

City of Eaton Rapids
Eaton County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2025

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	13
Statement of activities	14
Fund financial statements:	
Balance sheet - governmental funds	15 - 16
Statement of revenues, expenditures, and changes in fund balances - governmental funds	17 - 18
Statement of net position - proprietary funds	19
Statement of revenues, expenses, and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21 - 22
Statement of fiduciary net position - fiduciary fund	23
Statement of changes in fiduciary net position - fiduciary fund	24
Notes to financial statements	25 - 47
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	48 - 49
Major Street Fund	50
Schedule of changes in the City's net pension liability and related ratios	51
Schedule of City pension contributions	52
Schedule of changes in the City's net OPEB liability and related ratios	53
Schedule of City employer OPEB contributions	54
Schedule of City employer contributions	55
SUPPLEMENTARY INFORMATION	
Balance Sheet - nonmajor governmental funds	56
Statement of revenues, expenditures, and changes in fund balance - nonmajor governmental funds	57
Statement of revenues, expenses, and changes in net position - utility fund	58
Statement of net position - internal service funds	59
Statement of revenues, expenses, and changes in net position - internal service funds	60
Statement of cash flows - internal service funds	61 - 62
Balance sheet - component units	63
Statement of revenues, expenditures, and change in fund balance - component units	64
Budgetary comparison schedules:	
Downtown Development Authority	65
LDFA Island Industrial Park	66

INDEPENDENT AUDITOR'S REPORT

City Council
City of Eaton Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eaton Rapids, Michigan (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

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 units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the pension schedules, and the OPEB schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, utility fund information, combining internal service fund financial statements, combining component units' fund financial statements, individual component units' budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

December 22, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Eaton Rapids's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$4,358,295 (15.6 percent) as a result of this year's activities. The net position of the governmental activities increased by \$964,694 and the net position of the business-type activities increased by \$3,393,601.
- Of the \$32,331,902 total net position reported, \$10,311,710 (32 percent) is available to be used at the Council's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$3,522,787, which represents 121 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer, water and electrical systems.
 - Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2025 and 2024 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component units* - The City includes other entities in its report - the Downtown Development Authority and LDFA Island Industrial Park. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The City Council establishes other funds to show that it is properly using certain taxes and other restricted revenues (like the motor fuel taxes collected for the street funds).

The City has three types of funds:

- *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
 - The City uses two internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service funds are the Motor Pool Fund and Public Employees Benefit Fund.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The total net position at the end of the fiscal year was \$32,331,902. Of this total, \$17,373,182 represents a net investment in capital assets and \$4,647,010 is restricted for various purposes. Consequently, unrestricted net position was \$10,311,710 or 32 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Assets						
Current and other assets	\$ 7,410,913	\$ 6,629,094	\$ 15,278,008	\$ 14,766,535	\$ 22,688,921	\$ 21,395,629
Capital assets, net	<u>8,322,357</u>	<u>8,553,923</u>	<u>12,385,943</u>	<u>7,763,319</u>	<u>20,708,300</u>	<u>16,317,242</u>
Total assets	<u>15,733,270</u>	<u>15,183,017</u>	<u>27,663,951</u>	<u>22,529,854</u>	<u>43,397,221</u>	<u>37,712,871</u>
Deferred outflows of resources	<u>826,911</u>	<u>978,851</u>	<u>754,874</u>	<u>1,032,935</u>	<u>1,581,785</u>	<u>2,011,786</u>
Liabilities						
Current	3,333,819	3,472,184	5,147,887	5,092,674	8,481,706	8,564,858
Long-term debt	<u>717,818</u>	<u>925,726</u>	<u>2,617,300</u>	<u>1,112,300</u>	<u>3,335,118</u>	<u>2,038,026</u>
Total liabilities	<u>4,051,637</u>	<u>4,397,910</u>	<u>7,765,187</u>	<u>6,204,974</u>	<u>11,816,824</u>	<u>10,602,884</u>
Deferred inflows of resources	<u>512,760</u>	<u>732,868</u>	<u>317,520</u>	<u>415,298</u>	<u>830,280</u>	<u>1,148,166</u>
Net position:						
Invested in capital assets - net of related debt	7,604,539	7,628,197	9,768,643	6,651,019	17,373,182	14,279,216
Restricted	2,944,201	2,746,263	1,702,809	2,506,577	4,647,010	5,252,840
Unrestricted	<u>1,447,044</u>	<u>656,630</u>	<u>8,864,666</u>	<u>7,784,921</u>	<u>10,311,710</u>	<u>8,441,551</u>
Total net position	<u>\$ 11,995,784</u>	<u>\$ 11,031,090</u>	<u>\$ 20,336,118</u>	<u>\$ 16,942,517</u>	<u>\$ 32,331,902</u>	<u>\$ 27,973,607</u>

Changes in net position

The City's total revenues for the current fiscal year were \$19,763,821, which is \$666,765 higher than the prior year. Approximately 61 percent of the City's revenues comes from charges for services, primarily utility charges, and 7.0 percent comes from property taxes. Operating and Capital grants revenue represents 20.4 percent of total revenues in the current year.

The total cost of the City's programs, covering a wide range of services, totaled \$15,405,526, which is \$1,101,448 higher than the prior year. About 73 percent of the City's expenses relate to the provision of utility services. Public safety expenses account for 11 percent of the City's total expenses in the current year, while general government expenses represent just over 6 percent.

Condensed financial information
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 536,807	\$ 493,569	\$ 11,487,406	\$ 12,190,929	\$ 12,024,213	\$ 12,684,498
Operating grants and contributions:	1,081,418	1,210,596	210,904	233,027	1,292,322	1,443,623
Capital grants and contributions	-	-	2,732,702	1,080,153	2,732,702	1,080,153
General revenues:						
Property taxes	1,226,414	1,151,887	170,039	431,280	1,396,453	1,583,167
Local community stabilization	309,915	299,056	-	-	309,915	299,056
State shared revenue	636,693	615,803	-	-	636,693	615,803
Investment earnings	478,580	502,647	-	-	478,580	502,647
Other	820,657	888,109	-	-	820,657	888,109
Sale of assets	72,286	-	-	-	72,286	-
Total revenues	<u>5,162,770</u>	<u>5,161,667</u>	<u>14,601,051</u>	<u>13,935,389</u>	<u>19,763,821</u>	<u>19,097,056</u>
Expenses:						
General government	983,172	806,032	-	-	983,172	806,032
Public safety	1,758,237	800,367	-	-	1,758,237	800,367
Public works	960,295	243,720	11,193,312	12,777,719	12,153,607	13,021,439
Health and welfare	45,061	21,981	-	-	45,061	21,981
Community and economic development	2,175	11,859	-	-	2,175	11,859
Recreation and culture	404,727	(395,230)	-	-	404,727	(395,230)
Interest on long-term debt	58,547	37,630	-	-	58,547	37,630
Total expenses	<u>4,212,214</u>	<u>1,526,359</u>	<u>11,193,312</u>	<u>12,777,719</u>	<u>15,405,526</u>	<u>14,304,078</u>
Transfers	<u>14,138</u>	<u>437,552</u>	<u>(14,138)</u>	<u>(437,552)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ 964,694</u>	<u>\$ 4,072,860</u>	<u>\$ 3,393,601</u>	<u>\$ 720,118</u>	<u>\$ 4,358,295</u>	<u>\$ 4,792,978</u>
Net position, end of year	<u>\$ 11,995,784</u>	<u>\$ 11,031,090</u>	<u>\$ 20,336,118</u>	<u>\$ 16,942,517</u>	<u>\$ 32,331,902</u>	<u>\$ 27,973,607</u>

Governmental activities

Governmental activities increased the City's net position by \$964,694, in the current year, compared to a \$4,072,860 increase in the prior year. The increase in net position was lower in the current year, as revenues increased by \$1,103 but expenses increased by \$2,685,855.

Total expenses increased due to a \$957,870 increase in public safety and \$716,575 in public works related to a large decrease in costs related to Net Pension Liability in the prior year. Total revenues were virtually the same as the previous year.

The total cost of governmental activities this year was \$4,212,214. After subtracting the direct charges to those who directly benefited from the programs (\$536,807), operating grants (\$1,081,418), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$2,593,989 in the current year.

Business-type activities

Business-type activities increased the City's net position by \$3,393,601 in the current year compared to a \$720,118 increase in the prior year. Net position has increased as charges for services are set to cover operating expenses, the increase was higher in 2025 due to a large capital grant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,613,079, an increase of \$659,577 in comparison with the prior year.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$3,559,441. Revenues exceeded expenditures by \$789,302, and net other financing uses were \$297,720, which caused fund balance to increase by \$491,582.

The Major Street fund, a special revenue fund, increased fund balance by \$52,513 as revenues of \$582,253 exceeded expenditures of \$529,740. Fund balance at the end of the year was \$1,604,647 which is restricted for public works.

Proprietary funds

The Utility Fund experienced an increase in net position of \$3,393,601 in the current year, primarily because user fees have been set so the fund is covering its costs as well as large capital grants earned in 2025. Total net position is \$20,336,118 at year end, of which \$8,864,666 is unrestricted.

General Fund budgetary highlights

The City did not amend its appropriations during the current year.

Total revenues were \$212,111 more than budgeted, as state grants and investment returns were more than anticipated. Expenditures were \$531,951 less than the amounts appropriated, as costs were in line with expectations. These variances, along with a positive variance in net other financing uses (\$13,507) resulted in a \$757,569 positive budget variance due to a \$491,582 increase in fund balance compared to a budgeted decrease of \$265,987.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$20,708,300, net of accumulated depreciation. Governmental capital assets amount to \$8,322,357 and business-type capital assets totaled \$12,385,943. These investments include a broad range of assets, including land, buildings, equipment, streets, and sewer, water and electrical facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$4,391,059 as additions (\$6,176,501) were higher than depreciation (\$1,785,442).

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Total</i>
	<u> </u>	<u> </u>	<u> </u>
Land	\$ 747,077	\$ -	\$ 747,077
Infrastructure	1,849,199	10,299,733	12,148,932
Land improvements	2,058,482	-	2,058,482
Buildings and improvements	1,653,018	-	1,653,018
Furniture and equipment	236,801	-	236,801
Vehicles	1,188,962	-	1,188,962
Construction in progress	<u>588,818</u>	<u>2,086,210</u>	<u>2,675,028</u>
 Totals	 <u>\$ 8,322,357</u>	 <u>\$ 12,385,943</u>	 <u>\$ 20,708,300</u>

Major capital asset events during the current fiscal year included the following:

- Sewer improvements were made at a cost of \$3,143,318
- Water projects were started during the year, incurring costs of \$2,079,320 during the fiscal year

More detailed information about the City's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the City had total long-term debt outstanding, in the amount of \$3,335,118, which represents an increase of \$1,297,092. Debt was issued in the amount of \$2,167,853 and principal payments of \$870,761, were made in a timely manner.

Other long-term debt obligations of the governmental and business-type activities, totaling \$205,645 and \$84,761, respectively, represent accrued compensated absences. The City's governmental activities and business-type activities also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$5,303,077, and a Net OPEB Liability of \$1,350,126.

More detailed information about the City's long-term liabilities is presented in Note 5 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2026 budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities and plans to primarily use current revenues to provide essential services in order to maintain current fund balances.

