenue	119,988
Related expenses - Direct costs	79,947
Current year surplus	40,041
Cumulative shortfall June 30, 2021	\$ (312,197)

Note 3 - Deposits and Investments

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

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

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City, including its component unit, had \$6,588,758 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.

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, 2021, 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	AAAm	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.

June 30, 2021

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 1,519,035	\$ -	\$ -	\$ (2,624)	\$ 1,516,411
Construction in progress	168,927	(9,132)	1,002,981	-	1,162,776
Subtotal	1,687,962	(9,132)	1,002,981	(2,624)	2,679,187
Capital assets being depreciated:					
Roads and sidewalks	14,263,946	9,132	189,166	-	14,462,244
Buildings and improvements	2,732,931	-	-	-	2,732,931
Machinery and equipment	931,414	-	10,703	-	942,117
Vehicles	560,944	-	-	-	560,944
Land improvements	1,739,866	-	-	-	1,739,866
Subtotal	20,229,101	9,132	199,869	-	20,438,102
Accumulated depreciation:					
Roads and sidewalks	5,658,846	-	817,441	-	6,476,287
Buildings and improvements	1,443,205	-	54,747	-	1,497,952
Machinery and equipment	843,205	-	24,537	-	867,742
Vehicles	472,476	-	20,156	-	492,632
Land improvements	694,731	-	74,477	-	769,208
Subtotal	9,112,463	-	991,358	-	10,103,821
Net capital assets being depreciated	11,116,638	9,132	(791,489)	-	10,334,281
Net capital assets	<u>\$ 12,804,600</u>	<u>\$ -</u>	<u>\$ 211,492</u>	<u>\$ (2,624)</u>	<u>\$ 13,013,468</u>

Business-type Activities

	Balance July 1, 2020	Reclassifications /Adjustments	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated - Construction in progress	\$ 353,678	\$ (150,121)	\$ 2,223,693	\$ -	\$ 2,427,250
Capital assets being depreciated:					
Water and sewer lines	17,686,654	150,121	1,055,468	-	18,892,243
Machinery and equipment	247,991	-	1,407	-	249,398
Subtotal	17,934,645	150,121	1,056,875	-	19,141,641
Accumulated depreciation:					
Water and sewer lines	7,181,480	2	505,006	-	7,686,488
Machinery and equipment	170,257	-	23,344	-	193,601
Subtotal	7,351,737	2	528,350	-	7,880,089
Net capital assets being depreciated	10,582,908	150,119	528,525	-	11,261,552
Net capital assets	<u>\$ 10,936,586</u>	<u>\$ (2)</u>	<u>\$ 2,752,218</u>	<u>\$ -</u>	<u>\$ 13,688,802</u>

June 30, 2021

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets being depreciated:					
Machinery and equipment	\$ 8,272	\$ -	\$ 3,060	\$ -	\$ 11,332
Vehicles	4,721	-	-	-	4,721
Subtotal	12,993	-	3,060	-	16,053
Accumulated depreciation:					
Machinery and equipment	1,182	(612)	1,794	-	2,364
Vehicles	2,361	-	944	-	3,305
Subtotal	3,543	(612)	2,738	-	5,669
Net capital assets	<u>\$ 9,450</u>	<u>\$ 612</u>	<u>\$ 322</u>	<u>\$ -</u>	<u>\$ 10,384</u>

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

Governmental activities:	
General government	\$ 702,585
Public safety	11,688
Public works	234,137
Recreation and culture	22,563
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>20,385</u>
Total governmental activities	<u>\$ 991,358</u>
Business-type activities:	
Water	\$ 245,050
Sewer	<u>283,300</u>
Total business-type activities	<u>\$ 528,350</u>
Component unit activities - Community development	<u>\$ 2,738</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Watermain project	\$ 4,990,233	\$ 1,835,677
Safe Routes to Schools	77,682	558,108
Road projects	562,284	1,149,213

Note 5 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 173,779
	Major Streets Fund	240
	Local Streets Fund	240
	Garbage Collection Fund	542
	Water Fund	2,317
	Sewer Fund	2,317
	Total General Fund	179,435
Major Streets Fund	Local Streets Fund	100,000
Local Streets Millage Fund	Local Streets Fund	500,000
Nonmajor governmental funds	General Fund	10,574
	Total	<u>\$ 790,009</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 General Fund to the Water Fund and Sewer Fund were to allocate grant money to those funds.

