
City of Southfield, Michigan

**Financial Report
with Supplementary Information
June 30, 2024**

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Independent Auditor's Report

To the Mayor and City Council
City of Southfield, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan (the "City") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the City of Southfield, Michigan's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan as of June 30, 2024 and the respective changes in its financial position and, where applicable, its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1 to the financial statements, certain errors were identified during the current year that related to previous periods. Accordingly, the June 30, 2023 financial statements have been restated and an adjustment has been made to net position as of June 30, 2023 to correct the errors. Our opinion is not modified with respect to this matter.

As explained in Note 2, the financial statements include investments valued at \$128,282,192 (28 percent of net assets of the pension and other postemployment benefits trust funds) at June 30, 2024, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment managers, general partners, financial advisors, and other means. Our opinion is not modified with respect to this matter.

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.

To the Mayor and City Council
City of Southfield, Michigan

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the Mayor and City Council
City of Southfield, Michigan

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025 on our consideration of the City of Southfield, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Southfield, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Southfield, Michigan's internal control over financial reporting and compliance.



February 26, 2025

As management of the City of Southfield, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2024. This analysis should be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- Government-wide net position (excluding component units) increased by \$46.7 million from \$207.8 million to \$254.5 million
- Governmental activities net position increased \$33.0 million to \$103.8 million
- Business-type activities net position increased by \$13.7 million to \$150.7 million
- At June 30, 2024, the City's governmental funds reported a combined ending fund balance of \$117.5 million with \$4.2 million nonspendable, \$54.3 million restricted, 28.9 million committed, \$11.4 million assigned and the remaining \$18.7 million unassigned.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component units for which the City appoints a majority of the organizations policy board and for which the City is financially accountable. Eight discretely presented component units are included: the Local development finance authority, the Tax increment finance authority, the Economic development corporation, the Downtown development authority, the Brownfield re-development authority, Joint-local development finance authority, Section 8 housing commission and the Southfield growth corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority and Library Building Authority, although also legally separate, function for all practical purposes as departments of the City and, therefore, have been included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.
- **Proprietary funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewage disposal activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its employee related health care, maintenance of facilities, city-wide equipment purchases, retained risks and for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include the pension and other postemployment benefit trust funds and agency funds.

Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information on pensions and OPEB.

Government-wide Overall Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$254.5 million at the close of the most recent fiscal year.

City of Southfield, Michigan

Management's Discussion and Analysis (Continued)

City's Net Position

| Net Position | | | | | | |
|----------------------------------|------------------------------------|----------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| June 30, 2024 | | | | | | |
| (in millions of dollars) | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| ASSETS | | | | | | |
| Current and other assets | \$ 176.9 | \$ 183.8 | \$ 88.9 | \$ 83.1 | \$ 265.8 | \$ 266.9 |
| Capital assets | 182.2 | 171.7 | 155.8 | 139.6 | 338.0 | 311.3 |
| Other long term assets | 0.8 | 0.5 | | | 0.8 | 0.5 |
| Total assets | <u>359.9</u> | <u>356.0</u> | <u>244.7</u> | <u>222.7</u> | <u>604.6</u> | <u>578.7</u> |
| Deferred outflows | 11.4 | 16.5 | 0.3 | 0.3 | 11.7 | 16.8 |
| LIABILITIES | | | | | | |
| Current liabilities | 19.7 | 15.4 | 5.9 | 3.1 | 25.6 | 18.5 |
| Other liabilities | 236.0 | 283.0 | 87.9 | 82.8 | 323.9 | 365.8 |
| Total liabilities | <u>255.7</u> | <u>298.4</u> | <u>93.8</u> | <u>85.9</u> | <u>349.5</u> | <u>384.3</u> |
| Deferred Inflow | 11.8 | 3.3 | 0.5 | 0.1 | 12.3 | 3.4 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 128.4 | 112.6 | 94.3 | 90.5 | 222.7 | 203.1 |
| Restricted | 47.8 | 46.1 | | | 47.8 | 46.1 |
| Unrestricted | (72.4) | (87.9) | 56.4 | 46.5 | (16.0) | (41.4) |
| Total Net Position | <u>\$ 103.8</u> | <u>\$ 70.8</u> | <u>\$ 150.7</u> | <u>\$ 137.0</u> * | <u>\$ 254.5</u> | <u>\$ 207.8</u> * |

*As restated, see Note 1 to the financial statements

As noted previously, Government-wide net position (excluding component units) increased by \$46.7 million from \$207.8 million to \$254.5 million over the course of this fiscal year. The net position of the governmental activities increased by \$33.0 million and the net position of the business-type activities increased by \$13.7 million.

City's Changes in Net Position

**Changes in Net Position
for the fiscal year ending June 30, 2024**
(in millions of dollars)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|----------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 16.9 | \$ 17.1 | \$ 49.1 | \$ 51.1 | \$ 66.0 | \$ 68.2 |
| Grants and contributions | 18.3 | 26.9 | 3.0 | 1.0 | 21.3 | 27.9 |
| General revenues | | | | | | |
| Property taxes | 85.1 | 79.3 | | | 85.1 | 79.3 |
| Unrestricted state shared | 11.4 | 11.1 | | | 11.4 | 11.1 |
| Unrestricted investment earnings (loss) | 8.5 | 2.7 | 3.6 | 2.4 | 12.1 | 5.1 |
| Other | 5.3 | 4.0 | | | 5.3 | 4.0 |
| Total revenues | <u>145.5</u> | <u>141.1</u> | <u>55.7</u> | <u>54.5</u> | <u>201.2</u> | <u>195.6</u> |
| EXPENSES | | | | | | |
| General government | 20.3 | \$ 19.3 | | | 20.3 | 19.3 |
| Public safety | 52.3 | 58.0 | | | 52.3 | 58.0 |
| Public works | 21.0 | 21.4 | | | 21.0 | 21.4 |
| Social services | 2.2 | 2.4 | | | 2.2 | 2.4 |
| Community improvements and economic development | 2.3 | 2.9 | | | 2.3 | 2.9 |
| Recreation and culture | 12.1 | 12.4 | | | 12.1 | 12.4 |
| Interest on long term debt | 2.3 | 2.6 | | | 2.3 | 2.6 |
| Water and sewer | | | 42.0 | \$ 43.5 | 42.0 | 43.5 |
| Total expenses | <u>112.5</u> | <u>119.0</u> | <u>42.0</u> | <u>43.5</u> | <u>154.5</u> | <u>162.5</u> |
| Excess (deficiency) | 33.0 | 22.1 | 13.7 | 11.0 | 46.7 | 33.1 |
| Increase (decrease) in net position | 33.0 | 22.1 | 13.7 | 11.0 | 46.7 | 33.1 |
| Beginning net position | 70.8 | 48.7 | 137.0 * | 126.0 * | 207.8 | 174.7 |
| Ending net position | <u>\$ 103.8</u> | <u>\$ 70.8</u> | <u>\$ 150.7</u> | <u>\$ 137.0</u> | <u>\$ 254.5</u> | <u>\$ 207.8</u> |

*As restated, see Note 1 to the financial statements

The result of 2024 fiscal year's governmental activity was an increase of \$33.0 million and an ending net position balance of \$103.8 million. Of this total, \$128.4 million is the net investment in capital assets, \$47.8 million is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the government. The balance of \$(72.4) million is listed as unrestricted, having no legal commitment.

Revenues generated by governmental activities increased \$4.4 million over the prior year primarily due to a \$5.8 million increase in property taxes and a \$5.8 million increase in unrestricted investment earnings offset by a reduction of \$8.6 million in grants and contributions. Property taxes generated \$85.1 million and represents 58.5% of all available sources of revenue of governmental activities. Grants and contributions are the second largest source of governmental activity revenue at \$18.3 million and represent 12.6% of all available sources of revenue of governmental activities. Charges for services are the third largest source of governmental activity revenues at \$16.9 million, a decrease of \$0.2 million, and represent 11.6% of all available sources of revenue of governmental activities. Unrestricted state shared revenues, which are constitutionally and statutorily provided by the State of Michigan, represented 7.8% increasing \$0.3 million to \$11.4 million. Unrestricted investment earnings increased substantially from \$2.7 million to \$8.5 million and represent 5.8% of revenue of governmental activities. These five categories comprise 96.4% of total governmental activities revenue.

Governmental activity expenses for the fiscal year decreased by \$6.5 million, primarily attributable to a \$5.7 million decrease in public safety. Public safety continues to be the largest governmental activity expense at \$52.3 million which comprises 46.5% of total expenses of \$112.5 million. Public works is the second largest expense at \$21.0 million or 18.7% of total expenses. General government is the third largest expense category at \$20.3 million or 18.0% of total expenses. Recreation and culture decreased by \$0.3 million to \$12.1 million or 10.8% of total expenses. These four categories comprise 94.0% of total governmental activities expenses.

Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Council or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council. Below is a comparison of the fund balances of governmental funds by type of constraint:

| | 2021 | 2022 | 2023 | 2024 | Change | Percent Change |
|--------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------|
| Nonspendable | \$15,587,876 | \$3,971,386 | \$3,426,470 | \$4,246,852 | \$820,382 | 0.2 |
| Restricted | 60,639,127 | 56,526,577 | 57,261,147 | \$54,319,737 | (2,941,410) | (0.1) |
| Committed | 39,242,532 | 38,418,174 | 36,398,600 | \$28,920,495 | (7,478,105) | (0.2) |
| Assigned | 11,732,695 | 15,858,205 | 14,802,113 | \$11,374,499 | (3,427,614) | (0.2) |
| Unassigned | <u>17,871,307</u> | <u>16,074,444</u> | <u>17,947,770</u> | <u>\$18,725,175</u> | <u>777,405</u> | 0.0 |
| Total fund balance | <u>\$145,073,537</u> | <u>\$130,848,786</u> | <u>\$129,836,100</u> | <u>\$117,586,758</u> | <u>(\$12,249,342)</u> | (0.1) |

The fiscal year 2024 governmental funds combined ending fund balance decreased by \$12.2 million from \$129.8 to \$117.6 million. This combined decrease is made up of a decrease of \$5.9 million in the General Fund and a decrease of \$6.3 million spread out among the various other governmental funds. Within these governmental funds, the General Fund is the most significant to understanding the City's financial activities. In addition, the Water and Sewer Fund is a significant enterprise activity for the City. A brief analysis of each of those funds is presented below:

General Fund

| | 2022 | 2023 | 2024 | Change | Percent Change |
|--------------------|---------------------|---------------------|---------------------|----------------------|----------------|
| Nonspendable | \$1,145,575 | \$1,317,595 | \$1,641,343 | \$323,748 | 0.2 |
| Restricted | 2,014,641 | 1,455,341 | 1,662,724 | 207,383 | 0.1 |
| Committed | 37,962,517 | 35,547,484 | 28,059,286 | (7,488,198) | (0.2) |
| Assigned | 1,631,653 | 3,012,268 | 3,330,221 | 317,953 | 0.1 |
| Unassigned | <u>16,074,444</u> | <u>17,947,770</u> | <u>18,725,175</u> | <u>777,405</u> | 0.0 |
| Total fund balance | <u>\$58,828,830</u> | <u>\$59,280,458</u> | <u>\$53,418,749</u> | <u>(\$5,861,709)</u> | (0.1) |

The General Fund is the central operating fund of the City of Southfield. Unless otherwise required by statute, contractual agreement or policy, all revenues and expenditures are recorded in the General Fund. As of June 30, 2024, the General Fund reported a fund balance of \$53.4 million. This amount is a decrease of \$5.9 million from the prior June 30. Of the total fund balance, \$1.6 million is non-spendable, \$1.7 million is restricted, \$28.1 million is committed and \$22.1 million is allocated between assigned or unassigned.

General Fund Budgetary Highlights

The General Fund revenue budget was amended and increased from the originally adopted budget of \$93.5 million by approximately \$56,000 to \$93.55 million related to recognition of local grants and additional charges for services. General Fund revenue totaled \$93.6 million exceeding budget expectations by just under \$100,000. Revenue shortfalls across several categories were offset by increases in user fees and investment earnings.

The General Fund expenditure budget was increased for several purposes during fiscal year 2024 including prior year encumbrances to a final budget of \$103.5 million. Actual expenditures for fiscal year 2024 were \$98.9 million which was \$4.6 million below budget. The largest variances from budgeted amounts related to increases in expenditures for Police and Fire personnel and sanitation. The Police department exceeded budgetary amounts driven by personnel costs and related benefits. During the year, the City entered into a collective bargaining agreement with the Southfield Fire Fighters. This resulted in an expenditure variance of \$3.4 million in Fire. The sanitation variance is the result of increased severe weather activity during the year, which led to increased expenditures related to brush pickup. Additional variances from the amended budget are discussed in the notes to required supplementary information.

In summary, the fiscal year 2024 General Fund amended budget anticipated using \$10.2 million of the prior year's fund balance. The actual net change in fund balance was a decrease of \$5.9 million.

Water & Sewer Fund

| | 2022 | 2023 As Restated | 2024 | Change | Percent Change |
|----------------------------------|----------------------|----------------------|----------------------|---------------------|----------------|
| Net investment in capital assets | \$103,825,482 | \$90,594,305 | \$94,338,830 | \$3,744,525 | 0.0 |
| Unrestricted | <u>34,293,066</u> | <u>46,500,905</u> | <u>56,438,711</u> | <u>9,937,806</u> | 0.2 |
| Total net position | <u>\$138,118,548</u> | <u>\$137,095,210</u> | <u>\$150,777,541</u> | <u>\$13,682,331</u> | 0.1 |

Total net position of the Water & Sewer fund increased by \$13.7 million during the year. Of the total \$150.7 million of net position in the business-type activities, \$56.4 million is reported as unrestricted. Overall, charges for services decreased by \$2.0 million, grants and contributions increased by \$2.0 million, unrestricted investment earnings increased by \$1.2 million and total expenses decreased by \$1.5 million.

Capital Assets and Debt Administration

Capital Assets – At the end of fiscal year 2024, the City of Southfield and its component units had invested \$338.3 million net of accumulated depreciation, in a broad range of capital assets. This reflects an increase of \$14.7 million from 2023. Refer to Note 7 for additional capital asset information.

Long Term Debt – At the end of fiscal year 2024, the City of Southfield had \$62.9 million and \$81.5 million in bonds outstanding in the governmental and business-type activities, respectively. This reflects a combined decrease of \$4.0 million from 2023 comprised of a \$9.9 million decrease in governmental activities and a net increase of \$5.9 million in business-type activities. A more detailed depiction of the City’s long-term debt obligations is presented in Note 8 to the financial statements.

The City’s statutorily authorized debt limit, excluding revenue, emergency, and special assessment bonds is \$465.9 million. The City is \$325.6 million below this authorized debt limit.

Economic Factors and Next Year's Budgets and Rates

The City of Southfield continues to recover from the 2008-2009 recession, generally regarded as the most severe economic contraction in more than 70 years. Property taxable values remain below their pre-recession peaks which impact the growth of property tax revenue. Property taxes are the primary source of unrestricted revenue for the City. While property values in the City have been trending upward, property tax growth is limited to the rate of inflation or 5% as a result of the Headlee Amendment and Proposal A.

The Coronavirus pandemic and subsequent recovery has had a significant negative impact on employment across the nation but we have seen recoveries over the past two years. In the City of Southfield, unemployment has typically followed the state and county trends but has been slightly higher than the county as a whole. As of October 2024, unemployment in Oakland County and in the City of Southfield was 3.8 percent and 5.4 percent, respectively. The economic development plan in the City includes strategies to address unemployment of its residents.

The economic outlook is cautiously optimistic as the City works to maintain fiscal stability and growth. Overall, the City’s current and most recent budgets emphasize cost containment and, when feasible, maintenance of existing service levels. The City will continue to be conservative in its fiscal and spending policies with the goal to ensure expenditures stay in line with anticipated revenue sources to meet our resident’s needs.

Requests for Further Information

This financial report is intended to provide a general overview of the City’s finances and demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional information, please contact City of Southfield Fiscal Services Group, at (248) 796-5260. This report, City budgets, and other financial information are available on the City’s website at www.cityofsouthfield.com.

June 30, 2024

| | Primary Government | | | Component Units |
|--|-------------------------|--------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 2) | \$ 137,704,668 | \$ 50,766,055 | \$ 188,470,723 | \$ 21,767,555 |
| Receivables (Note 4) | 22,884,911 | 17,864,713 | 40,749,624 | 63,836 |
| Advances to component units | 1,707,950 | - | 1,707,950 | - |
| Long-term advances from component units | - | - | - | 48,466 |
| Inventory | 810,899 | 206,313 | 1,017,212 | - |
| Prepaid expenses and other assets | 3,113,034 | 36,338 | 3,149,372 | 181,274 |
| Restricted assets (Note 3) | 10,650,300 | 19,990,022 | 30,640,322 | - |
| Capital assets: (Note 7) | | | | |
| Assets not subject to depreciation | 22,243,644 | 14,364,234 | 36,607,878 | - |
| Assets subject to depreciation - Net | 160,013,192 | 141,495,267 | 301,508,459 | 154,343 |
| Long-term receivables | 777,705 | - | 777,705 | - |
| Total assets | 359,906,303 | 244,722,942 | 604,629,245 | 22,215,474 |
| Deferred Outflows of Resources (Note 5) | 11,413,663 | 335,743 | 11,749,406 | - |
| Liabilities | | | | |
| Accounts payable | 7,001,504 | 5,263,997 | 12,265,501 | 1,619,413 |
| Advances from primary government | 48,466 | - | 48,466 | 1,707,950 |
| Due to other governmental units | - | - | - | 1,443,783 |
| Deposits and escrow | 6,815,149 | - | 6,815,149 | - |
| Accrued liabilities and other | 4,553,912 | 601,919 | 5,155,831 | 16,017 |
| Provision for property tax refunds | 258,596 | - | 258,596 | 7,276 |
| Unearned revenue | 1,008,817 | - | 1,008,817 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences (Note 8) | 4,744,896 | 155,653 | 4,900,549 | 488 |
| Current portion of bonds, leases, and subscriptions payable (Note 8) | 7,745,961 | 3,317,159 | 11,063,120 | 15,868 |
| Due in more than one year: | | | | |
| Compensated absences (Note 8) | 7,173,577 | 235,324 | 7,408,901 | 732 |
| Provision for claims (Note 16) | 3,813,409 | - | 3,813,409 | - |
| Due to other governmental units | - | 172,936 | 172,936 | - |
| Net pension liability (Note 11) | 154,179,233 | 4,593,589 | 158,772,822 | - |
| Net OPEB liability (Note 12) | 2,397,249 | 479,824 | 2,877,073 | - |
| Bonds, leases, and subscriptions payable - Net of current portion (Note 8) | 55,459,083 | 78,193,534 | 133,652,617 | 40,953 |
| Payable from restricted assets | 529,981 | 779,415 | 1,309,396 | - |
| Total liabilities | 255,729,833 | 93,793,350 | 349,523,183 | 4,852,480 |
| Deferred Inflows of Resources (Note 5) | 11,798,954 | 487,794 | 12,286,748 | - |
| Net Position | | | | |
| Net investment in capital assets | 128,420,450 | 94,338,830 | 222,759,280 | 97,522 |
| Restricted: | | | | |
| Streets and highways | 19,164,575 | - | 19,164,575 | - |
| Debt service | 3,710,950 | - | 3,710,950 | - |
| Capital projects | 885,424 | - | 885,424 | - |
| Public safety | 1,568,183 | - | 1,568,183 | - |
| Right of way, metro authority, and sanitation | 1,662,724 | - | 1,662,724 | - |
| Cable PEG fees | 499,013 | - | 499,013 | - |
| Culture and recreation | 17,689,008 | - | 17,689,008 | - |
| Community improvement | 1,285,616 | - | 1,285,616 | - |
| Social services | 53,312 | - | 53,312 | - |
| Grants (other) | 208,441 | - | 208,441 | - |
| Claims | 1,022,708 | - | 1,022,708 | - |
| Unrestricted | (72,379,225) | 56,438,711 | (15,940,514) | 17,265,472 |
| Total net position | \$ 103,791,179 | \$ 150,777,541 | \$ 254,568,720 | \$ 17,362,994 |