The City carefully monitors both revenues and expenditures on a regular basis in order to maintain an operational budget. Revenues continue to be stable, with staff continuing to evaluate based on economic conditions. Expenditures are monitored with the delivery of operationally balanced budgets with appropriate reserves as the result. Further, we regularly review fees for services, through the municipal policy manual, to assure costs for services are reflected.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Yvonne Ridge, Manager
City of Eaton Rapids
200 South Main Street
Eaton Rapids, MI 48827

Phone: (571) 663-8118

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2025

	Primary government			Component Units
	Governmental activities	Business-type activities	Totals	
ASSETS				
Current assets:				
Cash	\$ 5,602,962	\$ 7,785,082	\$ 13,388,044	\$ 939,365
Investments	1,515,601	-	1,515,601	-
Receivables	242,463	4,467,010	4,709,473	89,849
Prepays and deposits	49,887	872,073	921,960	-
Inventories	-	447,763	447,763	-
Total current assets	7,410,913	13,571,928	20,982,841	1,029,214
Noncurrent assets:				
Cash and investments - restricted	-	1,706,080	1,706,080	-
Capital assets not being depreciated	1,335,895	2,086,210	3,422,105	1,147,954
Capital assets, net of accumulated depreciation	6,986,462	10,299,733	17,286,195	977,865
Total noncurrent assets	8,322,357	14,092,023	22,414,380	2,125,819
Total assets	15,733,270	27,663,951	43,397,221	3,155,033
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	-	-	40,916
Deferred outflows of resources related to pensions	273,629	424,689	698,318	12,221
Deferred outflows of resources related to OPEB	553,282	330,185	883,467	8,924
Total deferred outflows of resources	826,911	754,874	1,581,785	62,061
LIABILITIES				
Current liabilities:				
Payables	174,996	1,128,809	1,303,805	3,458
Accrued liabilities	-	65,706	65,706	2,135
Accrued interest payable	1,906	10,937	12,843	-
Unearned revenue	10,143	-	10,143	-
Current portion of compensated absences	174,798	72,047	246,845	-
Current portion of long-term debt	263,592	607,300	870,892	265,000
Total current liabilities	625,435	1,884,799	2,510,234	270,593
Noncurrent liabilities:				
Customer deposits	-	145,600	145,600	-
Noncurrent portion of compensated absences	30,847	12,714	43,561	-
Noncurrent portion of long-term debt	454,226	2,010,000	2,464,226	595,000
Net pension liability	2,077,956	3,225,121	5,303,077	92,809
Net other post-employment benefit liability	863,173	486,953	1,350,126	18,606
Total noncurrent liabilities	3,426,202	5,880,388	9,306,590	706,415
Total liabilities	4,051,637	7,765,187	11,816,824	977,008
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	71,701	111,285	182,986	3,202
Deferred inflows of resources related to OPEB	441,059	206,235	647,294	11,535
Total deferred inflows of resources	512,760	317,520	830,280	14,737
NET POSITION				
Net investment in capital assets	7,604,539	9,768,643	17,373,182	1,506,735
Restricted:				
Bond retirement	-	855,907	855,907	-
Electric utility	-	846,902	846,902	-
Highways and streets	2,826,086	-	2,826,086	-
Act 302 training	26,802	-	26,802	-
Drug law enforcement	77	-	77	-
Cemetery perpetual care	58,453	-	58,453	-
Friends of the island	31,555	-	31,555	-
Dog park	1,228	-	1,228	-
Unrestricted	1,447,044	8,864,666	10,311,710	718,614
Total net position	\$ 11,995,784	\$ 20,336,118	\$ 32,331,902	\$ 2,225,349

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2025

Functions/Programs					Net (expenses) revenues and changes in net position			Component Units
	Expenses	Program revenues		Primary government				
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 983,172	\$ 116,388	\$ -	\$ -	\$ (866,784)		\$ (866,784)	
Public safety	1,758,237	192,032	53,597	-	(1,512,608)		(1,512,608)	
Public works	960,295	69,589	983,328	-	92,622		92,622	
Health and welfare	45,061	-	-	-	(45,061)		(45,061)	
Community and economic development	2,175	-	-	-	(2,175)		(2,175)	
Recreation and culture	404,727	158,798	44,493	-	(201,436)		(201,436)	
Interest on long-term debt	58,547	-	-	-	(58,547)		(58,547)	
Total governmental activities	<u>4,212,214</u>	<u>536,807</u>	<u>1,081,418</u>	<u>-</u>	<u>(2,593,989)</u>		<u>(2,593,989)</u>	
Business-type activities:								
Electric	9,296,036	9,049,609	25,985	-		\$ (220,442)	(220,442)	
Sewer	1,013,462	1,340,415	170,319	2,732,702		3,229,974	3,229,974	
Water	883,814	1,097,382	14,600	-		228,168	228,168	
Total business-type activities	<u>11,193,312</u>	<u>11,487,406</u>	<u>210,904</u>	<u>2,732,702</u>		<u>3,237,700</u>	<u>3,237,700</u>	
Total primary government	<u>\$ 15,405,526</u>	<u>\$ 12,024,213</u>	<u>\$ 1,292,322</u>	<u>\$ 2,732,702</u>	<u>(2,593,989)</u>	<u>3,237,700</u>	<u>643,711</u>	
Component units:								
LDFA Island Industrial Park	\$ 155,977	\$ -	\$ -	\$ -				\$ (155,977)
DDA	74,648	-	-	-				(74,648)
Total component units	<u>\$ 230,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(230,625)</u>
General revenues:								
Property taxes					1,226,414	170,039	1,396,453	205,186
Local community stabilization revenue					309,915	-	309,915	-
State shared revenue					636,693	-	636,693	-
Investment earnings					478,580	-	478,580	-
Franchise fee					820,657	-	820,657	-
Sale of capital assets					72,286	-	72,286	-
Transfers					14,138	(14,138)	-	-
Total general revenues and transfers					<u>3,558,683</u>	<u>155,901</u>	<u>3,714,584</u>	<u>205,186</u>
Changes in net position					964,694	3,393,601	4,358,295	(25,439)
Net position - beginning					<u>11,031,090</u>	<u>16,942,517</u>	<u>27,973,607</u>	<u>2,250,788</u>
Net position - ending					<u>\$ 11,995,784</u>	<u>\$ 20,336,118</u>	<u>\$ 32,331,902</u>	<u>\$ 2,225,349</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2025

	<u>General</u>	<u>Major street</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 2,045,025	\$ 1,512,321	\$ 1,432,921	\$ 4,990,267
Investments	1,515,601	-	-	1,515,601
Accounts receivables	9,286	92,810	2,471	104,567
Due from other governmental units	105,799	-	32,097	137,896
Inventory	647	-	-	647
Prepaid expenditures	36,654	257	12,329	49,240
	<u>3,713,012</u>	<u>1,605,388</u>	<u>1,479,818</u>	<u>6,798,218</u>
Total assets	<u>\$ 3,713,012</u>	<u>\$ 1,605,388</u>	<u>\$ 1,479,818</u>	<u>\$ 6,798,218</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 54,849	\$ 345	\$ 22,047	\$ 77,241
Accrued wages payable	52,689	396	-	53,085
Accrued liabilities	44,670	-	-	44,670
Unearned revenue	1,363	-	8,780	10,143
	<u>153,571</u>	<u>741</u>	<u>30,827</u>	<u>185,139</u>
Total liabilities	<u>153,571</u>	<u>741</u>	<u>30,827</u>	<u>185,139</u>
Fund balances:				
Nonspendable	36,654	257	12,329	49,240
Restricted	-	1,604,390	1,339,409	2,943,799
Assigned	-	-	97,253	97,253
Unassigned	3,522,787	-	-	3,522,787
	<u>3,559,441</u>	<u>1,604,647</u>	<u>1,448,991</u>	<u>6,613,079</u>
Total fund balances	<u>3,559,441</u>	<u>1,604,647</u>	<u>1,448,991</u>	<u>6,613,079</u>
Total liabilities and fund balances	<u>\$ 3,713,012</u>	<u>\$ 1,605,388</u>	<u>\$ 1,479,818</u>	<u>\$ 6,798,218</u>

See notes to financial statements

BALANCE SHEET - governmental funds (Continued)

June 30, 2025

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds (page 15)	\$ 6,613,079
Amounts reported for <i>governmental activities</i> in the statement of net position (page 13) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	7,310,086
The net OPEB is not due and payable in the current period and is not reported in the funds.	(863,173)
Deferred outflows of resources, related to OPEB, are not available to pay current period expenditures, and are not reported in the funds.	553,282
Deferred outflows of resources, related to the pension plan, relate to future years, and are not reported in the funds.	273,629
Compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(205,645)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(428,129)
Interest payable, related to long-term debt, is not due and payable in the current period and, therefore, is not reported in the funds.	(1,906)
The net pension liability is not due and payable in the current period and is not reported in the funds.	(2,077,956)
Deferred inflows of resources, related to the pension plan, relate to future years, and are not reported in the funds.	(71,701)
Deferred inflows of resources, related to OPEB, and are not reported in the funds.	(441,059)
The internal service fund is used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.	<u>1,335,277</u>
Net position of <i>governmental activities</i>	<u>\$ 11,995,784</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2025

	<u>General</u>	<u>Major street</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 1,183,530	\$ -	\$ 108,246	\$ 1,291,776
Licenses and permits	821,142	-	107,578	928,720
Intergovernmental				
State grants	998,608	582,253	247,453	1,828,314
Contributions from local units	-	-	199,712	199,712
Charges for services	94,839	-	144,650	239,489
Fines and forfeitures	12,017	-	-	12,017
Interest and rentals	492,175	-	-	492,175
Other	74,902	-	19,148	94,050
	<u>3,677,213</u>	<u>582,253</u>	<u>826,787</u>	<u>5,086,253</u>
EXPENDITURES				
Current:				
General government	450,294	-	-	450,294
Public safety	1,513,905	-	187,383	1,701,288
Public works	679,757	119,142	67,839	866,738
Health and welfare	45,061	-	-	45,061
Community and economic development	2,760	-	-	2,760
Recreation and culture	-	-	438,476	438,476
Capital outlay	155,892	410,598	14,405	580,895
Debt service:				
Principal retirement	31,093	-	175,000	206,093
Interest and other charges	9,149	-	7,813	16,962
	<u>2,887,911</u>	<u>529,740</u>	<u>890,916</u>	<u>4,308,567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>789,302</u>	<u>52,513</u>	<u>(64,129)</u>	<u>777,686</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	-	210,984	220,984
Transfers out	(307,720)	-	(31,373)	(339,093)
	<u>(297,720)</u>	<u>-</u>	<u>179,611</u>	<u>(118,109)</u>
NET CHANGES IN FUND BALANCES				
	491,582	52,513	115,482	659,577
FUND BALANCES - BEGINNING				
	<u>3,067,859</u>	<u>1,552,134</u>	<u>1,333,509</u>	<u>5,953,502</u>
FUND BALANCES - ENDING				
	<u>\$ 3,559,441</u>	<u>\$ 1,604,647</u>	<u>\$ 1,448,991</u>	<u>\$ 6,613,079</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended June 30, 2025

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 17) \$ 659,577

Amounts reported for *governmental activities* in the statement of activities (page 14) are different because:

Capital assets:

Capital asset acquisitions	506,716
Provision for depreciation	(602,598)

Long-term debt:

Principal payments	206,093
--------------------	---------

Changes in other liabilities:

Net increase in compensated absences	(15,385)
Net decrease in interest payable	1,953
Net decrease in net OPEB liability	42,323
Net decrease in net pension liability	144,161

Changes in deferred outflows of resources and deferred inflows of resources:

Net decrease in deferred outflows of resources related to pension	(53,679)
Net increase in deferred inflows of resources related to pension	(37,818)
Net decrease in deferred outflows of resources related to OPEB	(98,261)
Net decrease in deferred inflows of resources related to OPEB	257,926

Certain changes in net position of the internal service fund are reported with *governmental activities* in the statement of activities.