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.

June 30, 2021

Note 6 - Long-term Debt (Continued)

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt:					
General obligations - 2001 Building Authority Bond, used to renovate city hall, bearing interest from 4.25 to 5.65 percent, maturing in 2021	\$ 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	1,091,900	-	(142,450)	949,450	145,683
Total bonds and contracts payable - Other debt	1,186,900	-	(237,450)	949,450	145,683
Compensated absences	39,040	40,833	(42,398)	37,475	37,475
Total governmental activities long-term debt	<u>\$ 1,225,940</u>	<u>\$ 40,833</u>	<u>\$ (279,848)</u>	<u>\$ 986,925</u>	<u>\$ 183,158</u>

June 30, 2021

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements -					
General obligations - Water Supply System Revenue Bond, Series 2020, used to fund a portion of City water supply system construction and improvements, bearing interest not to exceed 3.125 percent, maturing in 2060	\$ 385,263	\$ 2,554,737	\$ (50,000)	\$ 2,890,000	\$ 39,000
Other debt -					
General obligations - 2017 General Obligation Limited Tax Bonds, used to fund a portion of certain capital improvements in the City, bearing interest from 1.15 to 2.75 percent, maturing in 2027	328,100	-	(42,550)	285,550	43,861
Total bonds and contracts payable	713,363	2,554,737	(92,550)	3,175,550	82,861
Compensated absences	27,609	28,813	(29,950)	26,472	26,472
Total business-type activities long-term debt	<u>\$ 740,972</u>	<u>\$ 2,583,550</u>	<u>\$ (122,500)</u>	<u>\$ 3,202,022</u>	<u>\$ 109,333</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 \$5,060,719. During the current year, net revenue of the system was \$190,550, compared to annual debt requirements of \$129,875.

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City.

June 30, 2021

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities				
	Other Debt			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2022	\$ 145,683	\$ 21,277	\$ 166,960	\$ 39,000	\$ 90,688	\$ 43,861	\$ 6,383	\$ 179,932
2023	150,000	18,277	168,277	40,000	89,469	45,000	5,483	179,952
2024	157,692	14,888	172,580	42,000	88,219	47,308	4,467	181,994
2025	161,538	11,056	172,594	43,000	86,906	48,462	3,317	181,685
2026	165,385	6,845	172,230	44,000	85,563	49,615	2,053	181,231
2027-2031	169,152	2,327	171,479	243,000	406,219	51,304	698	701,221
Thereafter	-	-	-	2,439,000	1,311,656	-	-	3,750,656
Total	\$ 949,450	\$ 74,670	\$ 1,024,120	\$ 2,890,000	\$ 2,158,720	\$ 285,550	\$ 22,401	\$ 5,356,671

Significant Terms

Other Debt

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

Note 7 - Risk Management

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

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

Note 8 - Joint Venture Agreements

The Swartz Creek Area Fire Department (the "Fire Department")

The Fire Department has been organized as a joint venture of the City of Swartz Creek, Michigan and the Township of Clayton. The organization agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Fire Department's board are appointed by the City and the Township of Clayton. The participating units provide revenue to the Fire Department on the basis of fire runs and general contributions. The City and the Township of Clayton have provided the Fire Department with the use of several vehicles and real property. Title to these vehicles remains with the contributing unit of governments.

The equity interest is calculated based on the City's total contributions as a percentage of all contributions received by the Fire Department. The City's equity interest of \$447,642 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2021, the City was billed \$36,527 for fire runs by the Fire Department. The City contributed an additional \$118,222 toward operating costs.

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

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

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

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

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

During the year ended June 30, 2021, the City was billed \$1,042,090 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 or by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Note 9 - Defined Benefit Pension Plan (Continued)

Benefits Provided

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

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

Retirement benefits for general employees hired prior to July 1, 1997 are calculated as 2 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 30 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Retirement benefits for supervisor employees hired prior to July 1, 1997 are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial valuation.