City of Southfield, Michigan

| | Program Revenue | | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 20,285,165 | \$ 1,856,963 | \$ 85,492 | \$ - |
| Public safety | 52,272,734 | 9,453,090 | 1,121,747 | - |
| Public works | 20,959,572 | 3,418,419 | 10,822,098 | 2,025,311 |
| Social services | 2,161,054 | - | 3,303,323 | - |
| Community improvements and economic development | 2,320,335 | - | - | 786,650 |
| Recreation and culture | 12,115,066 | 2,202,980 | 171,491 | - |
| Interest on long-term debt | 2,319,010 | - | - | - |
| Total governmental activities | 112,432,936 | 16,931,452 | 15,504,151 | 2,811,961 |
| Business-type activities - Water and Sewer | 42,029,171 | 49,114,737 | - | 2,967,168 |
| Total primary government | <u>\$ 154,462,107</u> | <u>\$ 66,046,189</u> | <u>\$ 15,504,151</u> | <u>\$ 5,779,129</u> |
| Component units | <u>\$ 11,556,817</u> | <u>\$ -</u> | <u>\$ 9,275,170</u> | <u>\$ -</u> |

General revenue:

- Property taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Cable franchise fees
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year, as previously reported

Error Correction

Net Position - Beginning of year, as restated (Note 1)

Net Position - End of year

Statement of Activities

Year Ended June 30, 2024

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|----------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (18,342,710) | \$ - | \$ (18,342,710) | \$ - |
| (41,697,897) | - | (41,697,897) | - |
| (4,693,744) | - | (4,693,744) | - |
| 1,142,269 | - | 1,142,269 | - |
| (1,533,685) | - | (1,533,685) | - |
| (9,740,595) | - | (9,740,595) | - |
| (2,319,010) | - | (2,319,010) | - |
| (77,185,372) | - | (77,185,372) | - |
| - | 10,052,734 | 10,052,734 | - |
| (77,185,372) | 10,052,734 | (67,132,638) | - |
| - | - | - | (2,281,647) |
| 85,067,517 | - | 85,067,517 | 2,681,983 |
| 11,362,085 | - | 11,362,085 | - |
| 8,467,725 | 3,629,597 | 12,097,322 | 714,027 |
| 547,554 | - | 547,554 | - |
| 4,756,139 | - | 4,756,139 | 98,723 |
| 110,201,020 | 3,629,597 | 113,830,617 | 3,494,733 |
| 33,015,648 | 13,682,331 | 46,697,979 | 1,213,086 |
| 70,775,531 | 149,075,102 | 219,850,633 | 16,149,908 |
| - | (11,979,892) | (11,979,892) | - |
| 70,775,531 | 137,095,210 | 207,870,741 | 16,149,908 |
| \$ 103,791,179 | \$ 150,777,541 | \$ 254,568,720 | \$ 17,362,994 |

Governmental Funds
Balance Sheet

June 30, 2024

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash and investments (Note 2) | \$ 60,259,429 | \$ 56,975,797 | \$ 117,235,226 |
| Receivables (Note 4) | 5,656,882 | 3,733,848 | 9,390,730 |
| Advances to component units (Note 6) | 306,564 | 1,401,386 | 1,707,950 |
| Due from other funds (Note 6) | 1,046,376 | 4,155,511 | 5,201,887 |
| Advances to other funds (Note 6) | - | 652,783 | 652,783 |
| Inventory | 266,286 | - | 266,286 |
| Prepaid expenses and other assets | 597,352 | 551,340 | 1,148,692 |
| Restricted assets (Note 3) | - | 9,627,592 | 9,627,592 |
| Long-term receivables | 777,705 | - | 777,705 |
| | <u>\$ 68,910,594</u> | <u>\$ 77,098,257</u> | <u>\$ 146,008,851</u> |
| Total assets | | | |
| Liabilities | | | |
| Accounts payable | \$ 1,617,227 | \$ 4,630,442 | \$ 6,247,669 |
| Advances from primary government | - | 48,466 | 48,466 |
| Due to other funds (Note 6) | 3,403 | 5,198,484 | 5,201,887 |
| Advances from other funds (Note 6) | 272,185 | 380,598 | 652,783 |
| Deposits and escrow | 6,815,149 | - | 6,815,149 |
| Accrued liabilities and other | 3,621,615 | 444,174 | 4,065,789 |
| Provision for property tax refunds | 176,864 | 74,544 | 251,408 |
| Unearned revenue | - | 1,008,817 | 1,008,817 |
| Payable from restricted assets | - | 529,981 | 529,981 |
| | <u>12,506,443</u> | <u>12,315,506</u> | <u>24,821,949</u> |
| Total liabilities | | | |
| Deferred Inflows of Resources (Note 5) | <u>2,985,402</u> | <u>614,742</u> | <u>3,600,144</u> |
| Total liabilities and deferred inflows of resources | 15,491,845 | 12,930,248 | 28,422,093 |
| Fund Balances (Note 15) | | | |
| Nonspendable | 1,641,343 | 2,605,509 | 4,246,852 |
| Restricted | 1,662,724 | 52,657,013 | 54,319,737 |
| Committed | 28,059,286 | 861,209 | 28,920,495 |
| Assigned | 3,330,221 | 8,044,278 | 11,374,499 |
| Unassigned | 18,725,175 | - | 18,725,175 |
| | <u>53,418,749</u> | <u>64,168,009</u> | <u>117,586,758</u> |
| Total fund balances | | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 68,910,594</u> | <u>\$ 77,098,257</u> | <u>\$ 146,008,851</u> |

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

| | |
|--|-------------------------------------|
| Fund Balances Reported in Governmental Funds | \$ 117,586,758 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets are not financial resources and are not reported in the funds | 174,882,692 |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds | 2,438,168 |
| Bonds payable (net of deferred charges) and subscription leases are not due and payable in the current period and are not reported in the funds | (62,970,644) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (331,201) |
| Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities: | |
| Employee compensated absences | (11,543,540) |
| Pension benefits (net of deferrals) | (143,254,451) |
| Retiree health care benefits (net of deferrals) | (8,169,137) |
| Other long-term liabilities, such as the Michigan tax tribunal liability, do not present a current claim on current financial resources and are not reported as fund liabilities | (7,188) |
| Internal service funds are included as part of governmental activities | <u>35,159,722</u> |
| Net Position of Governmental Activities | <u><u>\$ 103,791,179</u></u> |

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

Year Ended June 30, 2024

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| Revenue | | | |
| Property taxes | \$ 58,554,677 | \$ 26,512,840 | \$ 85,067,517 |
| Special assessments | - | 811,961 | 811,961 |
| Intergovernmental: | | | |
| Federal grants | 144,432 | 3,501,283 | 3,645,715 |
| State sources | 11,703,785 | 13,360,244 | 25,064,029 |
| Local grants and contributions | 756,563 | - | 756,563 |
| Charges for services | 7,823,646 | 2,216,871 | 10,040,517 |
| Fines and forfeitures | 2,568,877 | 23,716 | 2,592,593 |
| Licenses and permits | 3,631,632 | 547,554 | 4,179,186 |
| Interest and rentals | 4,785,275 | 3,806,337 | 8,591,612 |
| Other revenue | 3,677,774 | 830,990 | 4,508,764 |
| | 93,646,661 | 51,611,796 | 145,258,457 |
| Expenditures | | | |
| Current services: | | | |
| General government | 18,861,368 | 397,284 | 19,258,652 |
| Public safety | 68,054,423 | 788,536 | 68,842,959 |
| Public works | 6,338,069 | 7,623,628 | 13,961,697 |
| Social services | - | 2,994,174 | 2,994,174 |
| Community improvements and economic development | 1,350,072 | 81,336 | 1,431,408 |
| Recreation and culture | - | 12,158,362 | 12,158,362 |
| Capital outlay and other related costs | 3,657,379 | 23,440,096 | 27,097,475 |
| Debt service: | | | |
| Principal retirement | 583,834 | 8,860,228 | 9,444,062 |
| Interest and fiscal charges | 17,086 | 2,301,924 | 2,319,010 |
| | 98,862,231 | 58,645,568 | 157,507,799 |
| Excess of Expenditures Over Revenue | (5,215,570) | (7,033,772) | (12,249,342) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 7,624,350 | 7,624,350 |
| Transfers out | (646,139) | (6,978,211) | (7,624,350) |
| | (646,139) | 646,139 | - |
| Net Change in Fund Balances | (5,861,709) | (6,387,633) | (12,249,342) |
| Fund Balances - Beginning of year | 59,280,458 | 70,555,642 | 129,836,100 |
| Fund Balances - End of year | \$ 53,418,749 | \$ 64,168,009 | \$ 117,586,758 |

Governmental Funds

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

Year Ended June 30, 2024

| | |
|--|------------------------------------|
| Net Change in Fund Balances Reported in Governmental Funds | \$ (12,249,342) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation: | |
| Capital outlay | 24,895,057 |
| Depreciation expense | (14,495,831) |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available | 318,751 |
| Repayment of bond principal (net of deferred charges) and subscription liabilities is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt and subscription liabilities) | 10,090,493 |
| Interest expense is recognized in the government-wide statements as it accrues | 55,245 |
| Some employee costs (pension, OPEB, and compensated absences, net of deferrals) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | 23,612,600 |
| Change in the Michigan tax tribunal liability do not use current financial resources are not reported as expenditures in the governmental funds | 45,420 |
| Internal service funds are included as part of governmental activities | <u>743,255</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 33,015,648</u></u> |

Proprietary Funds
Statement of Net Position

June 30, 2024

| | Enterprise Fund | Governmental Activities |
|--|-----------------------|--|
| | Water and Sewer | Proprietary - Internal Service Funds |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 192,905 | \$ 2,317,334 |
| Investments | 50,573,150 | 18,152,108 |
| Receivables (Note 4) | 17,864,713 | 13,494,181 |
| Due from other funds (Note 6) | - | 4,212 |
| Inventory | 206,313 | 544,613 |
| Prepaid expenses and other assets | 36,338 | 1,964,342 |
| Total current assets | 68,873,419 | 36,476,790 |
| Noncurrent assets: | | |
| Restricted assets (Note 3) | 19,990,022 | 1,022,708 |
| Capital assets: (Note 7) | | |
| Assets not subject to depreciation | 14,364,234 | 158,613 |
| Assets subject to depreciation - Net | 141,495,267 | 7,215,531 |
| Total noncurrent assets | 175,849,523 | 8,396,852 |
| Total assets | 244,722,942 | 44,873,642 |
| Deferred Outflows of Resources (Note 5) | 335,743 | 303,821 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 5,263,997 | 753,835 |
| Due to other funds | - | 4,212 |
| Accrued liabilities and other | 601,919 | 156,922 |
| Compensated absences (Note 8) | 155,653 | 149,266 |
| Current portion of bonds, leases, and subscriptions payable (Note 8) | 3,317,159 | - |
| Total current liabilities | 9,338,728 | 1,064,235 |
| Noncurrent liabilities: | | |
| Compensated absences (Note 8) | 235,324 | 225,667 |
| Provision for claims | - | 3,813,409 |
| Due to other governmental units (Note 6) | 172,936 | - |
| Net pension liability (Note 11) | 4,593,589 | 4,187,693 |
| Net OPEB liability (Note 12) | 479,824 | 310,716 |
| Bonds, leases, and subscriptions payable - Net of current portion (Note 8) | 78,193,534 | - |
| Payable from restricted assets | 779,415 | - |
| Total noncurrent liabilities | 84,454,622 | 8,537,485 |
| Total liabilities | 93,793,350 | 9,601,720 |
| Deferred Inflows of Resources (Note 5) | 487,794 | 416,021 |
| Net Position | | |
| Net investment in capital assets | 94,338,830 | 7,374,144 |
| Restricted for claims | - | 1,022,708 |
| Unrestricted | 56,438,711 | 26,762,870 |
| Total net position | \$ 150,777,541 | \$ 35,159,722 |

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

Year Ended June 30, 2024

| | Enterprise Fund | Governmental Activities |
|---|--------------------|--|
| | Water and Sewer | Proprietary - Internal Service Funds |
| Operating Revenue | | |
| Sale of water | \$ 19,019,016 | \$ - |
| Sewage disposal charges | 27,895,980 | - |
| Other sales to customers | 1,344,894 | - |
| Interest and penalty charges | 433,606 | - |
| Installation fees | 308,012 | - |
| Charges to other funds | - | 19,429,686 |
| Total operating revenue | 49,001,508 | 19,429,686 |
| Operating Expenses | | |
| Cost of water purchases | 7,364,250 | - |
| Cost of sewage treatment | 14,154,757 | - |
| Contract services | 4,593,216 | - |
| Cost of insurance claims | - | 9,813,786 |
| Other operating and maintenance costs | 3,252,887 | 2,734,695 |
| Billing and administrative costs | 1,837,592 | 2,610,590 |
| Service installation and meter reading | 1,235,827 | - |
| Repairs and maintenance | - | 1,843,233 |
| Operating supplies | - | 713,508 |
| Depreciation | 7,412,367 | 2,172,612 |
| Total operating expenses | 39,850,896 | 19,888,424 |
| Operating Income (Loss) | 9,150,612 | (458,738) |
| Nonoperating Revenue (Expense) | | |
| Investment income | 3,629,597 | 1,174,393 |
| Interest expense | (2,178,275) | - |
| State grant revenue | 113,229 | - |
| Other nonoperating general revenue | - | 27,600 |
| Total nonoperating revenue | 1,564,551 | 1,201,993 |
| Income - Before capital contributions | 10,715,163 | 743,255 |
| Capital Contributions - Lines donated by developers | 2,967,168 | - |
| Change in Net Position | 13,682,331 | 743,255 |
| Net Position - Beginning of year, as previously reported | 149,075,102 | 34,416,467 |
| Error Correction (Note 1) | (11,979,892) | - |
| Net Position - Beginning of year, as restated (Note 1) | 137,095,210 | 34,416,467 |
| Net Position - End of year | \$ 150,777,541 | \$ 35,159,722 |

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2024

| | Enterprise Fund | Governmental Activities |
|--|----------------------|--|
| | Water and Sewer | Proprietary - Internal Service Funds |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 49,217,904 | \$ - |
| Receipts from interfund services and reimbursements | - | 19,431,891 |
| Payments to suppliers | (23,461,478) | (15,726,125) |
| Payments to employees and fringes | (3,521,596) | (4,084,716) |
| Other receipts | - | 1,995,127 |
| Net cash and cash equivalents provided by operating activities | 22,234,830 | 1,616,177 |
| Cash Flows from Capital and Related Financing Activities | | |
| Issuance of bonds | 9,156,969 | - |
| Receipt of capital grants | 113,229 | - |
| Purchase of capital assets | (23,513,203) | (2,323,353) |
| Principal and interest paid on capital debt | (5,674,573) | - |
| Net cash and cash equivalents used in capital and related financing activities | (19,917,578) | (2,323,353) |
| Cash Flows from Investing Activities | | |
| Interest received on investments | 3,522,080 | 1,158,154 |
| Purchases of investments - Net of proceeds from sale and maturities of investment securities | (13,268,280) | (65,558) |
| Net cash and cash equivalents (used in) provided by investing activities | (9,746,200) | 1,092,596 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (7,428,948) | 385,420 |
| Cash and Cash Equivalents - Beginning of year | 27,611,875 | 2,954,622 |
| Cash and Cash Equivalents - End of year | \$ 20,182,927 | \$ 3,340,042 |
| Classification of Cash and Cash Equivalents | | |
| Cash and investments | \$ 192,905 | \$ 2,317,334 |
| Restricted cash | 19,990,022 | 1,022,708 |
| Total cash and cash equivalents | \$ 20,182,927 | \$ 3,340,042 |

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

Year Ended June 30, 2024

| | Enterprise Fund | Governmental Activities |
|---|----------------------|--|
| | Water and Sewer | Proprietary - Internal Service Funds |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | |
| Operating income (loss) | \$ 9,150,612 | \$ (458,738) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities: | | |
| Depreciation | 7,412,367 | 2,172,612 |
| Receivables | 216,396 | 248,562 |
| Due to and from other funds | - | 2,205 |
| Inventories | (35,184) | (42,533) |
| Prepaid and other assets | (36,338) | (563,325) |
| Accounts payable | 6,402,897 | (7,893) |
| Estimated claims liability | - | 417,749 |
| Net pension or OPEB liability | (1,381,574) | (436,256) |
| Deferrals related to pension or OPEB | 328,957 | 238,587 |
| Accrued and other liabilities | 176,697 | 45,207 |
| Total adjustments | 13,084,218 | 2,074,915 |
| Net cash and cash equivalents provided by operating activities | \$ 22,234,830 | \$ 1,616,177 |

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2024

| | Pension and Other Employment Benefit Trust Funds | Custodial Funds | Total Fiduciary Funds |
|---|--|-----------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents (Note 2) | \$ 151,140 | \$ 3,393,145 | \$ 3,544,285 |
| Investments: | | | |
| Debt securities (Note 2) | 88,484,007 | - | 88,484,007 |
| Equity securities (Note 2) | 334,149,640 | - | 334,149,640 |
| Other investments | 26,220,319 | - | 26,220,319 |
| Short-term investments (Note 2) | 18,698,715 | - | 18,698,715 |
| Securities lending (Note 2) | 22,554,207 | - | 22,554,207 |
| Receivables | 213,831 | - | 213,831 |
| Prepaid expenses and other assets | - | 14,284 | 14,284 |
| | 490,471,859 | 3,407,429 | 493,879,288 |
| Liabilities | | | |
| Due to primary government | 13,490,229 | - | 13,490,229 |
| Due to other governmental units | 4,000 | 3,407,429 | 3,411,429 |
| Accrued liabilities and other | 11,206 | - | 11,206 |
| Obligations under securities lending agreements | 22,554,207 | - | 22,554,207 |
| | 36,059,642 | 3,407,429 | 39,467,071 |
| Net Position | | | |
| Restricted: | | | |
| Pension | 327,665,549 | - | 327,665,549 |
| Postemployment benefits other than pension | 126,746,668 | - | 126,746,668 |
| | \$ 454,412,217 | \$ - | \$ 454,412,217 |

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

| | Pension and Other Employment Benefit Trust Funds | Custodial Funds | Total Fiduciary Funds |
|--|--|-----------------|--------------------------|
| Additions | | | |
| Investment income (loss): | | | |
| Interest and dividends | \$ 7,895,047 | \$ - | \$ 7,895,047 |
| Net increase in fair value of investments | 34,896,416 | - | 34,896,416 |
| Investment costs | (1,839,109) | - | (1,839,109) |
| Net investment income | 40,952,354 | - | 40,952,354 |
| Contributions: | | | |
| Employer | 28,584,894 | - | 28,584,894 |
| Plan members | 3,870,070 | - | 3,870,070 |
| Total contributions | 32,454,964 | - | 32,454,964 |
| Property tax collections for other governments | - | 105,863,905 | 105,863,905 |
| Other additions | - | 404,474 | 404,474 |
| District court collections | - | 1,389,995 | 1,389,995 |
| Total additions | 73,407,318 | 107,658,374 | 181,065,692 |
| Deductions | | | |
| Benefit payments | 44,035,783 | - | 44,035,783 |
| Refunds of contributions | (336,115) | - | (336,115) |
| Administrative expenses | 484,193 | - | 484,193 |
| Tax distributions to other governments | - | 106,268,379 | 106,268,379 |
| Other deductions | - | 1,370 | 1,370 |
| District court disbursements | - | 1,388,625 | 1,388,625 |
| Total deductions | 44,183,861 | 107,658,374 | 151,842,235 |
| Net Increase in Fiduciary Net Position | 29,223,457 | - | 29,223,457 |
| Net Position - Beginning of year | 425,188,760 | - | 425,188,760 |
| Net Position - End of year | \$ 454,412,217 | \$ - | \$ 454,412,217 |