(46,314)

Change in net position of *governmental activities*

\$ 964,694

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2025

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Utility Fund</i>	<i>Internal Service Funds</i>
ASSETS		
Current assets:		
Cash and investments	\$ 7,785,082	\$ 612,695
Accounts receivable	4,467,010	-
Prepays	872,073	-
Inventories	447,763	-
Total current assets	<u>13,571,928</u>	<u>612,695</u>
Noncurrent assets:		
Cash and investments - restricted	1,706,080	-
Capital assets, non depreciable - construction in progress	2,086,210	-
Capital assets, net of accumulated depreciation	<u>10,299,733</u>	<u>1,012,271</u>
Total noncurrent assets	<u>14,092,023</u>	<u>1,012,271</u>
Total assets	<u>27,663,951</u>	<u>1,624,966</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	424,689	-
Deferred outflows of resources related to OPEB	<u>330,185</u>	<u>-</u>
Total deferred outflows of resources	<u>754,874</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,128,809	-
Accrued payroll	65,706	-
Accrued interest payable	10,937	-
Current portion of compensated absences	72,047	-
Current portion of long-term debt	<u>607,300</u>	<u>51,480</u>
Total current liabilities	<u>1,884,799</u>	<u>51,480</u>
Noncurrent liabilities:		
Customer deposits	145,600	-
Compensated absences	12,714	-
Noncurrent portion of long-term debt	2,010,000	238,209
Net pension liability	3,225,121	-
Net other post-employment benefits liability	<u>486,953</u>	<u>-</u>
Total noncurrent liabilities	<u>5,880,388</u>	<u>238,209</u>
Total liabilities	<u>7,765,187</u>	<u>289,689</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	111,285	-
Deferred inflows of resources related to OPEB	<u>206,235</u>	<u>-</u>
Total deferred inflows of resources	<u>317,520</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	9,768,643	722,582
Restricted		
Bond retirement	855,907	-
Electric utility	846,902	-
Unrestricted	<u>8,864,666</u>	<u>612,695</u>
Total net position	<u>\$ 20,336,118</u>	<u>\$ 1,335,277</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - proprietary funds

Year ended June 30, 2025

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Utility Fund</i>	<i>Internal Service Funds</i>
OPERATING REVENUES		
Charges for services:	\$ 11,316,463	\$ -
Fine and forfeitures	102,512	-
Other	68,431	23,268
Total operating revenues	<u>11,487,406</u>	<u>23,268</u>
OPERATING EXPENSES		
Personal services	1,767,460	-
Contractual services	237,436	-
Supplies	408,277	-
Energy charges	6,496,124	-
Utilities	226,108	-
Telephone	20,106	-
Maintenance	106,418	-
Franchise Fees	796,436	-
Other expense	105,607	51,272
Depreciation	999,308	183,536
Total operating expenses	<u>11,163,280</u>	<u>234,808</u>
OPERATING INCOME (LOSS)	<u>324,126</u>	<u>(211,540)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	170,039	-
Insurance proceeds	-	4,231
Gain on sale of asset	-	72,286
Local community stabilization	196,304	-
State grants	14,600	-
Interest expense	(30,032)	(43,538)
Net nonoperating revenues (expenses)	<u>350,911</u>	<u>32,979</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>675,037</u>	<u>(178,561)</u>
TRANSFERS		
Transfers in	-	132,247
Transfers out	(14,138)	-
Total transfers	<u>(14,138)</u>	<u>132,247</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>660,899</u>	<u>(46,314)</u>
CAPITAL GRANTS	<u>2,732,702</u>	<u>-</u>
CHANGES IN NET POSITION	<u>3,393,601</u>	<u>(46,314)</u>
NET POSITION - BEGINNING	<u>16,942,517</u>	<u>1,381,591</u>
NET POSITION - ENDING	<u>\$ 20,336,118</u>	<u>\$ 1,335,277</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2025

	<u>Business-type activities</u>	<u>Governmental activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 11,575,541	\$ -
Cash receipts from contributions	-	23,268
Cash paid to employees	(1,245,037)	-
Cash paid for employee benefits	-	(17,125)
Cash paid to suppliers	(9,125,988)	(34,147)
Net cash provided by (used in) operating activities	<u>1,204,516</u>	<u>(28,004)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	<u>(14,138)</u>	<u>132,247</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes	170,039	-
Local community stabilization	196,304	-
Insurance proceeds	-	4,231
State grants	14,600	72,286
Federal grants	92,129	-
Purchases of capital asset	(5,187,440)	-
Proceeds from debt issuance	2,120,000	-
Principal payments on long-term debt	(615,000)	(49,667)
Interest and fiscal charges	(25,004)	(43,538)
Net cash provided by (used in) capital and related financing activities	<u>(3,234,372)</u>	<u>(16,688)</u>
NET CHANGE IN CASH	<u>(2,043,994)</u>	<u>87,555</u>
CASH - BEGINNING	<u>11,535,156</u>	<u>525,140</u>
CASH - ENDING	<u>\$ 9,491,162</u>	<u>\$ 612,695</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2025

	<u>Business-type activities</u>	<u>Governmental activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 324,126	\$ (211,540)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	999,308	183,536
Changes in assets and liabilities and DIOR and DOOR		
Accounts receivable	88,135	-
Inventories	26,492	-
Prepays and deposits	(29,521)	-
Deferred outflows of resources	278,061	-
Accounts payable	12,238	-
Compensated absences	17,913	-
Customer deposits	1,830	-
Net pension liability	(391,032)	-
Net other post-employment benefits liability	(25,256)	-
Deferred inflows of resources	(97,778)	-
Net cash provided by (used in) operating activities	<u>\$ 1,204,516</u>	<u>\$ (28,004)</u>
Noncash transactions		
Increase in capital assets	\$ (5,403,636)	\$ (47,853)
Increase in installment purchase agreement	-	47,853
Basis of disposed assets	(218,296)	-
Increase in accounts payable	<u>434,492</u>	<u>-</u>
Net cash provided by (used in)	<u>\$ (5,187,440)</u>	<u>\$ -</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - *fiduciary fund*

June 30, 2025

	<u>Other Post- Employment Benefits</u>	<u>Custodial Fund Tax Fund</u>
ASSETS		
Cash and investments	\$ 555,998	\$ 43,312
LIABILITIES		
Undistributed collections payable	-	43,312
NET POSITION		
Restricted - Other post-employment benefits	<u>\$ 555,998</u>	<u>\$ -</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *fiduciary fund*

Year ended June 30, 2025

	<u>Other Post- Employment Benefits</u>	<u>Custodial Fund Tax Collection</u>
ADDITIONS		
Contributions - employer	\$ 153,067	\$ -
Property tax collections for other governmental units	-	4,889,867
Investment earnings	48,839	-
Total additions	<u>201,906</u>	<u>4,889,867</u>
DEDUCTIONS		
Administrative expenses	1,085	-
Benefit payments	128,067	-
Property tax distributions to other governmental units	-	4,889,867
Total deductions	<u>129,152</u>	<u>4,889,867</u>
NET CHANGE IN FIDUCIARY NET POSITION	72,754	-
NET POSITION - BEGINNING	<u>483,244</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 555,998</u>	<u>\$ -</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Eaton Rapids, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Eaton County, and its component units described below, for which the City is financially accountable. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

Discretely presented component units:

Eaton Rapids Downtown Development Authority - The Downtown Development Authority (the Authority) was established in 1991, pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden make the City financially accountable for the Authority and require the City to report it in the City's financial statements.

LDFA Island Industrial Park - LDFA Island Industrial Park is a legally separate, tax-exempt organization that was created in 2016 pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the Industrial Park. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden make the City financially accountable for the Authority and require the City to report it in the City's financial statements.

Government-wide and fund financial statements:

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 City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for financial resources used for the operational costs of the City's public works function related to its major street. Revenues are primarily derived from State grants.

The City reports the following major proprietary funds:

The Utility Fund is used to account for activities and operations of the electric plant, water, and sewage treatment plant. These activities are financed primarily through property taxes and user charges.

Additionally, the City reports the following fund type:

Internal service funds account for the management of the motor pool and public employee benefits provided to various departments of the City on cost reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The City also reports a custodial fund, the Tax Collection Fund, which accounts for assets held by the City in a fiduciary capacity for other governments.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is allocated proportionately to all funds.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the fund basis and government-wide financial statements.

Restricted assets - Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and investments of the City reported in the Utility Fund represent customer deposits and accumulated funds required for the applicable bond covenants are held in a separate account.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 - 20 years
Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	3 - 10 years
Utility systems	10 - 40 years
Infrastructure	20 - 25 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City has two items that are included in this category: a deferred amounts relating to the defined benefit pension plan and OPEB plan. The deferred amounts relating to the pension plan are discussed in Note 6 and the OPEB plan in Note 8. No deferred outflows of resources affect the governmental funds financial statements.

Compensated absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion earned and unused during the year. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Pension - For purposes 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 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.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has two items that are included in this category: deferred amounts relating to the defined benefit pension plan and an OPEB plan. The deferred grant revenue, in the governmental funds, relates to revenue that was unavailable at year end that will be recognized when received in the subsequent year. The deferred amounts relating to the pension plan are discussed in Note 6 and the OPEB plan in Note 8.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the City's debt. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

Net position flow assumption - Sometimes, the City will 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 funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of these resources by grantors, contributors, or laws and regulations of other governments. The City Council has delegated the authority to assign fund balance to the City Manager. Unassigned fund balance is the residual classification for the General Fund. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City’s policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 1, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General Government	City council	\$ 47,131	\$ 49,905	\$ 2,774
		Assessor	39,570	43,690	4,120
Major street	Public works	Winter maintenance	8,770	14,298	5,528

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2025, cash and investments are classified in the accompanying financial statements as follows:

	<u>Primary government</u>	<u>Component units</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
Statement of net position:				
Cash	\$ 13,388,044	\$ 939,365	\$ 43,312	\$ 14,370,721
Restricted cash	1,706,080	-	-	1,706,080
Investments	1,515,601	-	555,998	2,071,599
Totals	<u>\$ 16,609,725</u>	<u>\$ 939,365</u>	<u>\$ 599,310</u>	<u>\$ 18,148,400</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

At June 30, 2025, cash and investments consist of the following:

Cash on hand	\$ 820
Deposits with financial institutions	16,075,981
Investments	<u>2,071,599</u>
 Total	 <u>\$ 18,148,400</u>

Restricted cash - As a condition of a specific debt issue, the City is required to maintain certain separate cash reserves. At June 30, 2025, all required reserves have been adequately funded and are as follows:

	<u>Utility Fund</u>
Customer deposits	\$ 236,767
Bond reserve	<u>1,469,313</u>
 Total	 <u>\$ 1,706,080</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City’s investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City’s deposits are in accordance with statutory authority.

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. As of June 30, 2025, \$3,018,842 of the City’s bank balances of \$17,276,604 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled bank accounts for all its funds and component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

Investments - State statutes and the City’s investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; e) mutual funds composed of otherwise legal investments, and f) investment pools organized under the local government investment pool act. The City’s investment policy does not address credit risk or interest rate risk for investments.