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

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

Employees Covered by Benefit Terms

At the December 31, 2020 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, 2021 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, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 6,808,510	\$ 6,236,653	\$ 571,857
Changes for the year:			
Service cost	8,214	-	8,214
Interest	497,368	-	497,368
Differences between expected and actual experience	(258)	-	(258)
Changes in assumptions	203,897	-	203,897
Contributions - Employer	-	73,104	(73,104)
Contributions - Employee	-	2,117	(2,117)
Net investment income	-	825,964	(825,964)
Benefit payments, including refunds	(536,595)	(536,595)	-
Administrative expenses	-	(12,212)	12,212
Net changes	172,626	352,378	(179,752)
Balance at December 31, 2020	\$ 6,981,136	\$ 6,589,031	\$ 392,105

June 30, 2021

Note 9 - Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense of \$150,366. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (275,982)
Employer contributions to the plan subsequent to the measurement date	36,549	-
Total	\$ 36,549	\$ (275,982)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$36,549 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2022	\$ (64,921)
2023	7,248
2024	(144,313)
2025	(73,996)
Total	\$ (275,982)

Actuarial Assumptions

The total pension liability in the December 31, 2020 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 Pub-2010 mortality tables. The economic assumptions (i.e., investment rate of return and inflation assumption) were applied to all periods included in the measurement, while the demographic assumptions (i.e., mortality tables) were updated for the end of the measurement period. All assumptions used are based on an experience study conducted for the period from 2014-2018.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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.

June 30, 2021

Note 9 - Defined Benefit Pension Plan (Continued)

Projected Cash Flows

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2020, 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 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

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 (asset) of the City	\$ 1,029,706	\$ 392,105	\$ (156,933)

Pension Plan Fiduciary Net Position

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

Assumption Changes

As of the December 31, 2020 measurement date, the mortality tables were updated from the RP-2014 Mortality Tables to Pub-2010 Mortality Tables.

Note 10 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$708,260. The current year contribution was calculated based on covered payroll of \$624,263, resulting in an employer contribution of \$37,913. 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, 2021
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 \$36,220 for the fiscal year ended June 30, 2021. For the fiscal year ended June 30, 2021, the City made payments for postemployment health benefit premiums of \$42,780 into the City OPEB Plan.

Total OPEB Liability

The City's total OPEB liability of \$591,864 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

June 30, 2021

Note 11 - Other Postemployment Benefit Plan (Continued)

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

City OPEB Plan

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2020	\$ 587,370
Changes for the year:	
Service cost	8,651
Interest	15,183
Differences between expected and actual experience	1,181
Changes in assumptions	22,259
Benefit payments, including refunds	<u>(42,780)</u>
Net changes	<u>4,494</u>
Balance at June 30, 2021	<u>\$ 591,864</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$50,816. At June 30, 2021, 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	\$ 197	\$ -
Changes in assumptions	<u>3,710</u>	<u>-</u>
Total	<u>\$ 3,907</u>	<u>\$ -</u>

Year Ending June 30	Amount
2022	\$ 3,907

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses) of 2.18 percent; a health care cost trend rate of 8.5 percent for pre-65 participants and 7.0 percent for post-65 participants in 2021, decreasing by 0.25 percent per year to an ultimate rate of 4.5 percent for pre-65 participants in 2036 and post-65 participants in 2029 and later years; and the Pub-2010 mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18 percent. The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index as of the valuation date.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.18 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 (1.18%)	Current Discount Rate (2.18%)	1 Percentage Point Increase (3.18%)
Total OPEB liability of the City OPEB Plan	\$ 656,343	\$ 591,864	\$ 539,244

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	\$ 589,990	\$ 591,864	\$ 595,678

Assumption Changes

For the June 30, 2021 actuarial valuation, there were assumption changes that resulted in an increase in the calculated total OPEB liability. The assumptions changed during the year related to the discount rate, health care cost trend rate, and updated mortality improvement scale utilized; see above for the assumptions used.