City of Southfield, Michigan

| | Economic Development Corporation | Brownfield Redevelopment Authority | Joint-Local Development Finance Authority | Downtown Development Authority |
|--|--|--|--|--------------------------------------|
| Assets | | | | |
| Cash and investments | \$ 22,796 | \$ 6,784,404 | \$ 2,051,060 | \$ 1,209,980 |
| Receivables | 34 | 712 | 6,036 | 6,671 |
| Due from other funds | - | - | - | - |
| Prepaid expenses and other assets | - | - | - | - |
| Capital assets - Net | - | - | - | 154,343 |
| Total assets | 22,830 | 6,785,116 | 2,057,096 | 1,370,994 |
| Liabilities | | | | |
| Accounts payable | - | 1,359,200 | 230,559 | 2,593 |
| Advances from primary government | - | - | - | - |
| Due to other governmental units | - | - | - | - |
| Accrued liabilities and other | - | - | - | 7,198 |
| Provision for property tax refunds | - | - | - | 7,276 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences | - | - | - | 488 |
| Current portion of bonds, leases, and subscriptions payable | - | - | - | 15,868 |
| Due in more than one year - Compensated absences | - | - | - | 41,685 |
| Total liabilities | - | 1,359,200 | 230,559 | 75,108 |
| Net Position | | | | |
| Net investment in capital assets | - | - | - | 97,522 |
| Unrestricted | 22,830 | 5,425,916 | 1,826,537 | 1,198,364 |
| Total net position | <u>\$ 22,830</u> | <u>\$ 5,425,916</u> | <u>\$ 1,826,537</u> | <u>\$ 1,295,886</u> |

Component Units
Statement of Net Position

June 30, 2024

| Tax Increment Finance Authority | Local Development Finance Authority | Section 8 Housing Commission | Southfield Growth Corporation | Total |
|---------------------------------------|--|------------------------------------|-------------------------------------|----------------------|
| \$ 6,213,250 | \$ 4,956,636 | \$ 174,482 | \$ 354,947 | \$ 21,767,555 |
| 11,257 | 39,126 | - | - | 63,836 |
| - | - | - | 48,466 | 48,466 |
| - | - | 166,274 | 15,000 | 181,274 |
| - | - | - | - | 154,343 |
| 6,224,507 | 4,995,762 | 340,756 | 418,413 | 22,215,474 |
| 220 | 137 | 26,704 | - | 1,619,413 |
| - | 1,401,386 | 306,564 | - | 1,707,950 |
| 1,443,783 | - | - | - | 1,443,783 |
| - | - | 7,488 | 1,331 | 16,017 |
| - | - | - | - | 7,276 |
| - | - | - | - | 488 |
| - | - | - | - | 15,868 |
| - | - | - | - | 41,685 |
| 1,444,003 | 1,401,523 | 340,756 | 1,331 | 4,852,480 |
| - | - | - | - | 97,522 |
| 4,780,504 | 3,594,239 | - | 417,082 | 17,265,472 |
| \$ 4,780,504 | \$ 3,594,239 | \$ - | \$ 417,082 | \$ 17,362,994 |

City of Southfield, Michigan

| | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Economic Development Corporation | Brownfield Redevelopment Authority |
| Functions/Programs | | | | | | |
| Economic Development Corporation | \$ 4 | \$ - | \$ - | \$ - | \$ (4) | \$ - |
| Brownfield Re-development Authority | 8,075,844 | - | 7,068,908 | - | - | (1,006,936) |
| Joint-Local Development Finance Authority | 803,353 | - | - | - | - | - |
| Downtown Development Authority | 275,223 | - | - | - | - | - |
| Tax Increment Finance Authority | 8,101 | - | - | - | - | - |
| Local Development Finance Authority | 59,217 | - | - | - | - | - |
| Section 8 Housing Commission | 2,287,315 | - | 2,157,796 | - | - | - |
| Southfield Growth Corporation | 47,760 | - | 48,466 | - | - | - |
| Total component units | \$ 11,556,817 | \$ - | \$ 9,275,170 | \$ - | (4) | (1,006,936) |
| General revenue: | | | | | | |
| Property taxes | | | | | - | 1,791,238 |
| Unrestricted investment income | | | | | 3,128 | 14,633 |
| Other miscellaneous income | | | | | - | - |
| Total general revenue | | | | | 3,128 | 1,805,871 |
| Change in Net Position | | | | | 3,124 | 798,935 |
| Net Position - Beginning of year | | | | | 19,706 | 4,626,981 |
| Net Position - End of year | | | | | \$ 22,830 | \$ 5,425,916 |

Component Units Statement of Activities

Year Ended June 30, 2024

| Net (Expense) Revenue and Changes in Net Position | | | | | | |
|--|--------------------------------------|---------------------------------------|--|------------------------------------|-------------------------------------|----------------------|
| Joint-Local Development Finance Authority | Downtown Development Authority | Tax Increment Finance Authority | Local Development Finance Authority | Section 8 Housing Commission | Southfield Growth Corporation | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (4) |
| - | - | - | - | - | - | (1,006,936) |
| (803,353) | - | - | - | - | - | (803,353) |
| - | (275,223) | - | - | - | - | (275,223) |
| - | - | (8,101) | - | - | - | (8,101) |
| - | - | - | (59,217) | - | - | (59,217) |
| - | - | - | - | (129,519) | - | (129,519) |
| - | - | - | - | - | 706 | 706 |
| (803,353) | (275,223) | (8,101) | (59,217) | (129,519) | 706 | (2,281,647) |
| 352,913 | 530,403 | - | 7,429 | - | - | 2,681,983 |
| 111,832 | 51,650 | 312,276 | 219,637 | 132 | 739 | 714,027 |
| - | - | - | - | 98,723 | - | 98,723 |
| 464,745 | 582,053 | 312,276 | 227,066 | 98,855 | 739 | 3,494,733 |
| (338,608) | 306,830 | 304,175 | 167,849 | (30,664) | 1,445 | 1,213,086 |
| 2,165,145 | 989,056 | 4,476,329 | 3,426,390 | 30,664 | 415,637 | 16,149,908 |
| \$ 1,826,537 | \$ 1,295,886 | \$ 4,780,504 | \$ 3,594,239 | \$ - | \$ 417,082 | \$ 17,362,994 |

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Southfield, Michigan (the "City") is governed by the mayor and an elected seven-member City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Units

Blended component units are legally separate entities from the City but provide exclusive benefit to the primary government, so data from these units are combined with the data of the City (primary government) and presented as governmental fund types.

The City of Southfield Building Authority board consists of five members appointed by the City Council and the city administrator, thereby appointing a voting majority. Although it is legally separate from the City, the authority is reported as if it were part of the primary government because its sole purpose is to issue bonds to finance major capital construction by the City.

The City of Southfield Library Building Authority board consists of four members appointed by City Council, thereby appointing a voting majority. In addition, the repayment of the City of Southfield Library Building Authority's bonds is financed through an operating millage for library operations.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable or whose relations with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization:

Economic Development Corporation (EDC)

The EDC was formed in February 1980, in accordance with the State of Michigan Public Act 338 of 1974, for the purpose of stimulating economic activity in the city of Southfield. Industrial projects ultimately approved by the Economic Development Corporation are financed through the sale of industrial revenue bonds. In addition, the EDC offers loans and participates in other economic development and rehabilitation programs.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority is a corporate public body created by the State of Michigan under Public Act 381 of 1996, consisting of the serving members of the Local Development Finance Authority (LDFA). Its purpose is to promote the revitalization of environmentally distressed, blighted, and functionally obsolete properties through the use of tax increment financing.

Note 1 - Significant Accounting Policies (Continued)

Joint-Local Development Finance Authority (Joint-LDFA)

The Joint-LDFA was created under Public Act 248 of 2000, an amendment to the Local Development Finance Authority Act created under Michigan Public Act 281 of 1986. The Joint-LDFA is a joint authority with the City of Troy, Michigan in which each city prepared its own development and financing plan by creating a Certified Technology Park, also known as a SmartZone or Smart Park, whose primary purpose is to develop and finance public improvements to promote growth and economic development. This purpose is accomplished by the Joint-LDFA designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value is declared captured assessed value. Most local and half of school property taxes collected thereon are transferred to the Joint-LDFA as tax increment revenue and used to finance the development plan.

Downtown Development Authority (DDA)

The DDA has a 13-member board, all appointed by the mayor, committed to the economic development of the designated downtown district in and around the Northland Center. The DDA was formed under Public Act 197 of 1975 and is funded through a two-mill tax levy on all real and personal property within the district and a tax increment financing plan.

Tax Increment Financing Authority (TIFA)

The TIFA was organized pursuant to the State of Michigan Public Act 450 of 1980. Its primary purpose is to finance and develop public improvements to promote growth and increase property tax valuation. Any new or additional assessed value in the development district is declared captured assessed value. The property taxes collected thereon are transferred to the TIFA as tax increment revenue and used to finance the development plan.

Local Development Finance Authority

The LDFA was organized on September 25, 1989 pursuant to the State of Michigan Public Act 281 of 1986. The LDFA is similar to the TIFA but is restricted to industrial and manufacturing areas. The primary purpose of the LDFA is to finance and develop public improvements to promote growth and increase property tax valuation. This purpose is accomplished by the LDFA's designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value, whether from new construction or increased market value, is declared captured assessed value. The property taxes collected thereon are transferred to the LDFA as tax increment revenue and used to finance the development plan.

The City assesses, collects, and distributes property taxes for several school districts, including the Southfield Public Schools. These districts are not included in these financial statements because they are entities with independently elected Boards of Education that establish their own millage rates and are responsible for all financial control, including budgeting and operating surpluses and deficits.

Section 8 Housing Commission

The Southfield Housing Commission, whose activities are reported in the Section 8 Housing Fund, was incorporated pursuant to the Housing Facilities Act 19 of 1933. The Southfield Housing Commission consists of five members appointed by the city administrator for five-year terms. The Southfield Housing Commission is responsible for providing quality housing for the elderly and low-income families through the U.S. Department of Housing and Urban Development's Housing Choice Voucher Program Section 8, public funding program.

Note 1 - Significant Accounting Policies (Continued)

Southfield Growth Corporation

The Southfield Growth Corporation, whose activities are recorded in the Neighborhood Stabilization Program (NSP), is governed by a five-member board, including the city administrator, city attorney, purchasing agent, director of planning, and housing program specialist. The first three members are appointed by the City Council, the director of planning is appointed by the mayor and confirmed by the City Council, and the housing program specialist reports to the deputy city administrator, thereby appointing a voting majority. Pursuant to the Housing Economic Relief Act (HERA) of 2008, federal grant funds are used to allow the City to purchase foreclosed or abandoned homes to rehabilitate, resell, or redevelop in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The NSP also provides financial assistance to qualifying families for acquisition of foreclosed and vacant properties.

Fiduciary Component Units

Fiduciary component units are entities that are legally separate from the City but for which the City is financially accountable. The following component units are reported as fiduciary funds:

Southfield Employees Retirement System (SERS)

The Southfield Employees Retirement System is governed by a seven-member board that includes three members who serve on the Civil Service Commission, two members elected by the active employee members, one member elected by the retired employee members, and one member appointed by the mayor with confirmation by the City Council. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City.

Fire and Police Retirement System (FPRS)

The Fire and Police Retirement System is governed by a five-member board that includes two members elected from the ranks of the police and fire departments (one each), two members appointed by the City Council, and the city treasurer, who serves as an ex officio member. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City.

Retiree Health Care Benefits Plan and Trust (RHC)

The Retiree Health Care Benefits Plan and Trust is governed by a 11-member board that includes 4 members elected by plan members, 3 members who serve on the Administrative Civil Service Commission, 2 appointed representatives who serve on the board of trustees of the City of Southfield Fire and Police Retirement System, and the city treasurer and city administrator, who serve as ex officio members. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the retiree health care board and the plan imposes a financial burden on the City.

Accounting and Reporting Principles

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

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital project funds account for resources used for the acquisition or major renovation of capital facilities. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major financing sources are bond proceeds, transfers from other city funds, internal loans, and grants.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City's only major enterprise fund is the Water and Sewer Fund.

The Water and Sewer Fund accounts for the purchase of water from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains throughout the City. Sewer disposal charges to customers pay for treatment of sewerage and fund installation and maintenance of sanitary sewers in the Evergreen area (west of Southfield Road) and of combined sanitary and storm sewers on the "SEOCSDS" area (east of Southfield Road). The City has contracted for indirect repayment of bonds issued for sewers with Oakland County, which provides water to customers and disposes of sanitary sewage.

The City's internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis.

Fiduciary Funds

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

- The Pension Trusts accumulate resources for pension benefit payments to retirees.
- The Retiree Health Care Plan Trust accumulates resources for future retiree health care payments to retirees.
- The custodial funds are used to account for property taxes that are held for the benefit of other governmental units that are not part of the reporting entity and district court funds held for the benefit of other governmental units and/or individuals for which the City does not have administrative involvement.

Interfund Activity

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

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

Basis of Accounting

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Long-term investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost. Pooled investment income from various funds is generally allocated to each fund using a weighted average of balance for the principal. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. The fair value of other investments is based on periodic appraisals and the judgment of independent advisors and management. Investments that do not have an established market value are reported at estimated fair value, as determined by the plan's management. Interest is allocated on the basis of time-and-dollar-weighted participation in each pool.

Inventories and Prepaid Items

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

Restricted Assets

Restricted assets consist of deposits being held by third parties and are legally required to be used for specific purposes, including construction and maintenance of roads and drains, debt service of drains, and self-insurance claim payments. In addition, the water and sewer and road construction funds report restricted assets related to unspent bond proceeds.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$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 estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | Depreciable Life - Years |
|----------------------------|-----------------------------|
| Infrastructure | 5-50 |
| Drain usage rights | 25-50 |
| Buildings and improvements | 10-50 |
| Furniture and equipment | 2-50 |
| Land improvements | 10-50 |
| Intangibles | 3-20 |

Long-term Obligations

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

Payable from Restricted Assets

Accounts payable from restricted asset balances recorded on the statement of net position as of June 30, 2024 include arbitrage and related liabilities pertaining to the 2019 Water and Sewer Capital Improvement Bonds and the 2020 Street Improvement Bonds unspent tax-exempt bond proceeds totaling approximately \$780,000 and \$376,000, respectively. These amounts represent computed obligations through the period ended June 30, 2024. The \$376,000 pertaining to the 2020 Street Improvement Bonds is due to be remitted to the Internal Revenue Service (IRS) no later than 60 days after December 10, 2025, while the remaining amount is not required to be remitted until 2027.

Remaining amounts recorded in payable from restricted assets at June 30, 2024 relate to construction costs that will be disbursed from restricted asset amounts held.

Unearned Revenue

The City will sometimes report amounts for unearned revenue, which represents the acquisition of net position for which revenue recognition criteria have not yet been met. Amounts received that apply to a future period and so will not be recognized as revenue until that time are reported as a liability.

Deferred Outflows/Inflows of Resources

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

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred outflows related to the deferred charge on a bond refunding, pensions, and OPEB. The deferred charge on a bond refunding is reported in the government-wide statement of net position. This results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pensions and OPEB deferred outflows are reported in the government-wide statement of net position and proprietary statement of net position. These amounts are deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions and OPEB, with the exception of the net difference between expected and actual investment earnings, which are amortized over five years.

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

The City reports deferred inflows related to unavailable revenue, pensions, OPEB, and leases. The deferred inflow of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments, grants, and other miscellaneous sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources related to pensions, OPEB, and leases are reported in the government-wide statement of net position and proprietary statement of net position. The pension and OPEB amounts are deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions and OPEB, with the exception of the net difference between expected and actual investment earnings which are amortized over five years. The lease amounts are amortized over the life of their respective agreements.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), 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.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by passing a resolution, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council is the highest level of decision-making authority for the City that can, by passing a resolution, assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily.

The City Council has formally adopted a fund balance policy intended to maintain General Fund unassigned fund balance of 20 percent of the City's General Fund annual operating expenditures.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, the City has not established an allowance for doubtful accounts.

Property Tax Revenue

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due July 1 and December 1 (the lien dates) and are collectible through August 31 and February 14, respectively (the collection dates), without penalty. The tax levy is based on a December 31 assessment date. After February 28, all taxes are declared delinquent. Delinquent property taxes are turned over to the County Treasurer who assumes responsibility for their collection and, at the same time, reimburses the City for the total amount of delinquent real property taxes.

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

June 30, 2024

Note 1 - Significant Accounting Policies (Continued)

The 2023 taxable valuation of the City totaled \$2.97 billion (a portion of which is abated and a portion of which is captured by the City's component units). Taxes generated by amounts levied are as follows:

| Purpose | Millage Rate | Revenue |
|-------------------|--------------|----------------------|
| General operating | 6.5281 \$ | 19,517,080 |
| Publicity | 0.0168 | 49,075 |
| Police/Fire | 6.8057 | 19,925,230 |
| P&F pension | 5.7102 | 16,713,099 |
| Streets | 0.9876 | 3,397,949 |
| P&R | 1.7283 | 5,369,224 |
| Library | 2.7655 | 8,594,958 |
| Road debt | 2.5800 | 8,133,291 |
| Drains | 0.2150 | 675,099 |
| DDA | 1.6676 | 530,403 |
| Total | | <u>\$ 82,905,408</u> |

Pension

The City offers two defined benefit pension plans to certain employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position for both plans. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Leases

The City is a lessee for noncancelable leases of buildings. The City recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental or business-type activities column in the government-wide financial statements. The City recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City is a lessor for noncancelable leases of cellular towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscriptions

The City obtains the right to use vendors' information technology software through various long-term contracts. The City recognizes a subscription liability and an intangible right-of-use subscription asset (the "subscription asset") in the applicable governmental or business-type activities column in the government-wide financial statements. The City recognizes subscription assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the City determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancelable period of the subscription.

The City monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

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

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

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

Accounting Changes and Error Corrections

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the City determined that there was an improper recording of operating expenditures in construction in progress for fiscal years ended June 30, 2020, 2021, and 2022 in the business-type activities along with the Water and Sewer Fund. Therefore, capital assets were overstated by approximately \$12 million and water and sewer expenses were understated by approximately \$12 million in business-type activities for the fiscal year ended 2023. Net position at the beginning of the fiscal year ended June 30, 2024 has been adjusted for the effects of the restatement on prior years. The effects of correcting that error are shown in the table at the end of this section.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, the changes noted above resulted in adjustments to and restatements of beginning net position and fund net position as follows:

| | <u>June 30, 2023</u> | | <u>June 30, 2023</u> |
|---|----------------------|------------------|----------------------|
| | As Previously | | As Restated |
| | Reported | Error Correction | As Restated |
| Proprietary fund - Water and Sewer Fund | \$ 149,075,102 | \$ (11,979,892) | \$ 137,095,210 |

Note 2 - Deposits and Investments

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

The pension and other postemployment benefit trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated multiple banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority listed above (i.e., additional investments authorized in Public Act 196 of 1997). The City's deposits and investments are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that all securities, evidenced by a safekeeping receipt, shall be held by a third-party custodian. At year end, the City had bank deposits of \$242,981,285 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Included in the total deposits at year end are component unit assets with a book balance of approximately \$9.3 million. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

The City's pension and other postemployment benefit trust funds had no bank deposits that were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 180-day maturity or less.