The City’s investments are summarized as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Source</u>
US government securities:				
Federal Home Loan Bonds	\$ 248,720	7/28/2026	AA+	S & P
Federal Home Loan Bonds	249,930	7/28/2025	AA+	S & P
US Treasury Notes	248,023	7/15/2027	AA+	S & P
US Treasury Notes	332,307	12/15/2027	AA+	S & P
US Treasury Notes	221,624	12/15/2026	AAA	Moody
US Treasury Notes	214,997	12/31/2025	AAA	Moody
MERS total market portfolio	<u>555,998</u>	NA	NA	NA
 Total investments	 <u>\$ 2,071,599</u>			

NOTE 3 - CASH AND INVESTMENTS (Continued)

Fair value measurement - The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurement as of June 30, 2025:

- U.S. government and agency securities are valued using observable fair values of similar assets (Level 2).

The City’s investments are subject to several types of risk, which are discussed below:

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State law does not require, and the City’s investment policy does not contain, requirements that would limit the exposure to custodial credit risk for investments. At year end, all of the U.S. government and agency security investments were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the City.

Credit risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City’s investment policy does not contain requirements that would limit the exposure to credit risk for investments. The credit quality ratings of the City’s investments are identified above.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. State law and the City’s investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. treasury securities) that represent 5% or more of the City’s total investments are as follows:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage</u>
US government securities:		
Federal Home Loan Bonds	\$ 248,720	12.0%
Federal Home Loan Bonds	249,930	12.1%
US Treasury Notes	248,023	12.0%
US Treasury Notes	332,307	16.0%
US Treasury Notes	221,624	10.7%
US Treasury Notes	214,997	10.4%
 MERS total market portfolio	 <u>555,998</u>	 26.8%
 Total investments	 <u>\$ 2,071,599</u>	 100%

Interest rate risk - Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The City’s investment policy has no specific limitations with respect to maturities of investments. The maturities of the City’s investments are identified above.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 747,077	\$ -	\$ -	\$ 747,077
Construction in progress	<u>178,220</u>	<u>410,598</u>	<u>-</u>	<u>588,818</u>
Total capital assets not being depreciated	<u>925,298</u>	<u>410,598</u>	<u>-</u>	<u>1,335,895</u>
Capital assets being depreciated:				
Infrastructure	4,928,741	-	-	4,928,741
Land improvements	3,342,511	-	-	3,342,511
Buildings and improvements	4,962,779	-	-	4,962,779
Furniture and equipment	931,073	96,118	-	1,027,191
Vehicles	<u>3,342,657</u>	<u>47,853</u>	<u>(31,478)</u>	<u>3,359,032</u>
Subtotal	<u>17,507,761</u>	<u>143,971</u>	<u>(31,478)</u>	<u>17,620,254</u>
Less accumulated depreciation for:				
Infrastructure	(2,866,552)	(212,990)	-	(3,079,542)
Land improvements	(1,128,391)	(155,638)	-	(1,284,029)
Buildings and improvements	(3,219,880)	(89,881)	-	(3,309,761)
Furniture and equipment	(733,716)	(56,674)	-	(790,390)
Vehicles	<u>(1,930,597)</u>	<u>(270,951)</u>	<u>31,478</u>	<u>(2,170,070)</u>
Subtotal	<u>(9,879,136)</u>	<u>(786,134)</u>	<u>31,478</u>	<u>(10,633,792)</u>
Total capital assets being depreciated, net	<u>7,628,625</u>	<u>(642,163)</u>	<u>-</u>	<u>6,986,462</u>
Governmental activities capital assets, net	<u>\$ 8,553,923</u>	<u>\$ (231,565)</u>	<u>\$ -</u>	<u>\$ 8,322,357</u>

Depreciation expense was charged to the City's governmental functions as follows:

Governmental activities:	
General government	\$ 456,104
Public safety	101,232
Public works	36,862
Recreation and culture	8,400
Depreciation on internal service fund assets	<u>183,536</u>
Total depreciation expense	<u>\$ 786,134</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated				
Construction in progress	\$ 967,540	\$ 2,079,320	\$ (960,650)	\$ 2,086,210
Capital assets being depreciated:				
Sewer system	14,998,776	4,103,968	-	19,102,744
Electric	10,653,775	390,961	(218,296)	10,826,440
Water system	9,524,209	8,333	-	9,532,542
Subtotal	<u>35,176,760</u>	<u>4,503,262</u>	<u>(218,296)</u>	<u>39,461,726</u>
Less accumulated depreciation for:				
Sewer system	(13,149,184)	(537,896)	-	(13,687,080)
Electric	(8,489,969)	(177,098)	218,296	(8,448,771)
Water system	(6,741,828)	(284,314)	-	(7,026,142)
Subtotal	<u>(28,380,981)</u>	<u>(999,308)</u>	<u>218,296</u>	<u>(29,161,993)</u>
Total capital assets being depreciated, net	<u>6,795,779</u>	<u>3,503,954</u>	<u>-</u>	<u>10,299,733</u>
Business-type activities capital assets, net	<u>\$ 7,763,319</u>	<u>\$ 5,583,274</u>	<u>\$ (960,650)</u>	<u>\$ 12,385,943</u>

Depreciation expense was charged to the City's enterprise functions as follows:

Business-type activities	
Sewer system	\$ 537,896
Electric	177,098
Water system	<u>284,314</u>
Total depreciation expense	<u>\$ 999,308</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component Units				
Capital assets not being depreciated -				
Land	\$ 1,147,954	\$ -	\$ -	\$ 1,147,954
Capital assets being depreciated:				
Land improvements	1,569,613	-	-	1,569,613
Infrastructure	<u>417,359</u>	<u>-</u>	<u>-</u>	<u>417,359</u>
Subtotal	<u>1,986,972</u>	<u>-</u>	<u>-</u>	<u>1,986,972</u>
Less accumulated depreciation for:				
Land improvements	(846,568)	(80,459)	-	(927,027)
Infrastructure	<u>(73,733)</u>	<u>(8,347)</u>	<u>-</u>	<u>(82,080)</u>
Subtotal	<u>(920,301)</u>	<u>(88,806)</u>	<u>-</u>	<u>(1,009,107)</u>
Total capital assets being depreciated, net	<u>1,066,671</u>	<u>(88,806)</u>	<u>-</u>	<u>977,865</u>
Component units capital assets, net	<u>\$ 2,214,625</u>	<u>\$ (88,806)</u>	<u>\$ -</u>	<u>\$ 2,125,819</u>

NOTE 5 - LONG-TERM LIABILITIES

At June 30, 2025, long-term liabilities are comprised of the following:

Primary government:

Governmental activities:

Bonds:

\$1,600,000 General Obligation Bonds dated June 30, 2016, due in annual installments ranging from \$165,000 to \$180,000 through June 2026, with interest ranging from 1.85% to 2.25%, payable annually.	<u>\$ 180,000</u>
--	-------------------

Installment purchase agreements:

\$399,247 Installment Purchase Agreement dated September 15, 2020, due in an annual installment ranging from \$28,227 to \$38,966 through April 2032, including interest at 3.28%. The purchase agreement is secured by the fire truck purchased. The agreement contains provisions that in an event of default the lender has various options including declaring the entire unpaid balance due immediately, require prompt return or secure possession of real property, and charge the City for reasonable fees and other expenses as a result of the default.	248,129
---	---------

\$377,387 Installment purchase agreement date May 1, 2024, due in annual installments ranging from \$38,019 to \$100,791 at a 10.45% interest rate. The purchase agreement is secured by the 7 vehicles the City purchased.	<u>289,689</u>
---	----------------

Total installment purchase agreements	<u>537,818</u>
---------------------------------------	----------------

Compensated absences	<u>205,645</u>
----------------------	----------------

Total governmental activities long-term liabilities	<u>\$ 923,463</u>
---	-------------------

Business-type activities:

Bonds:

\$9,545,000 WWTP Improvement Bonds dated September 23, 2004, due in annual installments ranging from \$540,000 to \$560,000 through April 2026, with interest of 2.125%, payable semi-annually.	\$ 552,300
---	------------

\$2,120,000 CWSRF Loan dated September 8, 2023, due in annual installments ranging from \$55,000 to \$90,000 through April 2054, with interest of 1.875%, payable semi-annually.	2,065,000
--	-----------

Compensated absences	<u>84,761</u>
----------------------	---------------

Total business-type activities long-term liabilities	<u>\$ 2,702,061</u>
--	---------------------

Total primary government long-term liabilities	<u>\$ 3,625,524</u>
--	---------------------

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Component Units

Bonds:

\$710,000 Capital Improvement Bonds dated September 15, 2009, due in annual installments ranging from \$40,000 to \$55,000 through June 2029, with interest ranging from 4.60% to 5.00%, payable semi-annually. \$ 200,000

\$2,155,000 Local Development Finance Authority Bond dated October 24, 2016, due in annual installments ranging from \$210,000 to \$220,000 through June 2028, with interest ranging from 1.95% to 2.45%, payable semi-annually. 660,000

Total component units long-term liabilities \$ 860,000

Long-term liability activity for the year ended June 30, 2025, was as follows:

	<u>Beginning balance</u>	<u>Net change</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:						
Governmental activities:						
General obligation bonds						
2016 General obligation bonds	\$ 355,000		\$ -	\$ (175,000)	\$ 180,000	\$ 180,000
Notes from direct borrowing and direct placements						
Installment purchase agreement	291,504	-	47,853	(49,668)	289,689	51,480
Installment purchase agreement	<u>279,222</u>	<u>-</u>	<u>-</u>	<u>(31,093)</u>	<u>248,129</u>	<u>32,112</u>
Total long-term debt	925,726	-	47,853	(255,761)	717,818	263,592
Compensated absences	<u>190,260</u>	<u>15,385</u>	<u>-</u>	<u>-</u>	<u>205,645</u>	<u>174,798</u>
Total governmental activities	<u><u>\$ 1,115,986</u></u>	<u><u>\$ 15,385</u></u>	<u><u>\$ 47,853</u></u>	<u><u>\$ (255,761)</u></u>	<u><u>\$ 923,463</u></u>	<u><u>\$ 438,390</u></u>
Business-type activities:						
Other long-term obligations						
2023 CWSRF bonds	\$ -	\$ -	\$ 2,120,000	\$ (55,000)	\$ 2,065,000	\$ 55,000
2004 WWTP improvements bonds	<u>1,112,300</u>	<u>-</u>	<u>-</u>	<u>(560,000)</u>	<u>552,300</u>	<u>552,300</u>
Total long-term debt	1,112,300	-	2,120,000	(615,000)	2,617,300	607,300
Compensated absences	<u>66,848</u>	<u>17,913</u>	<u>-</u>	<u>-</u>	<u>84,761</u>	<u>72,047</u>
Total business-type activities	<u><u>\$ 1,179,148</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,120,000</u></u>	<u><u>\$ (615,000)</u></u>	<u><u>\$ 2,702,061</u></u>	<u><u>\$ 679,347</u></u>
Total primary government	<u><u>\$ 2,295,134</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,167,853</u></u>	<u><u>\$ (870,761)</u></u>	<u><u>\$ 3,625,524</u></u>	<u><u>\$ 1,117,737</u></u>
Component Units						
General obligation bonds						
2009 Capital improvement bonds - DDA	\$ 245,000	\$ -	\$ -	\$ (45,000)	\$ 200,000	\$ 45,000
2016 Tax increment refunding bonds - LDFA	<u>875,000</u>	<u>-</u>	<u>-</u>	<u>(215,000)</u>	<u>660,000</u>	<u>220,000</u>
Total component units	<u><u>\$ 1,120,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (260,000)</u></u>	<u><u>\$ 860,000</u></u>	<u><u>\$ 265,000</u></u>