Metro Police Authority OPEB Plan - Special Funding Situation

The City participates in the Metro Police Authority OPEB Plan, which was established during fiscal year 2017 and is administered by the Police Authority as a single-employer OPEB plan. At June 30, 2021, the City reported a liability of \$507,360 for its proportionate share of the net OPEB liability. Additionally, at June 30, 2021, the City reported deferred inflows for its proportionate share of the difference between expected and actual experience of \$64,725 and deferred outflows of \$134,652 for its proportionate share of the changes in assumptions. The net OPEB liability for fiscal year June 30, 2021 was measured as of December 31, 2020, 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, 2020, the City's proportion was 12.00 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, 2020, as there are no retirees in the Police Authority at that date.

Required Supplemental Information

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,480,950	\$ 1,503,716	\$ 1,503,743	\$ 27
State-shared revenue and grants	530,096	669,785	705,178	35,393
Charges for services	128,125	139,287	135,169	(4,118)
Licenses and permits	229,360	302,063	301,789	(274)
Investment income	33,800	13,492	13,492	-
Other revenue	110,579	189,403	185,717	(3,686)
Total revenue	2,512,910	2,817,746	2,845,088	27,342
Expenditures				
Current services:				
General government	367,664	392,457	391,026	1,431
Legislative	36,746	38,008	38,008	-
Public safety	1,297,827	1,337,034	1,338,562	(1,528)
Public works	409,193	368,651	379,696	(11,045)
Recreation and culture	151,726	166,496	166,145	351
Total expenditures	2,263,156	2,302,646	2,313,437	(10,791)
Excess of Revenue Over Expenditures	249,754	515,100	531,651	16,551
Other Financing Sources (Uses)				
Transfers in	-	10,574	10,574	-
Transfers out	(175,368)	(179,435)	(179,435)	-
Total other financing uses	(175,368)	(168,861)	(168,861)	-
Net Change in Fund Balance	74,386	346,239	362,790	16,551
Fund Balance - Beginning of year	-	-	1,521,100	1,521,100
Fund Balance - End of year	\$ 74,386	\$ 346,239	\$ 1,883,890	\$ 1,537,651

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 450,000	\$ 514,969	\$ 529,542	\$ 14,573
Charges for services	2,400	2,335	2,335	-
Investment income	475	83	83	-
Other revenue	5,000	9,165	8,317	(848)
Total revenue	457,875	526,552	540,277	13,725
Expenditures - Current services - Public works	431,856	876,910	873,992	2,918
Excess of Revenue Over (Under)				
Expenditures	26,019	(350,358)	(333,715)	16,643
Other Financing Uses - Transfers out	(100,000)	(99,760)	(99,760)	-
Net Change in Fund Balance	(73,981)	(450,118)	(433,475)	16,643
Fund Balance - Beginning of year	-	-	751,941	751,941
Fund Balance (Deficit) - End of year	<u>\$ (73,981)</u>	<u>\$ (450,118)</u>	<u>\$ 318,466</u>	<u>\$ 768,584</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 143,400	\$ 189,939	\$ 192,114	\$ 2,175
Investment income	100	119	119	-
Other revenue	15,500	24,310	24,310	-
Total revenue	159,000	214,368	216,543	2,175
Expenditures - Current services - Public works	548,195	681,719	679,340	2,379
Excess of Expenditures Over Revenue	(389,195)	(467,351)	(462,797)	4,554
Other Financing Sources - Transfers in	500,000	600,240	600,240	-
Net Change in Fund Balance	110,805	132,889	137,443	4,554
Fund Balance - Beginning of year	784,007	784,007	784,007	-
Fund Balance - End of year	<u>\$ 894,812</u>	<u>\$ 916,896</u>	<u>\$ 921,450</u>	<u>\$ 4,554</u>