At year end, the City had the following investments:

| Investment | Carrying Value | Weighted-average Maturity (Years) |
|---|-----------------------|-----------------------------------|
| Primary Government | | |
| U.S. government agency securities | \$ 111,692,193 | 1.66 |
| Municipal bonds | 66,757,641 | 3.27 |
| Oakland County local government investment pool | 8,584 | 2.62 |
| Michigan CLASS investment pool | 179,994 | 0.23 |
| Total | <u>\$ 178,638,412</u> | |

June 30, 2024

Note 2 - Deposits and Investments (Continued)

| Investment | Carrying Value | Weighted- average Maturity (Years) |
|--|----------------|--|
| Fiduciary Funds | | |
| SERS: | | |
| U.S. government agency securities | \$ 6,124,665 | 8.66 |
| Mortgage-backed securities | 1,717,966 | 25.78 |
| Asset-backed securities | 66,373 | 9.50 |
| Corporate bonds | 3,459,047 | 7.11 |
| Foreign bonds and notes | 96,452 | 28.90 |
| Mutual funds - Debt | 25,022,723 | N/A |
| Open end mutual funds | 6,802,436 | 9.34 |
| Money market mutual funds | 152,070 | N/A |
| Total SERS | 43,441,732 | |
| FPRS: | | |
| Government bonds | 20,521,115 | N/A |
| Municipal/provincial bonds | 579,538 | N/A |
| Corporate bonds | 11,557,022 | N/A |
| Funds - Corporate bonds | 5,045,161 | N/A |
| Corporate convertible bonds | 54,223 | N/A |
| Government issued commercial mortgage backed | 27,776 | N/A |
| Commercial backed | 380,889 | N/A |
| Asset-backed securities | 3,438,611 | N/A |
| Nongovernmental backed CMO | 147,699 | N/A |
| Funds - Other fixed income | 320,123 | N/A |
| Repo agreements | 8,646,561 | 0.20 |
| Variable-rate CD | 930,564 | 0.20 |
| Commercial paper | 1,292,545 | 0.20 |
| Certificate of deposits | 1,885,032 | 0.20 |
| Time deposits | 3,102,448 | 0.20 |
| ASB commercial paper | 976,665 | 0.20 |
| Sweep vehicle | 40,979 | 0.20 |
| Agency Disct Nt | 199,772 | 0.20 |
| Total FPRS | 59,146,723 | |
| RHC: | | |
| Natixis Loomis Sayles inv Gr - Y | 22,364,035 | 6.07 |
| JPMorgan Strategic Income Opportunities Fund-I | 5,285,315 | 0.38 |
| Total RHC | 27,649,350 | |
| Total | \$ 130,237,805 | |

June 30, 2024

Note 2 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City and SERS have no investment policy that would further limit investment choices. As of June 30, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Carrying Value | Rating | Rating Organization |
|---|-----------------------|----------------|---------------------|
| Primary Government | | | |
| U.S. government agency securities | \$ 111,692,193 | AAA | S&P |
| Municipal bonds | 1,668,408 | AA- | S&P |
| Municipal bonds | 11,103,561 | AA+ | S&P |
| Municipal bonds | 11,721,734 | AA | S&P |
| Municipal bonds | 42,263,938 | NR | S&P |
| Oakland County local government investment pool | 179,994 | AAm | S&P |
| Michigan CLASS investment pool | 8,584 | Not rated | N/A |
| Total | <u>\$ 178,638,412</u> | | |
| Fiduciary Funds | | | |
| SERS: | | | |
| Corporate bonds | \$ 815,757 | Baa1 and below | Moody's |
| Corporate bonds | 114,465 | Aa3 | Moody's |
| Corporate bonds | 246,104 | A1 | Moody's |
| Corporate bonds | 99,501 | A2 | Moody's |
| Corporate bonds | 246,376 | A3 | Moody's |
| Corporate bonds | 514,511 | NR | Moody's |
| Corporate variable-rate bonds | 146,167 | A2 | Moody's |
| Corporate bonds - Structured notes | 47,669 | A2 | Moody's |
| Corporate bonds - Structured notes | 309,710 | A3 | Moody's |
| Corporate bonds - Structured notes | 918,787 | Baa1 and below | Moody's |
| U.S. Treasury notes and bonds | 6,124,665 | Aaa | Moody's |
| Asset-backed securities | 66,373 | Baa1 and below | Moody's |
| Foreign bonds and notes | 96,452 | A1 | Moody's |
| Mortgage-backed security (FHLMC) | 322,426 | NR | Moody's |
| Mortgage-backed security (FNMA) | 1,394,853 | NR | Moody's |
| Mortgage-backed security (GNMAI) | 17 | NR | Moody's |
| Mortgage-backed security (GNMAII) | 670 | NR | Moody's |
| Mutual funds | 3,432,187 | AAA | S&P |
| Mutual funds | 70,045 | AA | S&P |
| Mutual funds | 66,004 | A | S&P |
| Mutual funds | 3,168,197 | BBB | S&P |
| Mutual funds | 66,003 | BB | S&P |
| Collateral pool | 152,070 | Not available | N/A |
| Total SERS | 18,419,009 | | |

Note 2 - Deposits and Investments (Continued)

| Investment | Carrying Value | Rating | Rating Organization |
|---|-----------------------|----------------------------|--|
| FPRS: | | | |
| Government bonds | \$ 574,679 | Not available | N/A |
| Government bonds | 19,946,436 | Not available | N/A |
| Municipal/provincial bonds | 101,733 | Not available | N/A |
| Municipal/provincial bonds | 103,586 | AAA | S&P |
| Municipal/provincial bonds | 374,219 | AA | S&P |
| Corporate bonds | 39,635 | Not available | N/A |
| Corporate bonds | 326,227 | AAA | S&P |
| Corporate bonds | 162,652 | AA | S&P |
| Corporate bonds | 3,171,357 | A | S&P |
| Corporate bonds | 7,640,371 | BBB | S&P |
| Corporate bonds | 216,780 | BB | S&P |
| Funds - Corporate bonds | 5,045,161 | Not available | N/A |
| Corporate convertible bonds | 54,223 | A | S&P |
| Government issued commercial mortgage-backed | 27,776 | Not available | N/A |
| Commercial backed | 276,108 | Not available | N/A |
| Commercial backed | 104,781 | AAA | S&P |
| Asset-backed securities | 1,596,355 | Not available | N/A |
| Asset-backed securities | 1,147,020 | AAA | S&P |
| Asset-backed securities | 420,414 | AA | S&P |
| Asset-backed securities | 237,803 | A | S&P |
| Asset-backed securities | 37,019 | BBB | S&P |
| Nongovernmental backed CMO | 147,699 | Not available | N/A |
| Funds - Other fixed income | 320,123 | Not available | N/A |
| Collateral pool | 17,074,565 | Not subject to credit risk | N/A |
| Total FPRS | 59,146,722 | | |
| RHC: | | | |
| Loomis Sayles Inv Gr - Y (16.00%) | 3,622,974 | U.S. Treasurys - AAA | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (5.50%) | 1,230,022 | Aaa | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (5.00%) | 1,118,202 | Aa | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (13.00%) | 2,907,324 | A | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (46.90%) | 10,488,732 | Baa | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (6.40%) | 1,431,298 | Ba | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (0.70%) | 156,548 | B | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (0.70%) | 156,548 | Caa or lower | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (4.56%) | 1,006,382 | Not rated | Moody's/S&P/Fitch's |
| Loomis Sayles Inv Gr - Y (1.00%) | 246,005 | Cash | Moody's/S&P/Fitch's |
| JPMorgan Strategic Income Opportunities Fund-I (58.40%) | 3,086,624 | AAA | Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (15.40%) | 813,939 | AA | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (20.40%) | 1,078,204 | A | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (2.20%) | 116,277 | BBB | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (1.10%) | 58,138 | BB | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (0.50%) | 26,427 | B | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (0.90%) | 47,568 | CCC & Lower/Other | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| JPMorgan Strategic Income Opportunities Fund-I (1.10%) | 58,138 | Not rated | Moody's/S&P/Fitch's/ Kroll/DBRS Morningstar |
| Total RHC | 27,649,350 | | |
| Total | \$ 105,215,081 | | |

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. At June 30, 2024, all of the City's primary government investments are not subject to concentration of credit risk.

Investments subject to concentration of credit risk are noted in the table below for SERS, FPRS, and RHC for the year ended June 30, 2024.

| | <u>Carrying Value</u> | <u>Percent</u> |
|--------------------------------------|-----------------------|----------------|
| Investments | | |
| SERS: | | |
| PIA Fixed Income Taxable Mutual Fund | \$ 6,802,436 | 5.39 |
| Fidelity Open End Equity Mutual Fund | 25,002,723 | 19.80 |
| LSV International Value Equity | 10,410,581 | 8.24 |
| RHC: | | |
| Fidelity TOTAL MARKET INDEX | 14,671,377 | 10.47 |
| Fidelity Global EX US INDEX | 15,976,833 | 11.40 |
| Natixis Loomis Sayles | 22,364,035 | 15.95 |
| SWFGTX | 9,063,375 | 6.47 |

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates.

The following securities are subject to foreign currency risk:

| <u>Security</u> | <u>Foreign Currency</u> | <u>Carrying Value</u> |
|-----------------------|-------------------------|-----------------------|
| FPRS: | | |
| Cash and equivalents* | Australian dollars | \$ 29,772 |
| Equities | Australian dollars | 2,789,175 |
| Equities | Canadian dollars | 866,028 |
| Cash and equivalents* | Euro | 116,463 |
| Equities | Euro | 2,901,535 |
| Equities | British pound sterling | 23,312,189 |
| Cash and equivalents* | British pound sterling | 54,384 |
| Fixed income | British pound sterling | 320,123 |
| Equities | Norwegian krone | 250,274 |

*Values include pending foreign exchange sales/purchases

Securities Lending

As permitted by some state statutes and under the provisions of a Securities Lending Authorization Agreement, SERS and FPRS lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The SERS and FPRS custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. During the year ended June 30, 2024, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 2 - Deposits and Investments (Continued)

SERS and FPRS did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

SERS and FPRS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. Because the loans are terminable on demand, the average duration of such investments pools on June 30, 2024 is one day. On June 30, 2024, SERS and FPRS had no credit risk exposure to borrowers. For SERS, the collateral held and the fair market value of the underlying securities on loans for the retirement system as of June 30, 2024 were \$152,070 and \$148,431, respectively. For FPRS, the collateral held and the fair market value of the underlying securities on loans for the retirement system as of June 30, 2024 were \$17,074,565 and \$16,643,063, respectively.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

| Assets Measured at Carrying Value on a Recurring Basis at June 30, 2024 | | | | |
|--|--|--|--|-----------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2024 |
| Primary Government | | | | |
| Debt securities: | | | | |
| Agency bonds | \$ - | \$ 111,692,193 | \$ - | \$ 111,692,193 |
| Government/Municipal bonds | - | 66,757,641 | - | 66,757,641 |
| Total debt securities | <u>\$ -</u> | <u>\$ 178,449,834</u> | <u>\$ -</u> | 178,449,834 |
| Investments measured at NAV: | | | | |
| Local government investment pool | | | | 8,584 |
| Michigan CLASS investment pool | | | | 179,994 |
| Total investments measured at NAV | | | | <u>188,578</u> |
| Total assets | | | | <u>\$ 178,638,412</u> |

June 30, 2024

Note 2 - Deposits and Investments (Continued)

| Assets Measured at Carrying Value on a Recurring Basis at June 30, 2024 | | | | |
|--|--|--|--|-----------------------------|
| | Quoted Prices in | | | Balance at June 30, 2024 |
| | Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| SERS | | | | |
| Debt securities: | | | | |
| U.S. Treasury securities | \$ 6,124,665 | \$ - | \$ - | \$ 6,124,665 |
| Mutual fund - Fixed income | 6,802,436 | - | - | 6,802,436 |
| Mortgage-backed securities | - | 1,717,966 | - | 1,717,966 |
| Asset-backed securities | - | 66,373 | - | 66,373 |
| Corporate bonds | - | 3,459,048 | - | 3,459,048 |
| Foreign bonds | - | 96,452 | - | 96,452 |
| Total debt securities | 12,927,101 | 5,339,839 | - | 18,266,940 |
| Equity securities: | | | | |
| Common and preferred stock | 31,425,536 | - | - | 31,425,536 |
| Mutual fund - Equities | 25,002,723 | - | - | 25,002,723 |
| ADR | 4,547,665 | - | - | 4,547,665 |
| Real estate investment trust | 841,512 | - | - | 841,512 |
| Foreign stock | 6,194,413 | - | - | 6,194,413 |
| Total equity securities | 68,011,849 | - | - | 68,011,849 |
| Total | \$ 80,938,950 | \$ 5,339,839 | \$ - | 86,278,789 |
| Investments measured at NAV: | | | | |
| Collective investment fund | | | | 17,214,802 |
| Hedge fund | | | | 4,287,993 |
| Closely held equity | | | | 16,364,377 |
| Collateral pool | | | | 152,070 |
| Total investments measured at NAV | | | | 38,019,242 |
| Total assets | | | | \$ 124,298,031 |

June 30, 2024

Note 2 - Deposits and Investments (Continued)

| | Assets Measured at Carrying Value on a Recurring Basis at June 30, 2024 | | | Balance at June 30, 2024 |
|---|--|--|--|-----------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| FPRS | | | | |
| Debt securities - Mutual fund - Fixed income | \$ 5,045,161 | \$ - | \$ - | \$ 5,045,161 |
| Equity securities: | | | | |
| Mutual fund - Equities | 35,853,630 | 37,112,016 | - | 72,965,646 |
| Common and preferred stock | 73,551,709 | - | - | 73,551,709 |
| Collateral pool | 17,074,565 | - | - | 17,074,565 |
| Total | <u>\$ 131,525,065</u> | <u>\$ 37,112,016</u> | <u>\$ -</u> | 168,637,081 |
| Investments measured at NAV: | | | | |
| Commingled funds | | | | 61,096 |
| Partnerships | | | | 16,419,967 |
| Short-term investment fund | | | | 1,155,116 |
| Hedge equity | | | | 19,444,743 |
| Unit trust equity | | | | 225,854 |
| Real estate investment trust | | | | 10,621,140 |
| Total investments measured at NAV | | | | <u>47,927,916</u> |
| Total assets | | | | <u>\$ 216,564,997</u> |

June 30, 2024

Note 2 - Deposits and Investments (Continued)

| | Assets Measured at Carrying Value on a Recurring Basis at June 30, 2024 | | | |
|---|--|--|--|-----------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2024 |
| RHC | | | | |
| Debt securities - Mutual fund - Fixed income | \$ 27,649,350 | \$ - | \$ - | \$ 27,649,350 |
| Equity securities: | | | | |
| Mutual fund - Equities | 34,907,857 | - | - | 34,907,857 |
| Common stock | 31,369,773 | - | - | 31,369,773 |
| ADR | 655,403 | - | - | 655,403 |
| Real estate investment trusts | 1,265,320 | - | - | 1,265,320 |
| Foreign stock | 1,301,378 | - | - | 1,301,378 |
| Total equity securities | 69,499,731 | - | - | 69,499,731 |
| Partnerships | 524,103 | - | - | 524,103 |
| Total | \$ 97,673,184 | \$ - | \$ - | 97,673,184 |
| Investments measured at NAV: | | | | |
| Private equity | | | | 10,362,684 |
| Infrastructure | | | | 1,371,812 |
| Hedge funds - Funds of funds | | | | 12,994,524 |
| Real estate investment trust | | | | 7,546,496 |
| Total investments measured at NAV | | | | 32,275,516 |
| Total assets | | | | \$ 129,948,700 |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of municipal, corporate, agency bonds, mortgage- and asset-backed securities, and other debt securities at June 30, 2024 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 2 - Deposits and Investments (Continued)

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

| | Carrying Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|----------------------------------|-----------------------|----------------------|-----------------------------------|--------------------------|
| Primary Government | | | | |
| Local government investment pool | \$ 8,584 | \$ - | No restrictions | None |
| Michigan CLASS investment pool | 179,994 | - | No restrictions | None |
| SERS | | | | |
| Collective investment fund | 17,214,802 | - | Daily - Monthly | None - 15 days |
| Closely held equity | 16,364,377 | 7,104,066 | None - Quarterly | None - 95 days |
| Hedge fund | 4,287,993 | - | Quarterly | 95 days |
| FPRS | | | | |
| Multistrategy hedge funds | - | 6,100,000 | None - Quarterly | None - 95 days |
| Hedge equity | 19,444,743 | - | | |
| Commingled funds | 61,096 | - | | |
| Short-term investment fund | 1,155,116 | - | | |
| Unit trust equity | 225,854 | - | | |
| Partnerships | 16,419,967 | 1,829,154 | Daily - Monthly | Daily - Monthly |
| Real estate investment trust | 10,621,140 | 6,542,979 | None - Quarterly | None - 90 days |
| RHC | | | | |
| Private equity | 10,362,684 | 10,427,971 | None | None |
| Infrastructure | 1,371,812 | 564,340 | None | None |
| Hedge funds - Fund of funds | 12,994,524 | - | None - Quarterly | None - 100 days |
| Real estate investment trust | 7,546,496 | 3,642,458 | None | None |
| Total | <u>\$ 118,259,182</u> | <u>\$ 36,210,968</u> | | |

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

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share regardless of current fair value.

The hedge funds class includes the following:

Multistrategy Fund of Hedge Funds - These assets invest in global stocks, global bonds, and other global securities. The fair values of the investments have been determined using NAV per share (or its equivalent) of the investments.

Note 2 - Deposits and Investments (Continued)

Multistrategy Hedge Funds - This type invests in three funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds’ composite portfolio for this type includes investments in global stocks, global fixed income, currencies, and commodities. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the investments.

The collective investment fund class includes the following:

Commingled Fund - These assets invest in publicly traded domestic equities, international equities, or bonds. All of the underlying securities within these commingled funds carry a Level 1 or 2 valuation.

The real estate investment trusts class includes the following:

Real Estate/Other Close-ended Funds - These assets invest primarily in commercial real estate or global timberlands. The fair values of the investments have been determined using NAV per share (or its equivalent) of the plan’s ownership interest in partners’ capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be fully liquidated over the next one to eight years.

Real Estate Funds - This type includes several real estate funds that invest primarily in U.S. commercial real estate debt and equity. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the plan’s ownership interest in partners’ capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next one to eight years. A total of 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using NAV per share (or its equivalent) of the plan’s ownership interest in partners’ capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. Approximately 58 percent of the assets are able to be liquidated via a quarterly redemption queue. The balance of the assets will be liquidated as underlying properties are sold or the investee fund’s management approves of the buyer before the sale of the investments can be completed.

The private equity fund actively manages its investments in portfolios by allocating capital among portfolios and subscribing into and redeeming out of investment portfolios. The portfolio may utilize a variety of financial instruments in its trading strategies and invest in U.S. and non-U.S. securities, including equities and equity-related securities, debt securities, options, warrants, ABS, private placements, foreign currency contracts, swap contracts, and other derivatives and generally carry its investments at fair value.

The infrastructure class includes assets invested in publicly traded domestic equities or international equities.