NOTE 5 - LONG-TERM LIABILITIES (Continued)

At June 30, 2025, debt service requirements, with the exception of compensated absences, are as follows:

Year ended June 30:	General Obligation Bonds			
	Governmental activities		Component unit	
	Principal	Interest	Principal	Interest
2026	\$ 180,000	\$ 4,050	\$ 265,000	\$ 25,620
2027	-	-	270,000	18,420
2028	-	-	325,000	13,393
Totals	<u>\$ 180,000</u>	<u>\$ 4,050</u>	<u>\$ 860,000</u>	<u>\$ 57,433</u>

Year ended June 30:	Notes from Direct Borrowings and Direct Placements		Other Long-term Obligations	
	Installment Purchase Agreements		Revenue Bonds	
	Governmental Activities		Business-type activities	
June 30:	Principal	Interest	Principal	Interest
2026	\$ 83,592	\$ 35,984	\$ 607,300	\$ 41,847
2027	90,289	29,286	55,000	37,287
2028	97,640	7,936	55,000	36,656
2029	144,305	13,263	55,000	35,625
2030	45,297	3,786	60,000	34,594
2031-2035	76,695	15,283	310,000	156,001
2036-2040	-	-	340,000	125,813
2041-2045	-	-	370,000	92,717
2046-2050	-	-	410,000	56,626
2051-2054	-	-	355,000	16,788
Totals	<u>\$ 537,818</u>	<u>\$ 105,538</u>	<u>\$ 2,617,300</u>	<u>\$ 633,954</u>

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan description:

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:

Benefits provided include plans with multipliers ranging from 1.50% to 2.50% with an 80% or no max, depending on division. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with unreduced early retirement at 50 to 55, with 25 years of service, depending on division. Reduced early retirement age is 50 with 25 years of service or 55 with 15 years of service, depending on division. Final average compensation is calculated based on 3 to 5 years, depending on division. Member contributions are 0.00% to 6.25%, depending on division. 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. Benefit terms may be subject to binding arbitration in certain circumstances.

Employees covered by benefit terms:

At the December 31, 2024, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>19</u>
 Total	 <u>89</u>

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.

Employer contributions range from 1.25% to 15.98% based on annual payroll for open divisions. Seven divisions closed to new employees had total annual employer contribution of \$747,900.

Net pension liability:

The City’s net pension liability reported at June 30, 2025, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2024. The total pension liability was determined by an annual actuarial valuation as of that date.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	In the long term
Investment rate of return	6.93%	Net of investment expense, including inflation

Mortality rates were based on scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of the actuarial experience studies covering 2014-2018 and dated 2020.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, 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 for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.18%</u>
Investment rate of return			<u>7.18%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.18% for 2024. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2023	\$ 16,580,586	\$ 10,623,168	\$ 5,957,418
Changes for the year:			
Service cost	125,376	-	125,376
Interest	1,154,284	-	1,154,284
Difference between expected and actual experience	(308,105)	-	(308,105)
Changes in assumptions	(64,275)	-	(64,275)
Employer contributions	-	644,865	(644,865)
State grants	-	-	-
Employee contributions	-	60,392	(60,392)
Net investment income	-	786,861	(786,861)
Benefit payments, including refunds	(1,133,856)	(1,133,856)	-
Administrative expenses	-	(23,306)	23,306
Net changes	(226,576)	334,956	(561,532)
Balances at December 31, 2024	\$ 16,354,010	\$ 10,958,124	\$ 5,395,886

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.18%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net pension liability	\$ 7,147,996	\$ 5,395,886	\$ 3,916,510

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used 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. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2025, the City recognized pension expense of \$363,379. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference in experience	\$ -	\$ 154,052
Net difference between projected and actual earnings on pension plan investments	388,272	-
Difference in assumptions	<u>-</u>	<u>32,136</u>
	388,272	186,188
Contributions made subsequent to the measurement date	<u>322,267</u>	<u>-</u>
Totals	<u>\$ 710,539</u>	<u>\$ 186,188</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$322,267 will be recognized as a reduction in the net pension liability in fiscal year 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<u>Year ended</u>	<u>Pension Expense</u>
2025	\$ (939)
2026	298,758
2027	(87,667)
2028	<u>(8,068)</u>
	<u>\$ 202,084</u>

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

Effective November 2011, as amended June 2019, the City Council established and adopted the Municipal Employees' Retirement System (MERS) 457 Supplemental Retirement Program Plan and Trust (the Plan) which is administered by MERS. In May 2023, the City moved from the MERS 457 plan to a Defined Contribution Plan for public works employees, public utilities employees, administrative staff, the City Manager, and clerical staff. The Defined Contribution Plan has a 3-year vesting period. The City Council can amend the Plan, as well as establish and amend the contribution requirements. The Plan is intended to qualify under Code Section 457(b) and the Plan is intended to be tax-exempt under Code Section 501(a). All full-time employees are eligible to participate in the defined contribution plan. The City is required to contribute 7% to 10% of earnings for all eligible employees.

The City's contributions to the Plan for the year ended June 30, 2025, totaled \$73,229.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Eaton Rapids Other Post-Employment Benefits Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City of Eaton Rapids. The Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The Plan can be amended at the discretion of the City. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

Benefits Eligibility

Administration - Hired on or before 1/1/2019 and age 55 with 20 years of service.

Police - Hired on or before 7/1/2019 age 50 with 25 years of service.

Union - Age 50 with 25 years of service.

Benefits - Medical, Dental and Vision

Administration

Normal Retirement - Retiree must pay 2.5 % of the premium with the employer paying 97.5% of the full premium for an employee and spouse.

Early Retirement

If employee has not reached the age of 55 but has 20 years of service at retirement, the percent of premium paid by the employer will be the employee’s age at retirement divided by 55.

If employee is age 55 but has less than 20 years of service at retirement, the percent of premium paid by the employer will be the employee’s years of service divided by 20.

Police

Hired before 7/1/2013 - Retiree must pay 20% of the premium with the employer paying 80%.

Hired on or after 7/1/2013, but on or before 7/1/2019 - Retiree must pay 50% of the premium with the employer paying 50%

Union

Hired before 6/30/2018 - Retiree must pay 30% of the premium with the employer paying 70%.

Medicare - a fixed stipend amount coverage secondary to Medicare is available to the retiree and spouse provided that retiree and spouse are enrolled in Medicare at retiree’s expense and continue to pay the percent of premium as summarized above. The retiree must enroll in Medicare when eligible. Payments of \$285 per month will be made on behalf of the retiree and spouse if married, into the Health Care Savings Account at MERS.

Summary of Plan Participants

At the June 30, 2025, valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	22
Active employees	<u>13</u>
Total	<u><u>35</u></u>

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

For the year ended June 30, 2025, the City’s only contributions were its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined through an actuarial valuation as of that date.

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation as of June 30, 2025, rolled forward to June 30, 2025, using the following assumptions:

Inflation	2.50%	
Salary increases	3.00%	for purpose of allocating liability
Investment rate of return	6.93%	including inflation
20-yr Aa municipal bond rate	4.81%	(S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality		2010 Public General Employees and Health Retirees, Headcount weighted
Improvement Scale		IRS 2024 Adjusted scale MP-2021

The assumptions used in the June 30, 2025 valuation was determined by the City’s management as of June 30, 2025. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	60.00%	4.50%
Global fixed income	20.00%	2.16%
Private assets	20.00%	6.50%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 6.93%

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement 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 rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that the City will first use assets to pay benefits and then pay benefits on a pay-as-you-go basis. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members through 2025 -the cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20- year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2025, is as follows:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2024	\$ 1,920,238	\$ 483,244	\$ 1,436,994
Changes for the year:			
Service cost	32,453	-	32,453
Interest	132,207	-	132,207
Difference between expected and actual experience	(41,957)	-	(41,957)
Change in plan terms	(18,121)	-	(18,121)
Changes in assumptions	27,977	-	27,977
Employer contributions	-	153,067	(153,067)
Net investment income	-	48,839	(48,839)
Benefit payments, including refunds	(128,067)	(128,067)	-
Administrative expenses	-	(1,085)	1,085
Net changes	4,492	72,754	(68,262)
Balances at June 30, 2025	\$ 1,924,730	\$ 555,998	\$ 1,368,732

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.93%, as well as what the employer's net OPEB liability would be using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net OPEB liability	\$ 1,515,133	\$ 1,368,732	\$ 1,239,250

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net OPEB liability	\$ 1,313,838	\$ 1,368,732	\$ 1,431,952

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2025, the City recognized OPEB revenue of (\$60,129). At June 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 635,806	\$ 324,465
Net difference between projected and actual earnings on OPEB plan investments	-	9,760
Difference in assumptions	<u>256,585</u>	<u>324,604</u>
Totals	<u>\$ 892,391</u>	<u>\$ 658,829</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended</u>	<u>OPEB Expense</u>
2026	\$ (163,971)
2027	168,750
2028	182,630
2029	<u>46,153</u>
	<u>\$ 233,562</u>

NOTE 9 - INTERFUND TRANSFER

During the year ended June 30, 2025, the enterprise funds transferred \$14,138 to the equipment fund to cover its share of administration and equipment costs. The General Fund transferred \$96,736 and \$210,984, respectively, to the Equipment Fund and nonmajor funds to cover its share of equipment use and to cover shortages in the nonmajor funds. Nonmajor fund transferred \$10,000 and \$21,373, respectively, to the General Fund to cover perpetual care costs and to the Equipment Fund to cover its share of equipment use .

<u>Transfers in</u>		<u>Transfers out</u>	
General	<u>\$ 10,000</u>	Nonmajor	<u>\$ 10,000</u>
		Enterprise	14,138
		Nonmajor	21,373
		General	<u>96,736</u>
Internal Service	<u>132,247</u>		<u>132,247</u>
Nonmajor	<u>210,984</u>	General	<u>210,984</u>

NOTE 10 - CONTINGENT LIABILITIES

The City continues to monitor and perform annual testing of the City’s landfill that has been closed for several years. Environment, Great Lakes, and Energy (EGLE) requires that this maintenance be performed. At this time, it is impossible to predict with any accuracy what, if any, additional remedial work may be required by EGLE prior to approval for final closure of the landfill.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 - PROPERTY TAX REVENUE

The 2024 taxable valuation of the City approximated \$141,873,000, on which taxes levied consisted of 8.3289 mills for operating purposes, 0.8324 mills for parks, and 1.200 mills for Sewer Debt raising approximately \$1,172,000 less captures for operating, \$117,000 less captures for parks, and \$169,000 for sewer debt, which is recognized in the financial statement as property tax revenue.