City of Swartz Creek, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 408,425	\$ 418,591	\$ 418,591	\$ -
State-shared revenue and grants	5,400	16,587	16,587	-
Investment income	1,200	314	314	-
Other revenue	-	144	147	3
Total revenue	415,025	435,636	435,639	3
Expenditures				
Current services:				
General government	43,372	44,770	44,628	142
Public works	369,965	376,497	373,503	2,994
Total expenditures	413,337	421,267	418,131	3,136
Other Financing Sources - Transfers in	-	542	542	-
Net Change in Fund Balance	1,688	14,911	18,050	3,139
Fund Balance - Beginning of year	336,052	336,052	336,052	-
Fund Balance - End of year	<u>\$ 337,740</u>	<u>\$ 350,963</u>	<u>\$ 354,102</u>	<u>\$ 3,139</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, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 651,530	\$ 668,377	\$ 668,377	\$ -
Investment income	50	146	146	-
Total revenue	651,580	668,523	668,523	-
Expenditures				
Current services - Public works	321	385	385	-
Debt service	167,596	167,596	167,596	-
Total expenditures	167,917	167,981	167,981	-
Excess of Revenue Over Expenditures	483,663	500,542	500,542	-
Other Financing Uses - Transfers out	(500,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	(16,337)	542	542	-
Fund Balance - Beginning of year	68,783	68,783	68,783	-
Fund Balance - End of year	<u>\$ 52,446</u>	<u>\$ 69,325</u>	<u>\$ 69,325</u>	<u>\$ -</u>

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

Last Seven Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 8,214	\$ 8,408	\$ 8,360	\$ 8,163	\$ 51,751	\$ 46,596	\$ 45,819
Interest	497,368	508,630	510,983	664,703	694,370	673,081	665,445
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	(2,036,121)	-	-	-
Differences between expected and actual experience	(258)	(14,093)	(23,815)	(24,897)	(513,238)	16,110	-
Changes in assumptions	203,897	216,306	-	-	-	418,907	-
Benefit payments, including refunds	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Net Change in Total Pension Liability	172,626	190,415	(25,549)	(1,933,962)	(385,173)	500,385	127,331
Total Pension Liability - Beginning of year	6,808,510	6,618,095	6,643,644	8,577,606	8,962,779	8,462,394	8,335,063
Total Pension Liability - End of year	\$ 6,981,136	\$ 6,808,510	\$ 6,618,095	\$ 6,643,644	\$ 8,577,606	\$ 8,962,779	\$ 8,462,394
Plan Fiduciary Net Position							
Contributions - Employer	\$ 73,104	\$ 73,104	\$ 73,104	\$ 77,378	\$ 658,829	\$ 212,373	\$ 97,181
Contributions - Member	2,117	2,168	2,144	3,697	12,249	11,530	13,280
Net investment income (loss)	825,964	783,758	(246,183)	842,536	775,551	(106,039)	451,462
Administrative expenses	(12,212)	(13,489)	(12,549)	(13,525)	(15,226)	(15,485)	(16,481)
Benefit payments, including refunds	(536,595)	(528,836)	(521,077)	(545,810)	(618,056)	(654,309)	(583,933)
Transfer of employees to Metro Police Authority of Genesee County	-	-	-	(1,225,547)	-	-	-
Net Change in Plan Fiduciary Net Position	352,378	316,705	(704,561)	(861,271)	813,347	(551,930)	(38,491)
Plan Fiduciary Net Position - Beginning of year	6,236,653	5,919,948	6,624,509	7,485,780	6,672,433	7,224,363	7,262,854
Plan Fiduciary Net Position - End of year	\$ 6,589,031	\$ 6,236,653	\$ 5,919,948	\$ 6,624,509	\$ 7,485,780	\$ 6,672,433	\$ 7,224,363
City's Net Pension Liability - Ending	\$ 392,105	\$ 571,857	\$ 698,147	\$ 19,135	\$ 1,091,826	\$ 2,290,346	\$ 1,238,031
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.38 %	91.60 %	89.45 %	99.71 %	87.27 %	74.45 %	85.37 %
Covered Payroll	\$ 105,848	\$ 107,380	\$ 107,183	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398
City's Net Pension Liability as a Percentage of Covered Payroll	370.44 %	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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 39,264	\$ 73,104	\$ 73,104	\$ 50,402	\$ 94,061	\$ 100,374	\$ 97,181	\$ 96,931	\$ 79,846	\$ 76,298
Contributions in relation to the actuarially determined contribution	73,104	73,104	73,104	739,018	117,167	655,770	97,181	96,931	79,846	93,164
Contribution Excess	\$ 33,840	\$ -	\$ -	\$ 688,616	\$ 23,106	\$ 555,396	\$ -	\$ -	\$ -	\$ 16,866
Covered Payroll	\$ 105,848	\$ 107,380	\$ 106,871	\$ 104,656	\$ 511,896	\$ 482,539	\$ 475,398	\$ 475,620	\$ 573,530	\$ 568,710
Contributions as a Percentage of Covered Payroll	69.07 %	68.08 %	68.40 %	706.14 %	22.89 %	135.90 %	20.44 %	20.38 %	13.92 %	16.38 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reports. Contributions for the City's fiscal year ended June 30, 2021 were determined based on the actuarial valuation as of December 31, 2018. The most recent valuation is as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent - Net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	RP-2014 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