Note 3 - Restricted Assets

At June 30, 2024, restricted assets are composed of the following:

| Description | Governmental Activities | | |
|--|-------------------------|--------------------------------------|--------------------------|
| | Governmental Funds | Proprietary - Internal Service Funds | Business-type Activities |
| Unspent bond proceeds | \$ 9,590,462 | \$ - | \$ 19,990,022 |
| Deposit held by insurance carrier related to workers compensation and general insurance accruals | - | 1,022,708 | - |
| Assets held at the county | 37,130 | - | - |
| Total | \$ 9,627,592 | \$ 1,022,708 | \$ 19,990,022 |

June 30, 2024

Note 4 - Receivables

Receivables as of June 30, 2024 for the City's individual major funds and the nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Primary Government | | | | | |
|---------------------------------|-------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------|------------------|
| | Governmental Activities | | | Business-type Activities | | |
| | General Fund | Nonmajor Governmental Funds | Proprietary - Internal Service Funds | Total Governmental Activities | Water and Sewer | Component Units |
| Receivables: | | | | | | |
| Property taxes receivable | \$ 718,543 | \$ 186,814 | \$ - | \$ 905,357 | \$ 4,786,734 | \$ 36,348 |
| Special assessments receivable | - | 331,068 | - | 331,068 | - | - |
| Customer receivables | - | 74,886 | - | 74,886 | 12,957,549 | - |
| Accrued interest receivable | 134,432 | 142,749 | 50,004 | 327,185 | 120,430 | 27,569 |
| Leases receivable | 1,378,211 | 170,178 | - | 1,548,389 | - | - |
| Act 51 revenue receivable | - | 1,330,732 | - | 1,330,732 | - | - |
| State-shared revenue receivable | 1,620,563 | - | - | 1,620,563 | - | - |
| Other receivables | 2,238,917 | 714,552 | 3,978 | 2,957,447 | - | - |
| Due from other governments | - | 974,485 | 13,440,199 | 14,414,684 | - | - |
| Allowance for doubtful accounts | (433,784) | (191,616) | - | (625,400) | - | (81) |
| Net receivables | <u>\$ 5,656,882</u> | <u>\$ 3,733,848</u> | <u>\$ 13,494,181</u> | <u>\$ 22,884,911</u> | <u>\$ 17,864,713</u> | <u>\$ 63,836</u> |

Note 5 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

| | Governmental Funds | Proprietary - Internal Service | Governmental Activities | Business-type Activities - Water and Sewer |
|------------------------------------|--------------------|--------------------------------|-------------------------|--|
| Deferred charges on bond refunding | \$ - | \$ - | \$ 234,400 | \$ - |
| Related to pensions (Note 11) | - | 298,299 | 10,716,521 | 327,214 |
| Related to OPEB (Note 12) | - | 5,522 | 462,742 | 8,529 |
| Total deferred outflows | <u>\$ -</u> | <u>\$ 303,821</u> | <u>\$ 11,413,663</u> | <u>\$ 335,743</u> |

June 30, 2024

Note 5 - Deferred Inflows/Outflows of Resources (Continued)

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

| | Governmental Funds | Proprietary - Internal Service | Governmental Activities | Business-type Activities - Water and Sewer |
|--|-----------------------|-----------------------------------|----------------------------|--|
| Special assessments - Unavailable | \$ 405,954 | \$ - | \$ 405,954 | \$ - |
| Unavailable revenue | 1,777,321 | - | 1,777,321 | - |
| Miscellaneous revenue - Unavailable | - | - | (2,438,168) | - |
| Related to pensions (Note 11) | - | 345,715 | 4,026,848 | 379,222 |
| Related to OPEB (Note 12) | - | 70,306 | 6,610,130 | 108,572 |
| Leases (Note 9) | 1,416,869 | - | 1,416,869 | - |
| Total deferred inflows | \$ 3,600,144 | \$ 416,021 | \$ 11,798,954 | \$ 487,794 |

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---------------------|
| General Fund | Nonmajor governmental funds | \$ 1,046,376 |
| Nonmajor governmental funds | General Fund | 3,403 |
| | Nonmajor governmental funds | 4,152,108 |
| | Total nonmajor governmental funds | 4,155,511 |
| Nonmajor internal service funds - Motor Pool | Nonmajor internal service fund - Facilities Maintenance Fund | 4,212 |
| | Total | <u>\$ 5,206,099</u> |

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

| Fund Borrowed From | Fund Loaned To | Amount |
|-----------------------------|-----------------------------|-------------------|
| Nonmajor governmental funds | Nonmajor governmental funds | \$ 380,598 |
| | General Fund | 272,185 |
| | Total | <u>\$ 652,783</u> |

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

| Receivable | Payable | Amount |
|---|---|---------------------|
| General Fund | Section 8 Housing Commission (component unit) | \$ 306,564 |
| Nonmajor governmental funds | Local Development Finance Authority (component unit) | 1,401,386 |
| Southfield Growth Corporation (component unit) | Nonmajor governmental funds | 48,466 |
| | Total | <u>\$ 1,756,416</u> |

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

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

| Paying Fund (Transfer Out) | Receiving Fund (Transfer In) | Amount |
|----------------------------|--------------------------------------|---------------------|
| General Fund | Parks and Recreation | \$ 380,445 |
| | Michigan Indigent Defense Commission | 83,430 |
| | Auto Theft Grant | 88,016 |
| | Special Assessment Construction | <u>94,248</u> |
| | Total General Fund | 646,139 |
| Road Construction | Major Streets | 1,562,876 |
| | Local Streets | <u>3,607,835</u> |
| | Total Road Construction | 5,170,711 |
| Parks and Recreation | Capital Improvement Fund | <u>1,807,500</u> |
| | Total | <u>\$ 7,624,350</u> |

The transfers occur during the normal course of operations to fund capital projects. In some cases, dedicated millage revenue is recorded in special revenue funds and is used by other funds for debt service payments.

June 30, 2024

Note 7 - Capital Assets

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

Governmental Activities

| | Balance July 1, 2023 | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|---|-------------------------|----------------------|------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,254,297 | \$ - | \$ - | \$ 11,254,297 |
| Construction in progress | 2,733,571 | 9,970,970 | (1,873,807) | 10,830,734 |
| Internal service - Construction in progress | 20,950 | 137,663 | - | 158,613 |
| Subtotal | 14,008,818 | 10,108,633 | (1,873,807) | 22,243,644 |
| Capital assets being depreciated: | | | | |
| Land improvements | 31,435,762 | 2,006,791 | - | 33,442,553 |
| Building and improvements | 78,634,534 | 3,686,911 | - | 82,321,445 |
| Infrastructure | 234,286,570 | 6,961,729 | - | 241,248,299 |
| Intangibles | 2,119,987 | - | - | 2,119,987 |
| Drain usage rights | 11,794,970 | - | - | 11,794,970 |
| Equipment | 8,646,421 | 1,969,851 | - | 10,616,272 |
| Subscription assets | 781,904 | - | (95,972) | 685,932 |
| Internal service - Intangibles | 384,666 | - | - | 384,666 |
| Internal service - Equipment | 30,115,021 | 2,185,689 | - | 32,300,710 |
| Subtotal | 398,199,835 | 16,810,971 | (95,972) | 414,914,834 |
| Accumulated depreciation: | | | | |
| Land improvements | 21,897,607 | 1,058,267 | - | 22,955,874 |
| Building and improvements | 54,581,814 | 2,194,310 | - | 56,776,124 |
| Infrastructure | 121,680,792 | 7,855,011 | - | 129,535,803 |
| Intangibles | 2,000,219 | 75,582 | - | 2,075,801 |
| Drain usage rights | 9,759,911 | 469,458 | - | 10,229,369 |
| Equipment | 6,982,413 | 423,219 | - | 7,405,632 |
| Subscription assets | 301,794 | 247,372 | (95,972) | 453,194 |
| Internal service - Intangibles | 325,530 | 22,019 | - | 347,549 |
| Internal service - Equipment | 22,971,704 | 2,150,592 | - | 25,122,296 |
| Subtotal | 240,501,784 | 14,495,830 | (95,972) | 254,901,642 |
| Net capital assets being depreciated | 157,698,051 | 2,315,141 | - | 160,013,192 |
| Net governmental activities capital assets | <u>\$ 171,706,869</u> | <u>\$ 12,423,774</u> | <u>\$ (1,873,807)</u> | <u>\$ 182,256,836</u> |

June 30, 2024

Note 7 - Capital Assets (Continued)

Business-type Activities

| | Balance July 1, 2023 (As Restated) | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|---|--|----------------------|------------------------------|--------------------------|
| Capital assets not being depreciated - Construction in progress | \$ 5,960,404 | \$ 10,788,709 | \$ (2,384,879) | \$ 14,364,234 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 256,604,810 | 14,851,300 | - | 271,456,110 |
| Intangibles | 1,507,498 | - | - | 1,507,498 |
| Equipment | 2,428,821 | 258,072 | - | 2,686,893 |
| Subtotal | 260,541,129 | 15,109,372 | - | 275,650,501 |
| Accumulated depreciation: | | | | |
| Infrastructure | 123,381,965 | 7,238,568 | - | 130,620,533 |
| Intangibles | 1,411,379 | 60,657 | - | 1,472,036 |
| Equipment | 1,949,523 | 113,142 | - | 2,062,665 |
| Subtotal | 126,742,867 | 7,412,367 | - | 134,155,234 |
| Net capital assets being depreciated | 133,798,262 | 7,697,005 | - | 141,495,267 |
| Net business-type activities capital assets | <u>\$ 139,758,666</u> | <u>\$ 18,485,714</u> | <u>\$ (2,384,879)</u> | <u>\$ 155,859,501</u> |

Capital asset activity for the City's component units for the year ended June 30, 2024 was as follows:

Component Units

| | Balance July 1, 2023 | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|-----------------------------------|-------------------------|------------------|------------------------------|--------------------------|
| Capital assets being depreciated: | | | | |
| Land improvement | \$ 265,066 | \$ - | \$ - | \$ 265,066 |
| Lease assets - Building | 38,612 | 54,339 | - | 92,951 |
| Subtotal | 303,678 | 54,339 | - | 358,017 |
| Accumulated depreciation: | | | | |
| Land improvement | 152,413 | 13,253 | - | 165,666 |
| Lease assets - Building | 24,386 | 13,622 | - | 38,008 |
| Subtotal | 176,799 | 26,875 | - | 203,674 |
| Net capital assets | <u>\$ 126,879</u> | <u>\$ 27,464</u> | <u>\$ -</u> | <u>\$ 154,343</u> |

Note 7 - Capital Assets (Continued)

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

| | |
|--|-----------------------------|
| Governmental activities: | |
| General government | \$ 762,990 |
| Public safety | 530,445 |
| Highways and streets | 7,927,665 |
| Public services | 668,734 |
| Culture and recreation | 2,433,384 |
| Internal service fund depreciation is charged to the various functions based on their usage of the asset | <u>2,172,612</u> |
| Total governmental activities | <u><u>\$ 14,495,830</u></u> |

Construction Commitments

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

| | |
|---------------------------|---------------------------------|
| | <u>Remaining Commitment</u> |
| Street construction | \$ 14,186,552 |
| Equipment | 13,142,400 |
| Water system improvements | 22,964,564 |
| Other | <u>227,656</u> |
| Total | <u><u>\$ 50,521,172</u></u> |

June 30, 2024

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

Governmental Activities

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|----------------------|---------------------------|-------------------|--------------|-----------------|----------------|---------------------|
| Bonds and contracts payable: | | | | | | | |
| Direct borrowings and direct placements: | | | | | | | |
| Drains-at-large, City's share of county debt | 1.625% - 5.375% | \$4,760 - \$386,520 | \$ 699,096 | \$ - | \$ (481,241) | \$ 217,855 | \$ 47,159 |
| Michigan transportation fund bonds | 2.17% | \$85,000 - \$1,195,000 | 1,150,000 | - | (1,150,000) | - | - |
| 2012 general obligation limited tax refunding | 1.78% | \$45,000 - \$365,000 | 365,000 | - | (365,000) | - | - |
| Total direct borrowings and direct placements principal outstanding | | | 2,214,096 | - | (1,996,241) | 217,855 | 47,159 |
| Other debt: | | | | | | | |
| Library building authority refunding bonds | 3.0% - 5.0% | \$915,000 - \$1,760,000 | 11,755,000 | - | (1,570,000) | 10,185,000 | 1,650,000 |
| 2015 Street Improvement bond UTGO | 2.0% - 4.0% | \$3,215,000 - \$5,085,000 | 7,245,000 | - | (4,030,000) | 3,215,000 | 3,215,000 |
| 2018 Street Improvement bond UTGO | 3.0% - 4.0% | \$515,000 - \$6,205,000 | 26,655,000 | - | (1,380,000) | 25,275,000 | 2,020,000 |
| 2020 Street Improvement bond UTGO | 2.0% - 4.0% | \$200,000 - \$8,285,000 | 21,155,000 | - | (250,000) | 20,905,000 | 585,000 |
| Total other debt principal outstanding | | | 66,810,000 | - | (7,230,000) | 59,580,000 | 7,470,000 |
| Unamortized bond premiums | | | 3,834,928 | - | (684,485) | 3,150,443 | - |
| Total bonds and contracts payable | | | 72,859,024 | - | (9,910,726) | 62,948,298 | 7,517,159 |
| Compensated absences | | | 11,099,739 | 5,505,368 | (5,061,567) | 11,543,540 | 4,595,630 |
| Compensated absences - Internal service funds | | | 330,740 | 250,617 | (206,424) | 374,933 | 149,266 |
| Michigan tax tribunal contingency | | | 52,608 | - | (45,420) | 7,188 | - |
| Subscription liabilities | | | 475,580 | - | (218,834) | 256,746 | 228,802 |
| Total governmental activities long-term debt | | | \$ 84,817,691 | \$ 5,755,985 | \$ (15,442,971) | \$ 75,130,705 | \$ 12,490,857 |

June 30, 2024

Note 8 - Long-term Debt (Continued)

Business-type Activities

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|----------------------|---------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Bonds and contracts payable: | | | | | | | |
| Direct borrowings and direct placements: | | | | | | | |
| Evergreen and Farmington Sewage Disposal System Capital Improvement bonds, series 2018A, City's share of county debt | 2.5% - 3.125% | \$180,013 - \$297,879 | \$ 2,558,756 | \$ - | \$ (220,730) | \$ 2,338,026 | \$ 227,159 |
| Evergreen and Farmington Sewage Disposal System Capital Improvement bonds, series 2023, City's share of county debt | 1.875% | \$1,822,654 - \$2,603,505 | 11,500,162 | 9,156,969 | - | 20,657,131 | - |
| Total direct borrowings and direct placements principal outstanding | | | 14,058,918 | 9,156,969 | (220,730) | 22,995,157 | 227,159 |
| Other debt - 2019 Water and Sewer Capital Improvement bonds | 3.0% - 3.125% | \$375,000 - \$4,680,000 | 60,455,000 | - | (3,000,000) | 57,455,000 | 3,090,000 |
| Unamortized bond premiums | | | 1,132,738 | - | (72,202) | 1,060,536 | - |
| Total bonds and contracts payable | | | 75,646,656 | 9,156,969 | (3,292,932) | 81,510,693 | 3,317,159 |
| Compensated absences | | | 287,873 | 331,442 | (228,338) | 390,977 | 155,653 |
| Total business-type activities long-term debt | | | <u>\$ 75,934,529</u> | <u>\$ 9,488,411</u> | <u>\$ (3,521,270)</u> | <u>\$ 81,901,670</u> | <u>\$ 3,472,812</u> |

Component Unit

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|-------------------------------------|----------------------|---------------------------|-------------------|------------------|--------------------|------------------|---------------------|
| Leases | | | \$ 15,499 | \$ 56,821 | \$ (15,499) | \$ 56,821 | \$ 15,868 |
| Compensated absences | | | 69,110 | 8,236 | (76,126) | 1,220 | 488 |
| Total component unit long-term debt | | | <u>\$ 84,609</u> | <u>\$ 65,057</u> | <u>\$ (91,625)</u> | <u>\$ 58,041</u> | <u>\$ 16,356</u> |

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

| Years Ending June 30 | Governmental Activities | | | | |
|-------------------------|--|------------------|----------------------|---------------------|----------------------|
| | Direct Borrowings and Direct Placements | | Other Debt | | Total |
| | Principal | Interest | Principal | Interest | |
| 2025 | \$ 47,159 | \$ 5,063 | \$ 7,470,000 | \$ 1,971,575 | \$ 9,493,797 |
| 2026 | 48,234 | 4,008 | 7,945,000 | 1,672,225 | 9,669,467 |
| 2027 | 42,595 | 2,930 | 8,350,000 | 1,371,150 | 9,766,675 |
| 2028 | 43,356 | 1,930 | 8,750,000 | 1,054,750 | 9,850,036 |
| 2029 | 36,511 | 912 | 9,175,000 | 719,800 | 9,932,223 |
| 2030-2034 | - | - | 17,890,000 | 544,000 | 18,434,000 |
| 2035-2039 | - | - | - | - | - |
| Total | \$ 217,855 | \$ 14,843 | \$ 59,580,000 | \$ 7,333,500 | \$ 67,146,198 |

| Years Ending June 30 | Business-type Activities | | | | |
|-------------------------|--|---------------------|----------------------|----------------------|----------------------|
| | Direct Borrowings and Direct Placements | | Other Debt | | Total |
| | Principal | Interest | Principal | Interest | |
| 2025 | \$ 227,159 | \$ 320,142 | \$ 3,090,000 | \$ 1,735,169 | \$ 5,372,470 |
| 2026 | 233,588 | 447,066 | 3,180,000 | 1,642,469 | 5,503,123 |
| 2027 | 242,160 | 441,226 | 3,275,000 | 1,547,069 | 5,505,455 |
| 2028 | 2,071,244 | 418,085 | 3,375,000 | 1,448,819 | 7,313,148 |
| 2029 | 2,114,797 | 377,056 | 3,475,000 | 1,347,569 | 7,314,422 |
| 2030-2034 | 10,954,331 | 1,225,635 | 19,015,000 | 5,109,444 | 36,304,410 |
| 2035-2039 | 7,151,878 | 232,576 | 22,045,000 | 2,075,575 | 31,505,029 |
| Total | \$ 22,995,157 | \$ 3,461,786 | \$ 57,455,000 | \$ 14,906,114 | \$ 98,818,057 |

Revenue Pledged in Connection with Business-type Activities

The contractual obligations to the State and County within the business-type activities in the previous table is the result of the State of Michigan’s issuance of bonds on the City’s behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer mains to include the west side of the City and the reconstruction of a portion of the Evergreen and Farmington sewage disposal system. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds is approximately \$26,457,000. During the current year, net operating income of the system was \$9,894,024 compared to the annual debt requirement of approximately \$5,394,000.

Note 9 - Leases

Lessee

The City leases certain assets from various third parties. The assets leased are for the Downtown Development Authority’s office space. Payments are generally fixed monthly.

Lease asset activity of the City is included in Note 7.

Note 9 - Leases (Continued)

Future principal and interest payment requirements related to the City’s lease liability at June 30, 2024 are as follows:

| Year Ending | Principal | Interest | Total |
|--------------|------------------|-----------------|------------------|
| 2025 | \$ 15,868 | \$ 1,998 | \$ 17,866 |
| 2026 | 18,033 | 1,312 | 19,345 |
| 2027 | 19,561 | 563 | 20,124 |
| 2028 | 3,359 | 17 | 3,376 |
| Total | \$ 56,821 | \$ 3,890 | \$ 60,711 |

Lessor

The City leases certain assets to various third parties. The assets leased include cell towers. Payments are generally fixed monthly with escalation over the lease term. In addition, the City receives certain variable payments not included in the measurement of the lease receivable, which are not guaranteed.