NOTE 12 - DETAILS OF FUND BALANCE CLASSIFICATIONS

The following details fund balance classifications as of June 30, 2025:

	General Fund	Major Street	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Prepays	\$ 36,654	\$ 257	\$ 12,329	\$ 49,240
Restricted				-
Highways and streets	-	1,604,390	1,221,294	2,825,684
Act 302 training	-	-	26,802	26,802
Drug law enforcement	-	-	77	77
Capital projects	-	-	1,228	1,228
Cemetery perpetual care	-	-	58,453	58,453
Friends of the island	-	-	31,555	31,555
Assigned				-
Parks and recreation	-	-	88,530	88,530
Building department	-	-	8,668	8,668
Dog park	-	-	55	55
Unassigned	<u>3,522,787</u>	<u>-</u>	<u>-</u>	<u>3,522,787</u>
Total Fund Balances	<u>\$ 3,559,441</u>	<u>\$ 1,604,647</u>	<u>\$ 1,448,991</u>	<u>\$ 6,613,079</u>

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers’ compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 14 - CONSTRUCTION COMMITMENT

At June 30, 2025, the City had the following contractual construction commitment:

<u>Project</u>	<u>Project authorization</u>	<u>Expended through June 30, 2025</u>	<u>Remaining Commitment</u>
Lead line replacement	\$ 14,338,675	\$ 522,835	\$ 13,815,840
Well Head protection project	<u>6,420,498</u>	<u>1,563,375</u>	<u>4,857,123</u>
	<u>\$ 20,759,173</u>	<u>\$ 2,086,210</u>	<u>\$ 18,672,963</u>

The construction project is being funded through capital grants, and loan proceeds.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, "Financial Reporting Model Improvements," in April 2024. This statement is effective for fiscal years beginning after June 15, 2025. The requirements of this statement will enhance the financial reporting model by improving key components to provide essential information for decision-making and assessing accountability. Management’s Discussion and Analysis (MD&A) will continue to be required as required supplementary information (RSI), and the presentation of proprietary fund statements will be updated.

The Governmental Accounting Standards Board (GASB) issued Statement No. 104, "Disclosure of Certain Capital Assets," in September 2024. This statement is effective for fiscal years beginning after June 15, 2025. The requirements of this statement will enhance the financial reporting model by providing users of government financial statements with essential information about certain types of capital assets. This includes separate disclosure of lease assets, intangible right-to-use assets, subscription-based IT assets, and other intangible assets by major class. Additionally, capital assets held for sale must be evaluated each reporting period and disclosed separately.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes				
Property taxes	\$ 1,203,322	\$ 1,203,322	\$ 1,107,807	\$ (95,515)
Penalties and interest	3,000	3,000	9,713	6,713
Administration fees	62,000	62,000	65,362	3,362
Trailer fee	500	500	648	148
Total taxes	<u>1,268,822</u>	<u>1,268,822</u>	<u>1,183,530</u>	<u>(85,292)</u>
Licenses and permits				
Licenses	100	100	310	210
Franchise Fees	1,107,800	1,107,800	820,657	(287,143)
Zoning board of appeals	300	300	175	(125)
Total licenses and permits	<u>1,108,200</u>	<u>1,108,200</u>	<u>821,142</u>	<u>(287,058)</u>
Intergovernmental				
State Revenue Sharing	650,000	650,000	636,693	(13,307)
Local Community Stabilization Share	165,000	165,000	309,915	144,915
Other State Grants	24,000	24,000	52,000	28,000
Total intergovernmental	<u>839,000</u>	<u>839,000</u>	<u>998,608</u>	<u>159,608</u>
Charges for services				
Grave openings	15,000	15,000	21,550	6,550
Lot Sales	10,000	10,000	4,900	(5,100)
Foundation Sales	7,200	7,200	4,111	(3,089)
School Resource Officer - ERPS	56,177	56,177	64,278	8,101
Total charges for services	<u>88,377</u>	<u>88,377</u>	<u>94,839</u>	<u>6,462</u>
Fines and forfeitures				
	<u>7,700</u>	<u>7,700</u>	<u>12,017</u>	<u>4,317</u>
Investment return and rentals				
Interest	7,500	7,500	478,580	471,080
Rentals	62,560	62,560	13,595	(48,965)
Total interest and rentals	<u>70,060</u>	<u>70,060</u>	<u>492,175</u>	<u>422,115</u>
Other				
Miscellaneous	82,943	82,943	74,902	(8,041)
Total revenues	<u>3,465,102</u>	<u>3,465,102</u>	<u>3,677,213</u>	<u>212,111</u>
EXPENDITURES				
Current				
General government				
City council	47,131	47,131	49,905	(2,774)
City manager	75,713	75,713	67,284	8,429
General election	67,980	67,980	4,949	63,031
Assessor	39,570	39,570	43,690	(4,120)
Treasurer	245,654	245,654	155,044	90,610
City clerk	71,718	71,718	68,337	3,381
Board of review	1,000	1,000	889	111
Building and grounds	24,000	24,000	23,611	389
Other	38,923	38,923	36,585	2,338
Total general government	<u>611,689</u>	<u>611,689</u>	<u>450,294</u>	<u>161,395</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Public safety				
Police	\$ 1,282,626	\$ 1,282,626	\$ 1,276,297	\$ 6,329
Fire	223,675	223,675	218,278	5,397
Building department	31,706	31,706	19,330	12,376
Total public safety	<u>1,538,007</u>	<u>1,538,007</u>	<u>1,513,905</u>	<u>24,102</u>
Public works				
Public works	835,234	835,234	568,225	267,009
Cemetery	141,190	141,190	111,532	29,658
Total public works	<u>976,424</u>	<u>976,424</u>	<u>679,757</u>	<u>296,667</u>
Community and economic development				
Planning and zoning	10,600	10,600	2,760	7,840
Health and welfare	44,800	44,800	45,061	(261)
Capital outlay	198,100	198,100	155,892	42,208
Debt service				
Principal	31,093	31,093	31,093	-
Interest	9,149	9,149	9,149	-
Total expenditures	<u>3,419,862</u>	<u>3,419,862</u>	<u>2,887,911</u>	<u>531,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>45,240</u>	<u>45,240</u>	<u>789,302</u>	<u>744,062</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(321,227)	(321,227)	(307,720)	13,507
Net other financing sources (uses)	<u>(311,227)</u>	<u>(311,227)</u>	<u>(297,720)</u>	<u>13,507</u>
NET CHANGES IN FUND BALANCES	(265,987)	(265,987)	491,582	757,569
FUND BALANCES - BEGINNING	<u>3,067,859</u>	<u>3,067,859</u>	<u>3,067,859</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,801,872</u>	<u>\$ 2,801,872</u>	<u>\$ 3,559,441</u>	<u>\$ 757,569</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 385,000	\$ 385,000	\$ -	\$ (385,000)
Act 51 gas tax	530,000	530,000	582,253	52,253
Interest income	1,800	1,800	-	(1,800)
Total revenues	<u>916,800</u>	<u>916,800</u>	<u>582,253</u>	<u>(334,547)</u>
EXPENDITURES				
Public works				
Routine maintenance	147,686	147,686	82,124	65,562
Traffic services	13,380	13,380	12,342	1,038
Winter maintenance	8,770	8,770	14,298	(5,528)
Administration	13,448	13,448	9,492	3,956
Other	10,900	10,900	886	10,014
Capital Outlay	849,260	849,260	410,598	438,662
Total expenditures	<u>1,043,444</u>	<u>1,043,444</u>	<u>529,740</u>	<u>513,704</u>
NET CHANGES IN FUND BALANCES	(126,644)	(126,644)	52,513	179,157
FUND BALANCES - BEGINNING	<u>1,552,134</u>	<u>1,552,134</u>	<u>1,552,134</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,425,490</u>	<u>\$ 1,425,490</u>	<u>\$ 1,604,647</u>	<u>\$ 179,157</u>

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:										
Service cost	\$ 125,376	\$ 132,625	\$ 143,942	\$ 150,815	\$ 177,390	\$ 184,609	\$ 189,258	\$ 195,392	\$ 204,593	\$ 204,313
Interest	1,154,284	1,157,700	1,191,687	1,212,856	1,212,063	1,169,163	1,148,388	1,133,114	1,113,118	996,015
Differences between expected and actual experience	(308,105)	(181,681)	(684,267)	(349,534)	(668,869)	516,313	(48,907)	(163,693)	(120,921)	456,514
Changes in assumptions	(64,275)	116,174	-	585,187	394,458	543,372	-	-	-	672,241
Benefit payments, including employee refunds	(1,133,856)	(1,092,406)	(1,136,500)	(1,098,459)	(1,084,204)	(1,068,156)	(985,309)	(956,317)	(928,190)	(864,911)
Other changes	-	-	-	-	1	-	-	-	4	31,125
Net change in total pension liability	(226,576)	132,412	(485,138)	500,865	30,839	1,345,301	303,430	208,496	268,604	1,495,297
Total pension liability, beginning of year	16,580,586	16,448,174	16,933,312	16,432,447	16,401,608	15,056,307	14,752,877	14,544,381	14,275,777	12,780,480
Total pension liability, end of year	<u>\$ 16,354,010</u>	<u>\$ 16,580,586</u>	<u>\$ 16,448,174</u>	<u>\$ 16,933,312</u>	<u>\$ 16,432,447</u>	<u>\$ 16,401,608</u>	<u>\$ 15,056,307</u>	<u>\$ 14,752,877</u>	<u>\$ 14,544,381</u>	<u>\$ 14,275,777</u>
Plan fiduciary net position:										
Contributions - employer	\$ 644,865	\$ 670,154	\$ 700,190	\$ 643,250	\$ 552,579	\$ 529,993	\$ 482,265	\$ 460,910	\$ 380,873	\$ 400,477
Contributions - state grant	-	792,184	-	-	-	-	-	-	-	-
Contributions - employee	60,392	66,983	68,309	75,909	80,438	74,525	75,471	76,225	74,369	78,082
Net investment income (loss)	786,861	1,048,400	(1,169,220)	1,298,308	1,224,192	1,121,146	(347,836)	1,111,084	904,943	(127,375)
Benefit payments, including employee refunds	(1,133,856)	(1,092,406)	(1,136,500)	(1,098,459)	(1,084,204)	(1,068,156)	(985,309)	(956,317)	(928,190)	(864,911)
Administrative expenses	(23,306)	(21,884)	(19,374)	(15,414)	(17,881)	(19,292)	(17,600)	(17,622)	(17,889)	(18,667)
Net change in plan fiduciary net position	334,956	1,463,431	(1,556,595)	903,594	755,124	638,216	(793,009)	674,280	414,106	(532,394)
Plan fiduciary net position, beginning of year	10,623,168	9,159,737	10,716,332	9,812,738	9,057,614	8,419,398	9,212,407	8,538,127	8,124,021	8,656,415
Plan fiduciary net position, end of year	<u>\$ 10,958,124</u>	<u>\$ 10,623,168</u>	<u>\$ 9,159,737</u>	<u>\$ 10,716,332</u>	<u>\$ 9,812,738</u>	<u>\$ 9,057,614</u>	<u>\$ 8,419,398</u>	<u>\$ 9,212,407</u>	<u>\$ 8,538,127</u>	<u>\$ 8,124,021</u>
City's net pension liability, end of year	<u>\$ 5,395,886</u>	<u>\$ 5,957,418</u>	<u>\$ 7,288,437</u>	<u>\$ 6,216,980</u>	<u>\$ 6,619,709</u>	<u>\$ 7,343,994</u>	<u>\$ 6,636,909</u>	<u>\$ 5,540,470</u>	<u>\$ 6,006,254</u>	<u>\$ 6,151,756</u>
Plan fiduciary net position as a percent of total pension liability	67%	64%	56%	63%	60%	55%	56%	62%	59%	57%
Covered payroll	\$ 1,282,882	\$ 1,332,884	\$ 1,448,720	\$ 1,584,982	\$ 1,864,854	\$ 1,904,311	\$ 1,919,070	\$ 1,860,156	\$ 1,970,006	\$ 2,030,058
City's net pension liability as a percentage of covered payroll	421%	447%	503%	392%	355%	386%	346%	298%	305%	303%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 747,900	\$ 736,166	\$ 681,413	\$ 707,807	\$ 527,923	\$ 451,558	\$ 481,741	\$ 382,798	\$ 424,370	\$ 390,978
Contributions in relation to the actuarially determined contributions	<u>747,900</u>	<u>1,529,320</u>	<u>681,413</u>	<u>707,807</u>	<u>527,923</u>	<u>451,558</u>	<u>481,741</u>	<u>382,798</u>	<u>424,370</u>	<u>390,978</u>
Contribution Excess (State Contribution)	<u>\$ -</u>	<u>\$ (793,154)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,282,882</u>	<u>\$ 1,332,884</u>	<u>\$ 1,448,720</u>	<u>\$ 1,678,777</u>	<u>\$ 1,919,054</u>	<u>\$ 1,870,190</u>	<u>\$ 1,880,053</u>	<u>\$ 1,572,338</u>	<u>\$ 2,059,368</u>	<u>\$ 1,999,071</u>
Contributions as a percentage of covered payroll	58%	115%	47%	42%	28%	24%	26%	24%	21%	20%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age - normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	five-year smoothed market
Inflation	2.50% long-term wage inflation
Salary increases	3.00%
Investment rate of return	7.00%, net of investment and administrative expenses
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the Pub-2010 fully generational mortality table with scale MP-2019