	Last Four Fiscal Years			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 8,651	\$ 6,639	\$ 5,212	\$ 5,481
Interest	15,183	17,462	17,671	17,105
Changes in benefit terms	-	39,417	-	-
Differences between expected and actual experience	1,181	(22,410)	-	-
Changes in assumptions	22,259	71,238	-	(17,762)
Benefit payments, including refunds	<u>(42,780)</u>	<u>(38,441)</u>	<u>(42,537)</u>	<u>(46,938)</u>
Net Change in Total OPEB Liability	4,494	73,905	(19,654)	(42,114)
Total OPEB Liability - Beginning of year	<u>587,370</u>	<u>513,465</u>	<u>533,119</u>	<u>575,233</u>
Total OPEB Liability - End of year	<u>\$ 591,864</u>	<u>\$ 587,370</u>	<u>\$ 513,465</u>	<u>\$ 533,119</u>
Covered-employee Payroll	\$ 202,102	\$ 107,845	\$ 215,943	\$ 250,825
Total OPEB Liability as a Percentage of Covered-employee Payroll	292.85 %	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

	Last Five Plan Years				
	Years Ended December 31				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net OPEB liability	12.00000 %	13.00000 %	15.94700 %	12.45500 %	12.47700 %
City's proportionate share of the authority's net OPEB liability	\$ 507,360	\$ 464,675	\$ 501,021	\$ 327,459	\$ 275,306
City's contributions to Metro Police Authority of Genesee County OPEB Plan	-	-	-	-	-
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	- %	- %	- %	- %	- %

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

Budgetary Information

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

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

Pension Information

Changes in Assumptions

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

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

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

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

OPEB Information

Changes in Assumptions

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

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

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

Other Supplemental Information

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
Assets - Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,090</u>	<u>\$ 182,090</u>
Fund Balances - Assigned - Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,090</u>	<u>\$ 182,090</u>

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, 2021

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Special Assessment	City Hall - Debt Service	Fire Capital Project	Total
Revenue - Investment income	\$ -	\$ 5	\$ 140	\$ 145
Expenditures				
Debt service:				
Principal	-	95,000	-	95,000
Interest on long-term debt	-	6,122	-	6,122
Total expenditures	-	101,122	-	101,122
Excess of Revenue (Under) Over Expenditures	-	(101,117)	140	(100,977)
Other Financing Sources (Uses)				
Transfers in	-	98,779	75,000	173,779
Transfers out	(10,574)	-	-	(10,574)
Total other financing (uses) sources	(10,574)	98,779	75,000	163,205
Net Change in Fund Balances	(10,574)	(2,338)	75,140	62,228
Fund Balances - Beginning of year	10,574	2,338	106,950	119,862
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,090</u>	<u>\$ 182,090</u>

City of Swartz Creek, Michigan

Other Supplemental Information
Combining Statement of Net Position
Fiduciary Funds

June 30, 2021

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Assets - Receivables	\$ -	\$ -	\$ 78,665	\$ 78,665
Liabilities - Unremitted tax collections	-	-	78,665	78,665
Net Position	<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, 2021

	Custodial Fund - Current Tax Collection Fund	Custodial Fund - Winter Tax Collection Fund	Custodial Fund - Delinquent Personal Property Tax Fund	Total Custodial Funds
Additions - Property tax collections	\$ 4,764,441	\$ 1,341,004	\$ 7,574	\$ 6,113,019
Deductions - Tax distributions to other governments	4,764,441	1,341,004	7,574	6,113,019
Net Change in Fiduciary Net Position	-	-	-	-
Net Position - Beginning of year	-	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>