At June 30, 2024, the City reported a lease receivable and deferred inflow of resources related to leases of \$1,548,389 and \$1,416,869, respectively.

During the year ended June 30, 2024, the City recognized \$125,333 in lease revenue and \$42,515 in interest income related to its lessor agreements.

Note 10 - Subscriptions

The City obtains the right to use vendors’ information technology software through various long-term contracts. Payments are generally fixed monthly or annually.

Subscription asset activity of the City is included in Note 7.

Future principal and interest payment requirements related to the City’s subscription liability at June 30, 2024 are as follows:

| Years | Principal | Interest | Total |
|--------------|-------------------|-----------------|-------------------|
| 2025 | \$ 228,802 | \$ 7,615 | \$ 236,417 |
| 2026 | 10,980 | 667 | 11,647 |
| 2027 | 16,964 | 346 | 17,310 |
| Total | \$ 256,746 | \$ 8,628 | \$ 265,374 |

Note 11 - Pension Plans

Plan Description

The City of Southfield, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Southfield Employees Retirement System, a single-employer plan administered by the Southfield Employees Retirement System Board, and Fire and Police Retirement System, a single-employer plan administered by the Fire and Police Retirement System Board.

The financial statements of each pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Note 11 - Pension Plans (Continued)

Management of SERS is vested in the pension board, which consists of seven members - two elected by plan members, one elected by the retired members, three appointed by the City Council, and one appointed by the mayor. There is also one alternative member, who serves as an alternate only to the three members appointed by the City Council. Management of FPRS is vested in the pension board, which consists of five members - two elected by plan members, two appointed by the City Council, and the treasurer.

Benefits Provided

The plans provide retirement, disability, and death benefits. The SERS regular retirement benefits are calculated as 2.5 percent of the employee’s final average compensation (using the highest 3 consecutive years of the last 5) times the employee’s years of service. To be eligible, employees must have a combined number of years of service plus age equaling 82 or an age of 65 with 5 years of service. The FPRS regular retirement benefits are calculated as 2.5 to 2.8 percent of the highest 3- to 5-year average in the last 10 years times the years of service up to 25 years. As of July 1, 2024, for firefighters hired on or after September 12, 2011, benefits are calculated on the average final compensation, which is based on the highest 3 years of the last 10 years prior to retirement rather than the highest consecutive 3 to 5 years. Employees are eligible after 20 years of service regardless of age. Both plans also include non-duty disability benefits and disability retirement benefits, in limited situations. An employee who leaves City service may withdraw his or her contributions, plus any accumulated interest. In fiscal year 2000, FPRS provided an ad hoc postretirement benefit increase.

Benefit terms are generally established and amended by authority of the City Council and, in the case of FPRS, by Public Act 345 of 1937. Specific benefit provisions are generally subject to negotiations with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

In addition, the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Loans are permitted from this plan, subject to guidelines established by the employer. The City does not make contributions to this plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

| | Southfield Employees Retirement System | Fire and Police Retirement System |
|---|--|--------------------------------------|
| Date of member count | June 30, 2023 | June 30, 2023 |
| Inactive plan members or beneficiaries currently receiving benefits | 394 | 412 |
| Inactive plan members entitled to but not yet receiving benefits | 48 | 3 |
| Active plan members | 297 | 211 |
| Total employees covered by the plan | 739 | 626 |

Note 11 - Pension Plans (Continued)

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on amounts agreed upon by the City Council and in union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2024, the average active employee contribution rate was 6.84 percent of pay for SERS and 4.04 percent for FPRS. The City's average contribution rate was 29.05 percent of pay for SERS and 45.64 percent for FPRS. These rates were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plans from the City were \$5,746,805 and \$11,800,296 for SERS and FPRS, respectively, for the year ended June 30, 2024.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

| | Southfield Employees Retirement System | Fire and Police Retirement System |
|--|--|--------------------------------------|
| Measurement date used for the City's net pension liability | June 30, 2024 | June 30, 2024 |
| Based on a comprehensive actuarial valuation as of | June 30, 2023 | June 30, 2023 |

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

Southfield Employees Retirement System

| Changes in Net Pension Liability | Increase (Decrease) | | |
|--|----------------------------|-----------------------|--------------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at July 1, 2023 | \$ 176,927,655 | \$ 120,381,684 | \$ 56,545,971 |
| Changes for the year: | | | |
| Service cost | 2,110,813 | - | 2,110,813 |
| Interest | 12,000,181 | - | 12,000,181 |
| Changes in benefits | (79,767) | - | (79,767) |
| Differences between expected and actual experience | 3,465,400 | - | 3,465,400 |
| Contributions - Employer | - | 5,746,805 | (5,746,805) |
| Contributions - Employee | - | 2,132,563 | (2,132,563) |
| Net investment income | - | 12,911,032 | (12,911,032) |
| Benefit payments, including refunds | (13,103,811) | (13,103,811) | - |
| Administrative expenses | - | (119,255) | 119,255 |
| Net changes | 4,392,816 | 7,567,334 | (3,174,518) |
| Balance at June 30, 2024 | \$ 181,320,471 | \$ 127,949,018 | \$ 53,371,453 |

The plan's fiduciary net position represents 70.6 percent of the total pension liability.

Note 11 - Pension Plans (Continued)

Fire and Police Retirement System

| Changes in Net Pension Liability | Increase (Decrease) | | |
|--|-------------------------|-----------------------|-----------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at July 1, 2023 | \$ 299,406,321 | \$ 193,696,684 | \$ 105,709,637 |
| Changes for the year: | | | |
| Service cost | 4,290,921 | - | 4,290,921 |
| Interest | 19,609,071 | - | 19,609,071 |
| Differences between expected and actual experience | 3,905,630 | - | 3,905,630 |
| Contributions - Employer | - | 11,800,296 | (11,800,296) |
| Contributions - Employee | - | 1,339,154 | (1,339,154) |
| Net investment income | - | 15,142,252 | (15,142,252) |
| Benefit payments, including refunds | (22,094,043) | (22,094,043) | - |
| Administrative expenses | - | (28,882) | 28,882 |
| Miscellaneous other charges | - | (138,930) | 138,930 |
| Net changes | 5,711,579 | 6,019,847 | (308,268) |
| Balance at June 30, 2024 | <u>\$ 305,117,900</u> | <u>\$ 199,716,531</u> | <u>\$ 105,401,369</u> |

The plan's fiduciary net position represents 65.5 percent of the total pension liability.

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

For the year ended June 30, 2024, the City recognized pension expense of \$19,693,982 from all plans.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ 9,468,382 | \$ - |
| Changes in assumptions | 97,255 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,478,098 | (4,406,070) |
| Total | <u>\$ 11,043,735</u> | <u>\$ (4,406,070)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|----------------------|---------------------|
| 2025 | \$ (1,499,461) |
| 2026 | 10,952,945 |
| 2027 | (1,406,430) |
| 2028 | (1,409,389) |
| Total | <u>\$ 6,637,665</u> |

Note 11 - Pension Plans (Continued)

Actuarial Assumptions

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

| | Southfield Employees Retirement System | Fire and Police Retirement System |
|--|--|--|
| Inflation | 2.25 | 2.75 |
| Salary increases (including inflation) | 2.75 to 5.75% | 2.75 to 12.75% |
| Investment rate of return (net of investment expenses) | 7.0% | 6.75% |
| Mortality rates | Pub-2010 Mortality Tables projected using Scale MP-2020, with adjustments to more closely reflect our experience study | Pub-2010 Mortality Tables, with adjustments to more closely reflect our experience study |

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of actuarial experience studies for SERS and FPRS covering the five-year period ended June 30, 2020.

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

| | Southfield Employees Retirement System | Fire and Police Retirement System |
|---|--|--------------------------------------|
| Assumed investment rate of return | 7.0% | 6.75% |
| Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits? | Yes | Yes |
| Discount rate used to measure total pension liability | 7.0% | 6.75% |

June 30, 2024

Note 11 - Pension Plans (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the June 30, 2024 measurement date for each major asset class included in the pension plans' target asset allocation, as disclosed in the investment note, are summarized in the following tables:

Southfield Employees Retirement System

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic equity | 50.00 % | 7.50 % |
| International equity | 15.00 | 8.50 |
| Domestic bonds | 17.00 | 2.50 |
| Real estate | 8.00 | 4.50 |
| Alternative assets | 10.00 | 6.46 |

Fire and Police Retirement System

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------------|-------------------|--|
| Domestic large-cap equity | 22.50 % | 4.52 % |
| Domestic small/mid-cap equity | 14.00 | 5.06 |
| International equity | 20.00 | 5.08 |
| Corporate bonds | 17.00 | 2.44 |
| Private debt | 5.00 | 6.00 |
| Real estate | 16.50 | 3.73 |
| Hedge funds | 5.00 | 3.73 |

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 current discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease | Current Discount Rate | 1 Percentage Point Increase |
|---|--------------------------------|--------------------------|--------------------------------|
| Net pension liability of the Southfield Employees Retirement System | \$ 71,880,392 | \$ 53,371,453 | \$ 37,614,052 |
| Net pension liability of the Fire and Police Retirement System | 137,268,018 | 105,401,369 | 79,168,313 |

Investment Policy

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension board's adopted asset allocation policy is disclosed in the table above.

Note 11 - Pension Plans (Continued)

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.46 percent and 7.89 percent for SERS and FPRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

The City’s FPRS plan offers certain employees the ability to continue services and be paid a salary after they are retirement eligible and freeze their retirement benefits; this program credits the employee for benefit payments that would have been paid and pays them out with interest of either 4 percent or 2 percent depending on union after the employee has fully retired (discontinued providing employee services to the City). As of July 1, 2024, member contributions for police command (SPCOA) and deputy chiefs (SDCA are 1 percent of pay and firefighters contributions (regardless of hire date)) were increased to 6 percent of pay. At June 30, 2024, the plan has \$5,511,057 accumulated in DROP accounts.

Note 12 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Retiree Health Care Benefits Plan, a single-employer plan administered by the Retiree Health Care Benefits Plan Board. The City includes pre-Medicare retirees and their spouses in its insured health care plan. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This health care benefit plan is closed to new hires. Employees hired subsequent to the plan closing date (which varied by collective bargaining agreement) are enrolled into an individual retiree health savings account. The benefits are provided under the collective bargaining agreements.

The financial statements of each OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested with the Retiree Health Care Benefits Plan and Trust board of trustees, which consists of 11 members - 4 elected by plan members, 3 members who serve on the Administrative Civil Service Commission, 2 appointed representatives who serve on the board of trustees of the City of Southfield Fire and Police Retirement System, and the city treasurer and city administrator, who serve as ex officio members.

Benefits Provided

The Plan provides health care and prescription drug benefits for retirees and their dependents. Benefits are primarily provided through the City’s self-insurance program, with a small portion being covered by a third-party insurer.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

| | |
|---|--------------------------------------|
| | Retiree Health Care Benefits Plan |
| | <hr/> |
| Date of member count | June 30, 2023 |
| Inactive plan members or beneficiaries currently receiving benefits | 675 |
| Inactive plan members entitled to but not yet receiving benefits | 27 |
| Active plan members | <hr/> 179 |
| Total plan members | <hr/> <hr/> 881 |

Note 12 - Other Postemployment Benefit Plan (Continued)

Contributions

Contribution rates are established by the collective bargaining units. For the year ended June 30, 2024, the City contributed \$11,037,793 to the plan. Active fire and police plan members are required to contribute 2 percent of covered payroll to the plan. Active police plan members who entered the DROP program prior to June 16, 2014 are required to contribute an additional 2 percent of covered pay (4 percent total). Those eligible to DROP after June 16, 2014 will contribute an additional 3 percent (5 percent total) to the plan upon entering DROP. DROP is closed to police command hired after March 1, 2014 unless they were previously police and police/command who DROP on or after June 16, 2014 accrue interest at the rate of 2 percent rather than 4 percent.

Nonunion employees, AFSCME 329, AFSCME 3636, TPOAM employees, and active PST and PSS employees must contribute 2 percent of covered pay to the plan.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2024 fiscal year end report net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2024 measurement date. The June 30, 2024 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, which used update procedures to roll forward the estimated liability to June 30, 2024.

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

Southfield Employees Retiree Health Care Benefits Plan

| Changes in Net OPEB Liability | Increase (Decrease) | | |
|--|----------------------|----------------------|---------------------|
| | Total OPEB Liability | Plan Net Position | Net OPEB Liability |
| Balance at July 1, 2023 | \$ 50,980,286 | \$ 33,333,117 | \$ 17,647,169 |
| Changes for the year: | | | |
| Service cost | 384,610 | - | 384,610 |
| Interest | 3,447,377 | - | 3,447,377 |
| Differences between expected and actual experience | (7,884,758) | - | (7,884,758) |
| Changes in assumptions | 1,011,677 | - | 1,011,677 |
| Contributions - Employer | - | 3,782,560 | (3,782,560) |
| Contributions - Employee | - | 144,063 | (144,063) |
| Net investment income | - | 3,821,100 | (3,821,100) |
| Benefit payments, including refunds | (3,848,690) | (3,848,690) | - |
| Administrative expenses | - | (7,332) | 7,332 |
| Miscellaneous other charges | - | 799,183 | (799,183) |
| Net changes | (6,889,784) | 4,690,884 | (11,580,668) |
| Balance at June 30, 2024 | \$ 44,090,502 | \$ 38,024,001 | \$ 6,066,501 |

The plan's fiduciary net position represents 86.2 percent of the total OPEB liability.

Note 12 - Other Postemployment Benefit Plan (Continued)

Fire and Police Retiree Health Care Benefits Plan

| Changes in Net OPEB Liability (Asset) | Increase (Decrease) | | |
|--|----------------------|----------------------|----------------------------|
| | Total OPEB Liability | Plan Net Position | Net OPEB Liability (Asset) |
| Balance at July 1, 2023 | \$ 99,121,786 | \$ 77,777,274 | \$ 21,344,512 |
| Changes for the year: | | | |
| Service cost | 1,010,087 | - | 1,010,087 |
| Interest | 6,809,233 | - | 6,809,233 |
| Differences between expected and actual experience | (18,402,365) | - | (18,402,365) |
| Changes in assumptions | 1,698,646 | - | 1,698,646 |
| Contributions - Employer | - | 7,255,233 | (7,255,233) |
| Contributions - Employee | - | 254,290 | (254,290) |
| Net investment income | - | 8,986,514 | (8,986,514) |
| Benefit payments, including refunds | (4,704,148) | (4,704,148) | - |
| Administrative expenses | - | (7,333) | 7,333 |
| Miscellaneous other charges | - | (839,163) | 839,163 |
| Net changes | (13,588,547) | 10,945,393 | (24,533,940) |
| Balance at June 30, 2024 | \$ 85,533,239 | \$ 88,722,667 | \$ (3,189,428) |

The plan's fiduciary net position represents 103.7 percent of the total OPEB liability.

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

For the year ended June 30, 2024, the City recognized OPEB recovery of \$16,536,233 from all plans.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ - | \$ (4,777,764) |
| Changes in assumptions | 471,271 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | (1,940,938) |
| Total | \$ 471,271 | \$ (6,718,702) |

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

| Years Ending June 30 | Amount |
|----------------------|----------------|
| 2025 | \$ (5,957,038) |
| 2026 | 1,796,182 |
| 2027 | (1,100,397) |
| 2028 | (986,178) |
| Total | \$ (6,247,431) |

Note 12 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | Retiree Health Care Benefits Plan |
|--|--|
| Inflation | 2.5% |
| Salary increases (including inflation) | 2.75% - 12.75% |
| Investment rate of return (net of investment expenses) | 7.00% |
| Health care cost trend rate | 7.5% - 3.5%, gradually decreasing to an ultimate rate of 3.5% |
| Mortality rates | Pub-2010 Mortality Table, with adjustments for mortality improvements based on Scale MP-2020 |

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

Discount Rate

As shown below, the discount rate used to measure the total OPEB liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the OPEB plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

| | Retiree Health Care Benefits Plan |
|---|-----------------------------------|
| Assumed investment rate of return | 7.0 |
| Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits? | Yes |
| Discount rate used to measure TOL | 7.0 |

Note 12 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2024 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following tables:

Retiree Health Care Benefits Plan

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Domestic equity | 39.00 % | 6.00 % |
| International equity | 12.00 | 4.90 |
| Private credit | 8.50 | 6.60 |
| Fixed income | 18.00 | 1.30 |
| Equity hedge assets | 5.00 | 3.50 |
| Real assets | 2.00 | 3.50 |
| Private real estate | 7.00 | 4.60 |
| Private equity | 7.50 | 10.60 |
| Cash or cash equivalents | 1.00 | 0.70 |

Rates of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was 11.53 percent. The money-weighted rate of return expenses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease (6.0%) | Current Discount Rate (7.0%) | 1 Percentage Point Increase (8.0%) |
|--|--|------------------------------------|--|
| Net OPEB liability of the Southfield Employees Retiree Health Care Benefits Plan | \$ 10,467,340 | \$ 6,066,501 | \$ 2,311,881 |
| Net OPEB liability (asset) of the Fire and Police Retiree Health Care Benefits Plan | 5,535,556 | (3,189,428) | (10,596,171) |

Note 12 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability (asset) of the City, calculated using the current health care cost trend rate, as well as what the City's net OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease | Current Health Care Cost Trend Rate | 1 Percentage Point Increase |
|---|--------------------------------|---|--------------------------------|
| Net OPEB liability of the Southfield Employees Retiree Health Care Benefits Plan | \$ 1,818,463 | \$ 6,066,501 | \$ 11,021,637 |
| Net OPEB (asset) liability of the Fire and Police Retiree Health Care Benefits Plan | (11,396,801) | (3,189,428) | 6,465,748 |

Note 13 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment health care plans:

| | Southfield Employees Retirement System | Fire and Police Retirement System | Retiree Health Care Trust | Total |
|---|---|---|------------------------------|-----------------------|
| Statement of Net Position | | | | |
| Investments | \$ 127,945,563 | \$ 221,982,984 | \$ 140,235,657 | \$ 490,164,204 |
| Other assets | 155,525 | 146,890 | 1,240 | 303,655 |
| Liabilities | (152,070) | (22,413,343) | (13,490,229) | (36,055,642) |
| Net position | <u>\$ 127,949,018</u> | <u>\$ 199,716,531</u> | <u>\$ 126,746,668</u> | <u>\$ 454,412,217</u> |
| Statement of Changes in Net Position | | | | |
| Investment income | \$ 12,911,032 | \$ 15,142,252 | \$ 12,807,614 | \$ 40,860,898 |
| Contributions | 7,879,368 | 13,139,450 | 11,436,146 | 32,454,964 |
| Other additions | (119,255) | (167,812) | 799,182 | 512,115 |
| Benefit payments | (13,103,811) | (22,094,043) | (9,406,666) | (44,604,520) |
| Net change in net position | <u>\$ 7,567,334</u> | <u>\$ 6,019,847</u> | <u>\$ 15,636,276</u> | <u>\$ 29,223,457</u> |

Note 14 - Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Loans are permitted from this plan, subject to guidelines established by the employer. The City does not make contributions to this plan.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Note 15 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

| | Primary Government | | |
|--|----------------------|-----------------------------------|-----------------------|
| | General Fund | Nonmajor Governmental Funds | Total |
| Nonspendable: | | | |
| Inventory | \$ 266,286 | \$ - | \$ 266,286 |
| Prepays | 597,352 | 551,340 | 1,148,692 |
| Long-term receivable | 777,705 | 2,054,169 | 2,831,874 |
| Total nonspendable | 1,641,343 | 2,605,509 | 4,246,852 |
| Restricted: | | | |
| Right-of-way funds/metro authority | 1,662,724 | - | 1,662,724 |
| Roads | - | 19,527,016 | 19,527,016 |
| Police | - | 502,765 | 502,765 |
| Debt service | - | 3,710,950 | 3,710,950 |
| Grants | - | 852,480 | 852,480 |
| Capital projects | - | 9,618,333 | 9,618,333 |
| Donations, memorial trusts, and sponsorships | - | 352,321 | 352,321 |
| Parks and recreation | - | 5,122,300 | 5,122,300 |
| Cable television | - | 494,644 | 494,644 |
| Library | - | 12,476,204 | 12,476,204 |
| Total restricted | 1,662,724 | 52,657,013 | 54,319,737 |
| Committed: | | | |
| Dispatch improvements | 1,273,567 | - | 1,273,567 |
| Equalization reserve | 2,000,000 | - | 2,000,000 |
| Local improvement revolving - Northland | 2,785,719 | 861,209 | 3,646,928 |
| Building infrastructure | 20,000,000 | - | 20,000,000 |
| Tax base initiatives and quality of life | 2,000,000 | - | 2,000,000 |
| Total committed | 28,059,286 | 861,209 | 28,920,495 |
| Assigned: | | | |
| Capital projects | - | 8,044,278 | 8,044,278 |
| Encumbrances | 3,330,221 | - | 3,330,221 |
| Total assigned | 3,330,221 | 8,044,278 | 11,374,499 |
| Unassigned | 18,725,175 | - | 18,725,175 |
| Total fund balance | \$ 53,418,749 | \$ 64,168,009 | \$ 117,586,758 |

General Fund encumbrances relate to computer and other contractual and professional services and operating supplies.