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Year ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	\$ 32,453	\$ 32,892	\$ 31,759	\$ 181,255	\$ 127,993	\$ 364,251	\$ 353,279	\$ 342,989
Interest on total OPEB liability	132,207	119,632	121,415	97,481	152,862	312,942	302,250	288,279
Differences between expected and actual experience	(41,957)	230,034	(30,582)	(1,243,928)	27,243	1,377,195	28,012	-
Change in benefit terms	(18,121)	(60,563)	-	(540,474)	-	(7,931,229)	-	-
Changes in assumptions	27,977	(1,324)	4,940	(906,046)	648,483	(326,210)	-	-
Benefit payments	(128,067)	(153,158)	(155,111)	(155,947)	(310,380)	(324,644)	(351,649)	(310,031)
Net change in total OPEB liability	4,492	167,513	(27,579)	(2,567,659)	646,201	(6,527,695)	331,892	321,237
Total OPEB liability, beginning of year	1,920,238	1,752,725	1,780,304	4,347,963	3,701,762	10,229,457	9,897,565	9,576,328
Total OPEB liability, end of year	<u>\$ 1,924,730</u>	<u>\$ 1,920,238</u>	<u>\$ 1,752,725</u>	<u>\$ 1,780,304</u>	<u>\$ 4,347,963</u>	<u>\$ 3,701,762</u>	<u>\$ 10,229,457</u>	<u>\$ 9,897,565</u>
Plan fiduciary net position:								
Contributions to OPEB trust	\$ 25,000	\$ 25,000	\$ 69,662	\$ -	\$ -	\$ 140,000	\$ 140,000	\$ -
Contributions - employer	128,067	153,158	155,111	155,947	310,380	324,644	351,649	310,031
Net investment income (loss)	48,839	43,762	27,184	(28,683)	66,350	470	2,328	-
Benefit payments	(128,067)	(153,158)	(155,111)	(155,947)	(310,380)	(324,644)	(351,649)	(310,031)
Administrative expenses	(1,085)	(937)	(677)	(625)	(578)	-	(12)	-
Net change in plan fiduciary net position	72,754	67,825	96,169	(29,308)	65,772	140,470	142,316	-
Plan fiduciary net position, beginning of year	483,244	415,419	319,250	348,558	282,786	142,316	-	-
Plan fiduciary net position, end of year	<u>\$ 555,998</u>	<u>\$ 483,244</u>	<u>\$ 415,419</u>	<u>\$ 319,250</u>	<u>\$ 348,558</u>	<u>\$ 282,786</u>	<u>\$ 142,316</u>	<u>\$ -</u>
City's net OPEB liability, end of year	<u>\$ 1,368,732</u>	<u>\$ 1,436,994</u>	<u>\$ 1,337,306</u>	<u>\$ 1,461,054</u>	<u>\$ 3,999,405</u>	<u>\$ 3,418,976</u>	<u>\$ 10,087,141</u>	<u>\$ 9,897,565</u>
Plan fiduciary net position as a percent of total OPEB liability	29%	25%	24%	18%	8%	8%	1%	0%
Covered payroll	\$ 945,502	\$ 910,786	\$ 722,623	\$ 1,141,514	\$ 1,639,787	\$ 1,475,429	\$ 2,826,837	\$ 2,171,316
City's net OPEB liability as a percentage of covered payroll	145%	158%	185%	128%	244%	232%	357%	456%

Note: This schedule is being built prospectively after the implementation of GASB 75 in fiscal year 2018. Ultimately, ten years of data will be presented.

SCHEDULE OF CITY EMPLOYER OPEB CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annually determined contributions	\$ 226,357	\$ 213,533	\$ 217,932	\$ 397,608	\$ 377,342	\$ 1,178,224	\$ 1,115,623
Contributions in relation to the annually determined contributions	<u>153,067</u>	<u>153,158</u>	<u>155,111</u>	<u>155,947</u>	<u>310,380</u>	<u>464,644</u>	<u>491,649</u>
Contribution deficiency	<u>\$ 73,290</u>	<u>\$ 60,375</u>	<u>\$ 62,821</u>	<u>\$ 241,661</u>	<u>\$ 66,962</u>	<u>\$ 713,580</u>	<u>\$ 623,974</u>
Covered payroll	<u>\$ 945,502</u>	<u>\$ 910,786</u>	<u>\$ 722,623</u>	<u>\$ 1,141,514</u>	<u>\$ 1,639,787</u>	<u>\$ 1,475,429</u>	<u>\$ 2,826,837</u>
Contributions as a percentage of covered payroll	16%	17%	21%	14%	19%	31%	17%

Methods and assumptions used to determine actuarial determined contribution:

Valuation date June 30, 2025
 Measurement date June 30, 2025

Actuarial methods:
 Cost method Entry age normal (level percent of compensation)
 Asset valuation method Market value

Actuarial assumptions:
 Discount rate 7.00% for 2023 contribution, liability and 2024 contribution
 20-year Aa Municipal Bond Rate 4.81% (S&P Municipal Bond 20-Year High Grade Rate Index)
 Salary scale 3.00%
 Return on plan assets 6.93%
 Mortality rates 2010 Public General and Public Safety Employees and Healthy Retirees, headcount weighted; MP-2021 improvement
 Utilization 100% of future retirees will elect coverage at retirement; actual coverage used for non-active
 Termination rates None
 Retirement rates See rates below:

Age	Rate
50-54	3%
55	55%
56-58	4%
59-61	15%
62	30%
63	50%
64	70%
65	100%

Marital assumption 60% of future retirees will have a covered spouse at retirement with males three years older than females; actual single/double coverage used for retirees

Claims costs See rates (annual) below:

Age	Annual Costs
50	\$ 10,379
51	10,838
52	11,344
53	11,855
54	12,408
55	12,960
56	13,558
57	14,163
58	14,808
59	15,127
60	15,772
61	16,330
62	16,696
63	17,155
64	17,434
65+	3,420

Implicit subsidy Not applicable
 Medical trend rates Pre-65 - 7.25% graded down to 4.5% by 0.25% per year
 Medicare eligible - N/A; fixed stipend provided at retirement

Assumption changes since prior valuation:

Trend rates updated to those prescribed by PA 202 for year 2023

Assumptions used for PA 202 Reporting

Discount Rate 6.93%

Note: This schedule is being built prospectively after the implementation of GASB 75 in fiscal year 2018.

Ultimately, ten years of data will be presented.

SCHEDULE OF CITY EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	6.93%	6.90%	6.54%	-8.8%	20.8%	0.2%	3.3%	0%	0%	0%

SUPPLEMENTARY INFORMATION

	<i>Special</i>			<i>Revenue Funds</i>				<i>Capital Project</i>	<i>Permanent Funds</i>		<i>Total</i>
	<i>Local Streets</i>	<i>Eaton County Road Fund</i>	<i>Act 302 Training</i>	<i>Parks and Recreation</i>	<i>Building Department</i>	<i>Drug Law Enforcement</i>	<i>Dog Park</i>	<i>Capital Project</i>	<i>Cemetery Perpetual Care</i>	<i>Friends of the Island</i>	
ASSETS											
Cash and investments	\$ 953,219	\$ 237,141	\$ 26,802	\$ 116,402	\$ 7,989	\$ 77	\$ 55	\$ 1,228	\$ 58,453	\$ 31,555	\$ 1,432,921
Accounts receivables	-	-	-	456	2,015	-	-	-	-	-	2,471
Due from other governmental units	32,097	-	-	-	-	-	-	-	-	-	32,097
Prepaid expenditures	145	-	-	8,591	3,593	-	-	-	-	-	12,329
Total assets	\$ 985,461	\$ 237,141	\$ 26,802	\$ 125,449	\$ 13,597	\$ 77	\$ 55	\$ 1,228	\$ 58,453	\$ 31,555	\$ 1,479,818
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 1,163	\$ -	\$ -	\$ 19,548	\$ 1,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,047
Unearned revenue	-	-	-	8,780	-	-	-	-	-	-	8,780
Total liabilities	1,163	-	-	28,328	1,336	-	-	-	-	-	30,827
Fund balances:											
Nonspendable	145	-	-	8,591	3,593	-	-	-	-	-	12,329
Restricted	984,153	237,141	26,802	-	-	77	-	1,228	58,453	31,555	1,339,409
Assigned	-	-	-	88,530	8,668	-	55	-	-	-	97,253
Total fund balances	984,298	237,141	26,802	97,121	12,261	77	55	1,228	58,453	31,555	1,448,991
Total liabilities and fund balances	\$ 985,461	\$ 237,141	\$ 26,802	\$ 125,449	\$ 13,597	\$ 77	\$ 55	\$ 1,228	\$ 58,453	\$ 31,555	\$ 1,479,818

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - nonmajor governmental funds**

Year ended June 30, 2025

	<i>Special</i>			<i>Revenue Funds</i>				<i>Capital Project Fund</i>	<i>Permanent Funds</i>		<i>Total</i>
	<i>Local Streets</i>	<i>Eaton County Road Fund</i>	<i>Act 302 Training</i>	<i>Parks and Recreation</i>	<i>Building Department</i>	<i>Drug Law Enforcement</i>	<i>Dog Park</i>	<i>Capital Project</i>	<i>Cemetery Perpetual Care</i>	<i>Friends of the Island</i>	
REVENUES											
Property taxes	\$ -	\$ -	\$ -	\$ 108,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,246
Licenses and permits	-	-	-	-	107,578	-	-	-	-	-	107,578
Intergovernmental											
State grants	201,363	-	1,597	44,493	-	-	-	-	-	-	247,453
Contributions from local units	2,936	196,776	-	-	-	-	-	-	-	-	199,712
Charges for services	-	-	-	139,650	-	-	-	-	5,000	-	144,650
Other	-	-	-	19,148	-	-	-	-	-	-	19,148
Total revenues	204,299	196,776	1,597	311,537	107,578	-	-	-	5,000	-	826,787
EXPENDITURES											
Current:											
Public safety	-	-	1,595	-	185,788	-	-	-	-	-	187,383
Public works	67,839	-	-	-	-	-	-	-	-	-	67,839
Recreation and culture	-	-	-	438,476	-	-	-	-	-	-	438,476
Capital outlay	-	-	-	14,405	-	-	-	-	-	-	14,405
Debt service:											
Principal retirement	-	175,000	-	-	-	-	-	-	-	-	175,000
Interest and other charges	-	7,813	-	-	-	-	-	-	-	-	7,813
Total expenditures	67,839	182,813	1,595	452,881	185,788	-	-	-	-	-	890,916
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	136,460	13,963	2	(141,344)	(78,210)	-	-	-	5,000	-	(64,129)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	210,984	-	-	-	-	-	-	210,984
Transfers out	-	-	-	(10,884)	(10,489)	-	-	-	(10,000)	-	(31,373)
Net other financing sources (uses)	-	-	-	200,100	(10,489)	-	-	-	(10,000)	-	179,611
NET CHANGES IN FUND BALANCES	136,460	13,963	2	58,756	(88,699)	-	-	-	(5,000)	-	115,482
FUND BALANCES - BEGINNING	847,838	223,178	26,800	38,365	100,960	77	55	1,228	63,453	31,555	1,333,509
FUND BALANCES - ENDING	\$ 984,298	\$ 237,141	\$ 26,802	\$ 97,121	\$ 12,261	\$ 77	\$ 55	\$ 1,228	\$ 58,453	\$ 31,555	\$ 1,448,991