Note 16 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool for claims relating to bodily injury, personal injury, property damage to property of others and city-owned property, public officials and law enforcement liability, and statutory Michigan "no fault" for owned automobiles. The City is self-insured for a majority of its health care costs up to \$250,000 per occurrence and for workers' compensation claims up to \$600,000 per occurrence. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MMRMA program is approved and regulated by the Michigan Insurance Bureau and provides coverage of \$15 million per occurrence, with the first \$250,000 self-insured retention being the responsibility of the City for all liability claims. For property damage claim coverage, the MMRMA provides combined property coverage of \$196 million.

The shared-risk pool program in which the City participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for workers' compensation and general property and liability claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

| | General and Worker's Compensation Liability | |
|---|--|---------------------|
| | 2024 | 2023 |
| Estimated liability - Beginning of year | \$ 2,363,588 | \$ 2,335,574 |
| Estimated claims incurred, including changes in estimates | 2,614,040 | 1,448,369 |
| Claim payments | (1,164,219) | (1,420,355) |
| Estimated liability - End of year | <u>\$ 3,813,409</u> | <u>\$ 2,363,588</u> |

The City estimates that claims incurred but not reported for self-insured medical plan totaled \$303,733 at year end. This liability is recorded as part of the general and medical claims' liability at year end, less the year-end settlement of amounts overpaid during the fiscal year of \$957,524 for a net prepaid expense of \$653,791.

Note 17 - Litigation

The City is a defendant to various claims, legal actions, and complaints arising in the ordinary course of business. The City denies the allegations and plans a vigorous defense. In the opinion of legal counsel, all such matters as indicated above are adequately covered by insurance or, if not so covered, are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City.

In October 2020, a \$50 million lawsuit was filed against the City alleging civil rights violations by Southfield Emergency Medical Services paramedics based on its handling of an incident that occurred in August 2020. The lawsuit was dismissed in the Oakland County Circuit Court and has been appealed by the plaintiff. The Court of Appeals has not issued its decision on the matter yet. The City continues to defend the case vigorously. While management believes that an unfavorable outcome is possible, it does not believe it to be probable at this time. To the extent that an unfavorable outcome does occur, management believes it will be primarily covered within the MMRMA per occurrence limit of \$15 million and that any loss to the City will be minimal.

Note 17 - Litigation (Continued)

The City has not identified any other significant claims, legal actions, and complaints arising in the ordinary course of business.

Note 18 - Tax Abatements

The City offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increases the tax base of the City. The more significant property tax abatements, as defined by GASB 77, *Tax Abatement Disclosures*, that occurred during fiscal year 2024 are as follows.

The City receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974). Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 10 years. For the fiscal year ended June 30, 2024, the City abated \$236,581 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to capture property taxes within the Brownfield area and then uses those captures to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the City's tax revenue is reduced as this revenue is captured by the Brownfield. For the fiscal year ended June 30, 2024, the Brownfield captured approximately \$15,000 of city taxes, in addition to captures from other taxing jurisdictions. Additionally, this captured Brownfield revenue must, by agreement, be used in part to reimburse developers. Due to the restricted nature of these agreements, the Brownfield essentially must pass on related tax dollars to the developers and, for the purpose of this pronouncement, reimbursed approximately \$1,320,500 to developers during the year.

The City uses the New Personal Property Exemption to enter into agreements with businesses located within a specific district in the City, as provided in PA 328 of 1998. Under the program, the City grants reductions of 100 percent of property tax bill for real property for up to 10 years. As a condition of receiving the New Personal Property Exemption, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended June 30, 2024, the City abated approximately \$852,300 of taxes under this program.

Note 19 - Joint Venture

The City is a member of the Southeastern Oakland County Water Authority (the "Authority"), which provides a water supply system serving 11 member municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2024, the City expensed \$7,364,250 of payments made to the Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Water Authority's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 20 - Brownfield Reimbursement Agreement

The City entered into a Brownfield Reimbursement Agreement between the City of Southfield Brownfield Redevelopment Authority (BRDA) and the developer, whose interest in the property was assigned by the purchaser. Under the terms of the agreement, the City has committed to contribute \$13,300,000 from governmental activities and \$6,800,000 from the Water and Sewer Fund to the BRDA to directly pay for certain developer eligible activities.

Through June 30, 2024, the governmental activities and the Water and Sewer Fund have contributed amounts totaling \$10,976,213 and \$6,586,996, respectively, for a total of \$17,563,209. Of these amounts, \$3,954,802 and \$3,114,106, respectively, were contributed during the current year. The total contributed to date represents the total for which the developer has requested reimbursement through June 30, 2024 and has been recorded by the BRDA as contribution revenue. Of the total to date, \$9,484,622 has been reimbursed to the developer from the BRDA through June 30, 2024, with remaining amounts either remitted subsequent to year end or held in retainage. All such expenses have been reflected in the BRDA as of June 30, 2024.

The BRDA has committed to returning the contribution to governmental activities and the Water and Sewer Fund. Amounts directly paid will be reimbursed from allowed capture of future increased property tax revenue for state and local taxing authorities as those captures become available. At June 30, 2024, the amounts received from the governmental activities and the Water and Sewer Fund are committed for repayment, but repayment is contingent upon future events.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2024

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget (Unfavorable) Favorable |
|---|--------------------------------|-------------------------------|----------------------|---|
| Revenue | | | | |
| Property taxes | \$ 59,411,412 | \$ 59,411,412 | \$ 58,554,677 | \$ (856,735) |
| Intergovernmental: | | | | |
| Federal grants | 105,853 | 105,853 | 144,432 | 38,579 |
| State sources | 12,698,687 | 12,698,687 | 11,703,785 | (994,902) |
| Local grants and contributions | 825,317 | 831,628 | 756,563 | (75,065) |
| Charges for services: | | | | |
| User fees | 3,666,196 | 3,716,196 | 4,767,450 | 1,051,254 |
| Sanitation | 3,062,893 | 3,062,893 | 3,056,196 | (6,697) |
| Fines and forfeitures - District court fines and fees | 2,215,400 | 2,215,400 | 2,568,877 | 353,477 |
| Licenses and permits: | | | | |
| Cable franchise fees | 1,294,139 | 1,294,139 | 1,051,928 | (242,211) |
| Other licenses and permits | 2,925,323 | 2,925,323 | 2,579,704 | (345,619) |
| Investment earnings | 1,000,000 | 1,000,000 | 4,785,275 | 3,785,275 |
| Other revenue | 6,288,719 | 6,288,719 | 3,677,774 | (2,610,945) |
| Total revenue | 93,493,939 | 93,550,250 | 93,646,661 | 96,411 |
| Expenditures | | | | |
| Current services: | | | | |
| General government: | | | | |
| Council | 225,648 | 225,648 | 203,577 | 22,071 |
| Mayor | 128,203 | 131,079 | 113,148 | 17,931 |
| Fiscal services | 2,008,003 | 1,753,003 | 1,749,867 | 3,136 |
| Administration | 803,745 | 808,295 | 791,320 | 16,975 |
| Technology and central services | 4,333,633 | 4,630,533 | 2,547,983 | 2,082,550 |
| Treasurer | 1,101,563 | 1,105,574 | 999,451 | 106,123 |
| Assessing | 1,314,309 | 1,315,299 | 1,124,234 | 191,065 |
| Clerk | 1,366,931 | 1,380,794 | 1,241,822 | 138,972 |
| Attorney | 1,178,843 | 1,313,843 | 1,312,304 | 1,539 |
| Human resources | 2,262,820 | 2,281,819 | 1,884,802 | 397,017 |
| Community relations | 897,362 | 913,119 | 738,282 | 174,837 |
| Insurance and bonds | 1,178,072 | 1,443,072 | 1,442,639 | 433 |
| Support services | 3,759,385 | 5,071,087 | 4,711,939 | 359,148 |
| Public safety: | | | | |
| Police | 27,871,702 | 27,487,798 | 28,808,148 | (1,320,350) |
| Fire | 23,535,567 | 24,486,339 | 27,974,134 | (3,487,795) |
| Building and safety engineering | 4,007,458 | 3,826,829 | 3,305,458 | 521,371 |
| District court | 3,957,492 | 3,995,265 | 3,528,485 | 466,780 |
| Civilian support services | 4,951,515 | 5,592,447 | 4,438,198 | 1,154,249 |
| Public works: | | | | |
| Road service administration | 2,667,314 | 3,369,143 | 2,564,257 | 804,886 |
| Sanitation | 3,057,603 | 3,074,426 | 3,773,812 | (699,386) |
| Community improvements and economic development: | | | | |
| Planning | 1,057,079 | 1,062,385 | 941,117 | 121,268 |
| Community development | 416,672 | 420,932 | 408,955 | 11,977 |
| Capital outlay and other related costs | 4,719,988 | 7,438,256 | 3,657,379 | 3,780,877 |
| Debt service: | | | | |
| Principal retirement | 365,000 | 365,000 | 583,834 | (218,834) |
| Interest and fiscal charges | 3,249 | 3,249 | 17,086 | (13,837) |
| Total expenditures | 97,169,156 | 103,495,234 | 98,862,231 | 4,633,003 |
| Excess of Expenditures Over Revenue | (3,675,217) | (9,944,984) | (5,215,570) | 4,729,414 |
| Other Financing Uses - Transfers out | (135,516) | (235,516) | (646,139) | (410,623) |
| Net Change in Fund Balance | (3,810,733) | (10,180,500) | (5,861,709) | 4,318,791 |
| Fund Balance - Beginning of year | 59,280,458 | 59,280,458 | 59,280,458 | - |
| Fund Balance - End of year | \$ 55,469,725 | \$ 49,099,958 | \$ 53,418,749 | \$ 4,318,791 |

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Southfield Employees Retirement System

Last Ten Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 2,110,813 | \$ 1,948,831 | \$ 1,888,614 | \$ 2,012,113 | \$ 1,693,209 | \$ 1,679,389 | \$ 1,567,183 | \$ 1,576,471 | \$ 1,587,719 | \$ 1,630,427 |
| Interest | 12,000,181 | 11,784,832 | 11,702,874 | 11,507,176 | 11,508,838 | 11,267,476 | 11,229,219 | 11,070,056 | 10,797,824 | 10,698,458 |
| Changes in benefit terms | (79,767) | - | - | (77,131) | (86,700) | - | - | - | - | (29,546) |
| Differences between expected and actual experience | 3,465,400 | 2,186,146 | 130,396 | 98,339 | 1,908,975 | 2,091,982 | (835,066) | 386,982 | (1,241,195) | (1,085,186) |
| Changes in assumptions | - | - | - | 1,679,916 | 7,787,551 | - | - | - | 12,032,895 | - |
| Benefit payments, including refunds | (13,103,811) | (12,744,961) | (12,417,360) | (12,308,598) | (11,759,957) | (11,895,234) | (11,119,463) | (10,693,898) | (10,393,455) | (9,507,989) |
| Net Change in Total Pension Liability | 4,392,816 | 3,174,848 | 1,304,524 | 2,911,815 | 11,051,916 | 3,143,613 | 841,873 | 2,339,611 | 12,783,788 | 1,706,164 |
| Total Pension Liability - Beginning of year | 176,927,655 | 173,752,807 | 172,448,283 | 169,536,468 | 158,484,552 | 155,340,939 | 154,499,066 | 152,159,455 | 139,375,667 | 137,669,503 |
| Total Pension Liability - End of year | \$ 181,320,471 | \$ 176,927,655 | \$ 173,752,807 | \$ 172,448,283 | \$ 169,536,468 | \$ 158,484,552 | \$ 155,340,939 | \$ 154,499,066 | \$ 152,159,455 | \$ 139,375,667 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$ 5,746,805 | \$ 5,088,275 | \$ 4,603,072 | \$ 4,538,379 | \$ 3,755,353 | \$ 3,623,322 | \$ 3,668,687 | \$ 2,727,775 | \$ 2,866,029 | \$ 3,233,204 |
| Contributions - Member | 2,132,563 | 1,210,775 | 1,129,746 | 1,040,024 | 822,698 | 772,659 | 729,155 | 720,834 | 689,397 | 711,807 |
| Net investment income (loss) | 12,911,032 | 13,556,296 | (10,231,311) | 31,219,769 | 690,641 | 4,555,080 | 9,449,992 | 14,825,665 | (3,280,426) | 2,770,284 |
| Administrative expenses | (119,255) | (111,332) | (84,111) | (71,620) | (78,022) | (61,018) | (33,827) | (60,693) | (166,074) | (141,901) |
| Benefit payments, including refunds | (13,103,811) | (12,744,961) | (12,417,360) | (12,308,598) | (11,759,957) | (11,895,234) | (11,119,463) | (10,693,898) | (10,393,455) | (9,507,989) |
| Other | - | - | - | - | 397,851 | (31,268) | - | 148,506 | - | - |
| Net Change in Plan Fiduciary Net Position | 7,567,334 | 6,999,053 | (16,999,964) | 24,417,954 | (6,171,436) | (3,036,459) | 2,694,544 | 7,668,189 | (10,284,529) | (2,934,595) |
| Plan Fiduciary Net Position - Beginning of year | 120,381,684 | 113,382,631 | 130,382,595 | 105,964,641 | 112,136,077 | 115,172,536 | 112,477,992 | 104,809,803 | 115,094,332 | 118,028,927 |
| Plan Fiduciary Net Position - End of year | \$ 127,949,018 | \$ 120,381,684 | \$ 113,382,631 | \$ 130,382,595 | \$ 105,964,641 | \$ 112,136,077 | \$ 115,172,536 | \$ 112,477,992 | \$ 104,809,803 | \$ 115,094,332 |
| City's Net Pension Liability - Ending | \$ 53,371,453 | \$ 56,545,971 | \$ 60,370,176 | \$ 42,065,688 | \$ 63,571,827 | \$ 46,348,475 | \$ 40,168,403 | \$ 42,021,074 | \$ 47,349,652 | \$ 24,281,335 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 70.57 % | 68.04 % | 65.26 % | 75.61 % | 62.50 % | 70.76 % | 74.14 % | 72.80 % | 68.88 % | 82.58 % |
| Covered Payroll | \$ 17,953,440 | \$ 16,533,707 | \$ 15,983,495 | \$ 16,025,535 | \$ 15,059,719 | \$ 14,716,566 | \$ 13,548,441 | \$ 13,340,553 | \$ 13,407,323 | \$ 13,455,647 |
| City's Net Pension Liability as a Percentage of Covered Payroll | 297.28 % | 342.00 % | 377.70 % | 262.49 % | 422.13 % | 314.94 % | 296.48 % | 314.99 % | 353.16 % | 180.45 % |

Required Supplementary Information
 Schedule of Pension Contributions
 Southfield Employees Retirement System

Last Ten Fiscal Years
 Years Ended June 30

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 5,746,805 | \$ 5,088,275 | \$ 4,603,072 | \$ 4,538,379 | \$ 3,755,353 | \$ 3,623,322 | \$ 3,668,687 | \$ 2,727,775 | \$ 2,866,029 | \$ 3,233,204 |
| Contributions in relation to the actuarially determined contribution | 5,746,805 | 5,088,275 | 4,603,072 | 4,538,379 | 3,755,353 | 3,623,322 | 3,668,687 | 2,727,775 | 2,866,029 | 3,233,204 |
| Contribution Excess | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 17,953,440 | \$ 16,533,707 | \$ 15,983,495 | \$ 16,025,535 | \$ 15,059,719 | \$ 14,716,566 | \$ 13,548,441 | \$ 13,340,553 | \$ 13,407,323 | \$ 13,455,647 |
| Contributions as a Percentage of Covered Payroll | 32.01 % | 30.78 % | 28.80 % | 28.32 % | 24.94 % | 24.62 % | 27.08 % | 20.45 % | 21.38 % | 24.03 % |

Notes to Southfield Employees Retirement System - Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

| | |
|-------------------------------|--|
| Valuation date | Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial cost method | Entry-age normal |
| Amortization method | Level percent, closed |
| Remaining amortization period | 22 years for the June 30, 2022 valuation |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.25 percent |
| Salary increase | 2.75-5.75 percent, including 2.75 percent wage inflation |
| Investment rate of return | 7.00 percent, net of investment expenses |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality | Pub-2010 Mortality Tables projected using Scale MP-2020, with adjustments to more closely reflect our experience study |
| Other information | None |

Required Supplementary Information
Schedule of Pension Investment Returns
Southfield Employees Retirement System

| | Last Ten Fiscal Years Years Ended June 30 | | | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <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> |
| Annual money-weighted rate of return - Net of investment expense | 11.46 % | 12.47 % | (8.45)% | 30.17 % | 15.00 % | 4.15 % | 7.80 % | 15.54 % | (3.04)% | 1.19 % |

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Fire and Police Retirement System