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - utility fund

Year ended June 30, 2025

	<i>Electric</i> <i>Department</i>	<i>Water</i> <i>Department</i>	<i>Sewage</i> <i>Department</i>	<i>Total</i>
OPERATING REVENUES				
Charges for services:	\$ 8,944,224	\$ 1,070,652	\$ 1,301,587	\$ 11,316,463
Fine and forfeitures	102,512	-	-	102,512
Other	2,873	26,730	38,828	68,431
	<u>9,049,609</u>	<u>1,097,382</u>	<u>1,340,415</u>	<u>11,487,406</u>
OPERATING EXPENSES				
Personal services	1,019,531	441,703	306,226	1,767,460
Contractual services	72,471	16,994	147,971	237,436
Supplies	252,399	124,301	31,577	408,277
Energy charges	6,496,124	-	-	6,496,124
Utilities	12,938	53,071	160,099	226,108
Telephone	10,513	4,796	4,797	20,106
Maintenance	47,621	40,663	18,134	106,418
Franchise Fees	796,436	-	-	796,436
Other expense	50,107	25,188	30,312	105,607
Depreciation	537,896	177,098	284,314	999,308
	<u>9,296,036</u>	<u>883,814</u>	<u>983,430</u>	<u>11,163,280</u>
	<u>(246,427)</u>	<u>213,568</u>	<u>356,985</u>	<u>324,126</u>
OPERATING INCOME (LOSS)				
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	170,039	170,039
Local community stabilization	25,985	-	170,319	196,304
State grants	-	14,600	-	14,600
Interest expense	-	-	(30,032)	(30,032)
	<u>25,985</u>	<u>14,600</u>	<u>310,326</u>	<u>350,911</u>
	<u>(220,442)</u>	<u>228,168</u>	<u>667,311</u>	<u>675,037</u>
INCOME (LOSS) BEFORE TRANSFERS				
TRANSFERS				
Transfers out	(14,138)	-	-	(14,138)
	<u>(14,138)</u>	<u>-</u>	<u>-</u>	<u>(14,138)</u>
	<u>(234,580)</u>	<u>228,168</u>	<u>667,311</u>	<u>660,899</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS				
CAPITAL GRANTS	<u>-</u>	<u>1,692,855</u>	<u>1,039,847</u>	<u>2,732,702</u>
CHANGES IN NET POSITION	<u>\$ (234,580)</u>	<u>\$ 1,921,023</u>	<u>\$ 1,707,158</u>	<u>\$ 3,393,601</u>

STATEMENT OF NET POSITION - internal service funds

June 30, 2025

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash and investments	\$ 348,066	\$ 264,629	\$ 612,695
Noncurrent assets:			
Capital assets, net of accumulated depreciation	-	1,012,271	1,012,271
Total assets	<u>348,066</u>	<u>1,276,900</u>	<u>1,624,966</u>
LIABILITIES			
Current liabilities:			
Current portion of long-term debt	-	51,480	51,480
Noncurrent liabilities:			
Noncurrent portion of long-term debt	-	238,209	238,209
Total liabilities	<u>-</u>	<u>289,689</u>	<u>289,689</u>
NET POSITION			
Net investment in capital assets	-	722,582	722,582
Unrestricted	<u>348,066</u>	<u>264,629</u>	<u>612,695</u>
Total net position	<u>\$ 348,066</u>	<u>\$ 987,211</u>	<u>\$ 1,335,277</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - internal service funds

Year ended June 30, 2025

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
OPERATING REVENUES			
Contributions	\$ 23,268	\$ -	\$ 23,268
OPERATING EXPENSES			
Other expense	17,125	34,147	51,272
Depreciation	-	183,536	183,536
Total operating expenses	17,125	217,683	234,808
OPERATING INCOME (LOSS)	6,143	(217,683)	(211,540)
NONOPERATING REVENUES (EXPENSES)			
Insurance proceeds	-	4,231	4,231
Gain on asset sale	-	72,286	72,286
Interest expense	-	(43,538)	(43,538)
INCOME (LOSS) BEFORE TRANSFERS	6,143	(184,704)	(178,561)
TRANSFERS			
Transfers in	-	132,247	132,247
CHANGES IN NET POSITION	6,143	(52,457)	(46,314)
NET POSITION - BEGINNING	341,923	1,039,668	1,381,591
NET POSITION - ENDING	\$ 348,066	\$ 987,211	\$ 1,335,277

STATEMENT OF CASH FLOWS - internal service funds

Year ended June 30, 2025

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from contributions	\$ 23,268	\$ -	\$ 23,268
Cash paid for employee benefits	(17,125)	-	(17,125)
Cash paid to suppliers	-	(34,147)	(34,147)
Net cash provided by (used in) operating activities	<u>6,143</u>	<u>(34,147)</u>	<u>(28,004)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	<u>132,247</u>	<u>132,247</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Insurance proceeds	-	4,231	4,231
Proceeds from sale of assets	-	72,286	72,286
Payment on capital lease	-	(49,667)	(49,667)
Interest paid	-	(43,538)	(43,538)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(16,688)</u>	<u>(16,688)</u>
NET CHANGE IN CASH	<u>6,143</u>	<u>81,412</u>	<u>87,555</u>
CASH - BEGINNING	<u>341,923</u>	<u>183,217</u>	<u>525,140</u>
CASH - ENDING	<u>\$ 348,066</u>	<u>\$ 264,629</u>	<u>\$ 612,695</u>

STATEMENT OF CASH FLOWS - internal service funds (Continued)

Year ended June 30, 2025

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 6,143	\$ (217,683)	\$ (211,540)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	183,536	183,536
Net cash provided by (used in) operating activities	<u>\$ 6,143</u>	<u>\$ (34,147)</u>	<u>\$ (28,004)</u>
Noncash transactions			
Increase in capital assets	\$ -	\$ (47,853)	\$ (47,853)
Increase in installment purchase agreement	-	47,853	47,853
Net cash provided by (used in)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BALANCE SHEET - component units

June 30, 2025

	<i>Downtown Development Authority</i>	<i>LDFA Island Industrial Park</i>
ASSETS		
Cash	\$ 28,615	\$ 910,750
Receivables	<u>29,106</u>	<u>60,743</u>
Total assets	<u>\$ 57,721</u>	<u>\$ 971,493</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payables	<u>\$ 2,697</u>	<u>\$ 761</u>
Fund balance - unrestricted	<u>55,024</u>	<u>970,732</u>
Total liabilities and fund balance	<u>\$ 57,721</u>	<u>\$ 971,493</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balance	\$ 55,024	\$ 970,732
Amounts reported for the <i>component unit</i> in the statement of net position (above) are different because:		
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	705,740	1,420,079
Interest payable is not due and payable in the current period and, therefore, is not reported in the fund.	(833)	(1,302)
Deferred outflows of resources, related to net pension liability	-	12,221
Deferred outflows of resources, related to net OPEB liability	-	8,924
Deferred outflows of resources, related to bond refunding		40,916
Deferred inflows of resources, related to net pension liability	-	(3,202)
Deferred inflows of resources, related to net OPEB liability	-	(11,535)
Net pension liability	-	(92,809)
Net OPEB liability	-	(18,606)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund.	<u>(200,000)</u>	<u>(660,000)</u>
Net position of the <i>component unit</i>	<u>\$ 559,931</u>	<u>\$ 1,665,418</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - component units

Year ended June 30, 2025

	Downtown Development Authority	LDFA Island Industrial Park
REVENUES		
Tax increment financing	\$ 102,591	\$ 102,595
EXPENDITURES		
Current:		
Community and economic development	65,485	63,780
Debt service:		
Principal	45,000	215,000
Interest	800	20,243
	<u>111,285</u>	<u>299,023</u>
Total expenditures		
	<u>111,285</u>	<u>299,023</u>
NET CHANGE IN FUND BALANCE	(8,694)	(196,428)
FUND BALANCE - BEGINNING	<u>63,718</u>	<u>1,167,160</u>
FUND BALANCE - ENDING	<u>\$ 55,024</u>	<u>\$ 970,732</u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net change in fund balance - component units (above)	\$ (8,694)	\$ (196,428)
Capital assets:		
Provision for depreciation	(8,347)	(80,459)
Long-term debt:		
Principal payments	45,000	215,000
Changes in other liabilities:		
Net decrease in net OPEB liabilities	-	683
Net (increase) decrease in interest payable	(16)	385
Net decrease in net pension liability	-	26,339
Changes in deferred outflows of resources and deferred inflows of resources:		
Net decrease in deferred outflows of resources related to OPEB	-	(2,711)
Net decrease in deferred inflows of resources related to OPEB	-	4,160
Net decrease in deferred outflows of resources related to pension	-	(5,329)
Net increase in deferred inflows of resources related to pension	-	(1,385)
Net decrease in deferred outflows of resources related to bond refunding	<u>-</u>	<u>(13,637)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 27,943</u>	<u>\$ (53,382)</u>

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 104,670	\$ 104,670	\$ 102,591	\$ (2,079)
EXPENDITURES				
Community and economic development	95,318	95,318	65,485	29,833
Debt service:				
Principal	45,000	45,000	45,000	-
Interest	800	800	800	-
Total expenditures	<u>141,118</u>	<u>141,118</u>	<u>111,285</u>	<u>29,833</u>
NET CHANGES IN FUND BALANCES	(36,448)	(36,448)	(8,694)	27,754
FUND BALANCES - BEGINNING	<u>63,718</u>	<u>63,718</u>	<u>63,718</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 27,270</u>	<u>\$ 27,270</u>	<u>\$ 55,024</u>	<u>\$ 27,754</u>

BUDGETARY COMPARISON SCHEDULE - LDFA Island Industrial Park

Year ended June 30, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Tax increment financing	\$ 98,500	\$ 98,500	\$ 102,595	\$ 4,095
State grant	-	-	-	-
Interest	7,500	7,500	-	(7,500)
Total revenues	<u>106,000</u>	<u>106,000</u>	<u>102,595</u>	<u>(3,405)</u>
EXPENDITURES				
Community and economic development	94,465	94,465	63,780	30,685
Debt service:				
Principal	210,000	210,000	215,000	(5,000)
Interest	24,548	24,548	20,243	4,305
Total expenditures	<u>329,013</u>	<u>329,013</u>	<u>299,023</u>	<u>29,990</u>
NET CHANGES IN FUND BALANCES	(223,013)	(223,013)	(196,428)	26,585
FUND BALANCES - BEGINNING	<u>1,167,160</u>	<u>1,167,160</u>	<u>1,167,160</u>	-
FUND BALANCES - ENDING	<u>\$ 944,147</u>	<u>\$ 944,147</u>	<u>\$ 970,732</u>	<u>\$ 26,585</u>