Last Ten Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 4,290,921 | \$ 3,471,761 | \$ 3,314,502 | \$ 2,278,896 | \$ 2,641,811 | \$ 2,602,465 | \$ 2,640,321 | \$ 2,701,757 | \$ 2,804,586 | \$ 2,803,893 |
| Interest | 19,609,071 | 19,301,882 | 19,174,446 | 19,273,195 | 19,647,416 | 19,331,013 | 18,828,204 | 18,445,532 | 17,913,693 | 17,512,901 |
| Changes in benefit terms | - | 101,694 | - | (19,714) | - | 102,244 | - | - | - | - |
| Differences between expected and actual experience | 3,905,630 | 5,166,739 | 2,093,709 | (195,429) | (558,290) | 2,075,076 | 4,577,169 | 1,787,826 | 1,243,252 | 781,324 |
| Changes in assumptions | - | - | - | 7,746,683 | 12,397,937 | - | - | - | 9,830,854 | - |
| Benefit payments, including refunds | (22,094,043) | (25,707,361) | (19,839,336) | (21,894,500) | (19,268,715) | (20,554,811) | (18,090,480) | (17,513,738) | (16,376,212) | (15,477,676) |
| Net Change in Total Pension Liability | 5,711,579 | 2,334,715 | 4,743,321 | 7,189,131 | 14,860,159 | 3,555,987 | 7,955,214 | 5,421,377 | 15,416,173 | 5,620,442 |
| Total Pension Liability - Beginning of year | 299,406,321 | 297,071,606 | 292,328,285 | 285,139,154 | 270,278,995 | 266,723,008 | 258,767,794 | 253,346,417 | 237,930,244 | 232,309,802 |
| Total Pension Liability - End of year | \$ 305,117,900 | \$ 299,406,321 | \$ 297,071,606 | \$ 292,328,285 | \$ 285,139,154 | \$ 270,278,995 | \$ 266,723,008 | \$ 258,767,794 | \$ 253,346,417 | \$ 237,930,244 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$ 11,800,296 | \$ 11,934,078 | \$ 9,132,635 | \$ 8,853,911 | \$ 7,060,402 | \$ 7,009,077 | \$ 6,638,423 | \$ 6,241,527 | \$ 5,664,576 | \$ 5,933,162 |
| Contributions - Member | 1,339,154 | 1,055,154 | 763,608 | 678,115 | 610,417 | 506,015 | 453,274 | 457,293 | 444,861 | 466,794 |
| Net investment income (loss) | 15,142,252 | 15,410,245 | (19,371,331) | 54,239,821 | (3,394,354) | 7,720,973 | 13,854,087 | 20,166,668 | 2,221,494 | 3,099,104 |
| Administrative expenses | (28,882) | (76,801) | (133,313) | (125,574) | (183,978) | (218,587) | (307,479) | (155,064) | (431,274) | (403,477) |
| Benefit payments, including refunds | (22,094,043) | (25,707,361) | (19,839,336) | (21,894,500) | (19,268,715) | (20,554,811) | (18,090,480) | (17,513,738) | (16,376,212) | (15,477,676) |
| Other | (138,930) | (133,716) | (70,283) | (88,958) | - | (32) | (1,659) | - | - | - |
| Net Change in Plan Fiduciary Net Position | 6,019,847 | 2,481,599 | (29,518,020) | 41,662,815 | (15,176,228) | (5,537,365) | 2,546,166 | 9,196,686 | (8,476,555) | (6,382,093) |
| Plan Fiduciary Net Position - Beginning of year | 193,696,684 | 191,215,085 | 220,733,105 | 179,070,290 | 194,246,518 | 199,783,883 | 197,237,717 | 188,041,031 | 196,517,586 | 202,899,679 |
| Plan Fiduciary Net Position - End of year | \$ 199,716,531 | \$ 193,696,684 | \$ 191,215,085 | \$ 220,733,105 | \$ 179,070,290 | \$ 194,246,518 | \$ 199,783,883 | \$ 197,237,717 | \$ 188,041,031 | \$ 196,517,586 |
| City's Net Pension Liability - Ending | \$ 105,401,369 | \$ 105,709,637 | \$ 105,856,521 | \$ 71,595,180 | \$ 106,068,864 | \$ 76,032,477 | \$ 66,939,125 | \$ 61,530,077 | \$ 65,305,386 | \$ 41,412,658 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 65.46 % | 64.69 % | 64.37 % | 75.51 % | 62.80 % | 71.87 % | 74.90 % | 76.22 % | 74.22 % | 82.59 % |
| Covered Payroll | \$ 22,014,200 | \$ 20,128,435 | \$ 19,841,111 | \$ 19,025,223 | \$ 18,552,867 | \$ 18,595,691 | \$ 18,904,937 | \$ 18,741,427 | \$ 18,610,174 | \$ 18,452,501 |
| City's Net Pension Liability as a Percentage of Covered Payroll | 478.79 % | 525.18 % | 533.52 % | 376.32 % | 571.71 % | 408.87 % | 354.08 % | 328.31 % | 350.91 % | 224.43 % |

Required Supplementary Information
 Schedule of Pension Contributions
 Fire and Police Retirement System

Last Ten Fiscal Years
 Years Ended June 30

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 11,800,296 | \$ 11,934,078 | \$ 9,132,635 | \$ 8,853,911 | \$ 7,060,402 | \$ 7,009,077 | \$ 6,638,423 | \$ 6,241,527 | \$ 5,664,576 | \$ 5,933,162 |
| Contributions in relation to the actuarially determined contribution | 11,800,296 | 11,934,078 | 9,132,635 | 8,853,911 | 7,060,402 | 7,009,077 | 6,638,423 | 6,241,527 | 5,664,576 | 5,933,162 |
| Contribution Excess | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 22,014,200 | \$ 20,128,435 | \$ 19,841,111 | \$ 19,025,223 | \$ 18,552,867 | \$ 18,595,691 | \$ 18,904,937 | \$ 18,741,427 | \$ 18,610,174 | \$ 18,452,501 |
| Contributions as a Percentage of Covered Payroll | 53.60 % | 59.29 % | 46.03 % | 46.54 % | 38.06 % | 37.69 % | 35.11 % | 33.30 % | 30.44 % | 32.15 % |

Notes to Fire and Police Retirement System - Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry-age normal |
| Amortization method | Level percent, closed |
| Remaining amortization period | 24 years for the June 30, 2022 valuation |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75 percent wage inflation, no explicit price inflation assumptions is used in this valuation |
| Salary increase | 2.75-12.75 percent, including wage inflation |
| Investment rate of return | 6.75 percent, net of investment expense |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality | Pub-2010 Mortality Tables, with adjustments to more closely reflect our experience study |
| Other information | None |

Required Supplementary Information
Schedule of Pension Investment Returns
Fire and Police Retirement System

**Last Ten Fiscal Years
Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------|--------|---------|---------|---------|--------|--------|---------|--------|--------|
| Annual money-weighted rate of return - Net of investment expense | 7.89 % | 9.01 % | (9.61)% | 30.06 % | (1.46)% | 3.75 % | 7.18 % | 11.06 % | 1.06 % | 1.25 % |

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

Last Eight Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | | | | | |
| Service cost | \$ 1,394,697 | \$ 1,539,511 | \$ 1,767,244 | \$ 1,881,207 | \$ 2,007,468 | \$ 4,977,185 | \$ 5,202,468 | \$ 7,193,640 |
| Interest | 10,256,610 | 10,107,303 | 12,575,379 | 12,290,290 | 11,716,079 | 14,521,503 | 13,838,363 | 12,501,905 |
| Changes in benefit terms | - | - | - | - | - | (128,610,260) | - | - |
| Differences between expected and actual experience | (26,287,123) | (1,179,258) | (49,618,833) | (2,230,943) | 6,068,727 | 79,224 | 32,261,718 | - |
| Changes in assumptions | 2,710,323 | - | 7,720,024 | - | (3,783,419) | (69,294,419) | (19,904,841) | (39,136,829) |
| Benefit payments, including refunds | (8,552,838) | (7,971,535) | (7,204,819) | (8,416,943) | (7,068,465) | (12,150,509) | (10,231,956) | (8,744,194) |
| Net Change in Total OPEB Liability | (20,478,331) | 2,496,021 | (34,761,005) | 3,523,611 | 8,940,390 | (190,477,276) | 21,165,752 | (28,185,478) |
| Total OPEB Liability - Beginning of year | 150,102,072 | 147,606,051 | 182,367,056 | 178,843,445 | 169,903,055 | 360,380,331 | 339,214,579 | 367,400,057 |
| Total OPEB Liability - End of year | \$ 129,623,741 | \$ 150,102,072 | \$ 147,606,051 | \$ 182,367,056 | \$ 178,843,445 | \$ 169,903,055 | \$ 360,380,331 | \$ 339,214,579 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - Employer | \$ 11,037,793 | \$ 10,221,904 | \$ 11,499,115 | \$ 11,014,550 | \$ 12,371,933 | \$ 10,722,115 | \$ 8,751,955 | \$ 8,378,689 |
| Contributions - Active and inactive plan members not yet receiving benefits | 398,353 | 467,968 | 462,149 | 506,648 | 517,430 | 541,859 | 592,825 | 666,218 |
| Net investment income (loss) | 12,807,614 | 7,714,595 | (7,102,303) | 22,784,223 | (2,054,036) | 2,549,251 | 4,963,952 | 7,021,541 |
| Administrative expenses | (14,665) | (26,621) | (17,835) | (28,008) | (25,554) | (2,436) | (22,677) | (10,404) |
| Benefit payments, including refunds | (8,552,838) | (7,971,535) | (7,204,819) | (8,416,943) | (7,068,465) | (12,150,509) | (10,231,956) | (8,744,194) |
| Other | (39,980) | - | - | (1,097,263) | 790,824 | 2 | (82,202) | 42,822 |
| Net Change in Plan Fiduciary Net Position | 15,636,277 | 10,406,311 | (2,363,693) | 24,763,207 | 4,532,132 | 1,660,282 | 3,971,897 | 7,354,672 |
| Plan Fiduciary Net Position - Beginning of year | 111,110,391 | 100,704,080 | 103,067,773 | 78,304,566 | 73,772,434 | 72,112,152 | 68,140,255 | 60,785,583 |
| Plan Fiduciary Net Position - End of year | \$ 126,746,668 | \$ 111,110,391 | \$ 100,704,080 | \$ 103,067,773 | \$ 78,304,566 | \$ 73,772,434 | \$ 72,112,152 | \$ 68,140,255 |
| Net OPEB Liability - Ending | \$ 2,877,073 | \$ 38,991,681 | \$ 46,901,971 | \$ 79,299,283 | \$ 100,538,879 | \$ 96,130,621 | \$ 288,268,179 | \$ 271,074,324 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 97.78 % | 74.02 % | 68.22 % | 56.52 % | 43.78 % | 43.42 % | 20.01 % | 20.09 % |
| Covered-employee Payroll | \$ 18,903,989 | \$ 17,422,371 | \$ 18,935,330 | \$ 21,038,404 | \$ 22,442,064 | \$ 27,456,584 | \$ 27,456,584 | \$ 30,668,765 |
| Net OPEB Liability as a Percentage of Covered-employee Payroll | 15.22 % | 223.80 % | 247.70 % | 376.93 % | 447.99 % | 350.12 % | 1,049.91 % | 883.88 % |

Required Supplementary Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Actuarially determined contribution | \$ 6,136,254 | \$ 6,281,228 | \$ 11,980,307 | \$ 12,103,692 | \$ 19,835,915 | \$ 20,058,979 | \$ 17,857,831 | \$ 18,026,227 | \$ 16,850,343 | \$ 16,950,396 |
| Contributions in relation to the actuarially determined contribution | 11,037,793 | 10,221,904 | 11,499,115 | 11,014,550 | 12,371,933 | 10,722,115 | 8,751,955 | 8,378,689 | 8,322,260 | 7,715,534 |
| Contribution Excess (Deficiency) | \$ 4,901,539 | \$ 3,940,676 | \$ (481,192) | \$ (1,089,142) | \$ (7,463,982) | \$ (9,336,864) | \$ (9,105,876) | \$ (9,647,538) | \$ (8,528,083) | \$ (9,234,862) |
| Covered-employee Payroll | \$ 18,903,989 | \$ 17,422,371 | \$ 18,935,330 | \$ 21,038,404 | \$ 22,442,064 | \$ 27,456,584 | \$ 27,456,584 | \$ 30,668,765 | \$ 30,668,765 | \$ 32,925,193 |
| Contributions as a Percentage of Covered-employee Payroll | 58.39 % | 58.67 % | 60.73 % | 52.35 % | 55.13 % | 39.05 % | 31.88 % | 27.32 % | 27.14 % | 23.43 % |

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 of odd number years, which is 24 months prior to the end of the fiscal year biennium in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 19 years |
| Asset valuation method | Market value |
| Inflation | 2.50 percent |
| Health care cost trend rates | Non-Medicare - 7.50 percent gradually decreasing to an ultimate rate of 3.50 percent Medicare - 6.25 percent gradually decreasing to an ultimate rate of 3.50 percent |
| Salary increase | 2.75 percent to 12.75 percent, including inflation |
| Investment rate of return | 5.50 percent, net of expenses, including inflation |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality | Pub-2010 Amount-Weighted Tables with a future mortality improvements projected using Scale MP-2020 |

Required Supplementary Information
Schedule of OPEB Investment Returns

| | Last Eight Fiscal Years Years Ended June 30 | | | | | | | |
|--|--|--------|---------|---------|---------|--------|--------|--------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return - Net of investment expense | 11.53 % | 6.69 % | (6.81)% | 28.62 % | (2.62)% | 3.75 % | 7.43 % | 6.31 % |

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers expenditure reimbursements and fund balance draws have been included in the revenue and expenditures categories, rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end.

The preparation of the budget begins in October with the establishment of written goals and parameters through the city administrator's office and the distribution of budget instructions by the Office of Management and Budget. The remaining steps and deadlines are strictly outlined in the City Charter:

- On or before March 1 - Each department head must submit a departmental budget to the city administrator.
- On or before April 1 - The administrator shall submit the budget to the mayor.
- On or before the first regular City Council meeting in May - The mayor shall submit the budget to the City Council.
- No later than the third week in June - The City Council shall adopt a budget by an affirmative vote of at least five members at a special budget meeting called for such purposes.
- The City's fiscal year begins on July 1.

The public is kept well informed throughout the budget process through the issuance of press releases, availability of budget documents at both the city clerk's office and Southfield Public Library at various stages in the formulation process, and creation of a budget summary videotape, which plays periodically on the City's cable television station. Citizens are encouraged to actively participate in all public hearings.

The individual department head is authorized to transfer budgeted amounts within the respective appropriation unit (e.g., treasurer's office), unless the transfer involves personnel or capital line items, in which case the approval of the director of fiscal services or the city administrator is also required. However, any revisions that alter an appropriation unit's total budget must be approved by the City Council.

Budgets are legally adopted on an activity basis (i.e., the level at which expenditures may not legally exceed appropriations).

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City's General Fund incurred significant expenditures that were in excess of the amounts budgeted, as follows:

| | Budget | Actual | Variance |
|---|---------------|---------------|----------------|
| Public safety - Police | \$ 27,487,798 | \$ 28,808,148 | \$ (1,320,350) |
| Public safety - Fire | 24,486,339 | 27,974,134 | (3,487,795) |
| Public works - Sanitation | 3,074,426 | 3,773,812 | (699,386) |
| Debt service - Principal retirement | 365,000 | 583,834 | (218,834) |
| Debt service - Interest and fiscal services | 3,249 | 17,086 | (13,837) |

The public safety police variance is the result of the implementation of a class and compensation study to bring the City's police department salaries in line with market pay rates. The public safety fire variance is the result of a collective bargaining agreement with the Southfield Fire Fighters Association retroactive to fiscal year 2019. The public works sanitation variance is the result of increased severe weather activity during the year, which led to increased expenditures related to brush pickup. The debt service principal retirement and interest and fiscal services variances are a result of the implementation of GASB 96, *Subscription-Based Information Technology Arrangements*, under which the City is now reporting right-of-use assets and a corresponding lease liability for these arrangements.

Pension Information - SERS

Benefit Changes

2023 - The new tier of benefits (the "Blended Plan") was implemented effective July 1, 2023.

2021 - Member contributions increased by 1.0 percent for all groups except for ACS and management effective July 1, 2021.

2020 - Member contributions increased by 1.0 percent for all groups effective June 29, 2020.

Changes in Assumptions

2021 - The board adopted actuarial assumptions recommended by an experience study covering the period from July 1, 2015 through June 30, 2020:

- Retirement rates were decreased for members eligible for the Rule of 82 condition, and the pattern of rates for early retirement was changed.
- Turnover rates were decreased for the first three years of employment and increased thereafter.
- Disability rates were increased for most ages.
- Wage inflation assumption lowered from 3.0 to 2.75 percent.
- Final average compensation load on the retirement decrement liabilities for Tier 1 active members was increased from 3.0 percent to 4.0 percent.
- Fixed percent of payroll load to fund administrative expenses was modified to be based on the prior year's administrative expenses as a percentage of payroll contribution made by the City.
- Rates of mortality were updated to the most recently published national general mortality tables: the Pub-2010 Amount-Weighted General Mortality Tables, including the use of the MP- 2020 projection scale.

2020 - The board lowered the investment return assumption from 7.5 to 7.0 percent.

2016 - The board adopted actuarial assumptions recommended by an experience study covering the period from July 1, 2010 through June 30, 2015:

- Long-term rate of investment return lowered to 7.5 percent.
- Wage inflation assumption lowered to 3.0 percent.
- 1.0 percent of payroll was added to the normal cost to explicitly fund administrative expenses.
- Merit and seniority wage increases were lowered.
- Retirement rates were increased for the Rule of 82 retirement eligibility pattern.
- Mortality rates were updated to a version of the RP-2014 Blue Collar Mortality Table.
- Amortization period lengthened to 30 years.

Pension Information - FPRS

Benefit Changes

2023 - Benefit changes implemented between July 1, 2023 and June 30, 2024:

- Member contributions are 4.00 percent of pay during DROP participation for firefighters.

2022 - Benefit changes implemented between July 1, 2022 and June 30, 2023:

- Member contributions are 1.00 percent of pay during DROP participation for police officers (SPOA), police command (SPCOA), and deputy chiefs (SDCA).
- Member contributions are 6.00 percent of pay for firefighters.
- Maximum DROP participation is 6 years for firefighters.
- For firefighters hired on or after September 12, 2011, average final compensation is based on the highest 3 years of the last 10 years prior to retirement.

2021 - Member contributions increased by 1.0 percent for all groups effective July 1, 2021.

2019 - Benefit changes implemented between July 1, 2017 and June 30, 2018:

- Extension of DROP participation from five to six years for police
- Re-open the DROP to police patrol officers hired after June 16, 2014
- Maximum pension benefit cannot exceed base wages at retirement or DROP for police patrol officers.
- Increase employee contributions by 1.0 percent beginning on July 1, 2019 and another 1.0 percent beginning on June 29, 2020 for Police Patrol and Police Command Officers

Changes in Assumptions

2021 - The board adopted actuarial assumptions recommended by an experience study covering the period from July 1, 2015 through June 30, 2020:

- Retirement rates were decreased for members eligible for the Rule of 82 condition, and the pattern of rates for early retirement was changed.
- Turnover rates were decreased for the first three years of employment and increased thereafter.
- Disability rates were increased for most ages.
- Wage inflation assumption lowered from 3.0 to 2.75 percent.
- Final average compensation load on the retirement decrement liabilities for Tier 1 active members was increased from 3.0 to 4.0 percent.
- Fixed percent of payroll load to fund administrative expenses was modified to be based on the prior year's administrative expenses as a percentage of payroll contribution made by the City.
- Rates of mortality were updated to the most recently published national general mortality tables: the Pub-2010 Amount-Weighted General Mortality Tables, including the use of the MP-2020 projection scale

2020 - The board adopted an investment return assumption of 7.0 percent and increased the City's contribution rate by 5.0 percent of payroll.

2016 - The board adopted actuarial assumptions recommended by an experience study covering the period from July 1, 2010 through June 30, 2015:

- Long-term rate of investment return lowered to 7.5 percent.
- Wage inflation assumption lowered to 3.25 percent.
- Mortality rates were updated to a version of the RP-2014 Blue Collar Mortality Table.
- Revised retirement rates
- Administrative expense contribution increased to 2.0 percent of payroll.
- Amortization period lengthened to 30 years.

OPEB Information

Benefit Changes

2019 - Self-insured BCBSM PPO plans for Medicare-eligible retirees were replaced with BCBSM Medicare Advantage plans for medical and Humana Employee Group Waiver Program for prescriptions, offering similar coverage at reduced premium costs and resulted in a significant decrease in the liabilities.

- The premium the retiree pays for SPOA, SPCOA, and PST members increased.

Changes in Assumptions

2022 - Updated actuarial demographic assumptions pursuant to the experience studies for both the FPRS group and the SERS group and updated health care trend assumptions

2020 - Lowered the amortization period to 22 years beginning on July 1, 2020

- Health care trend assumption reset to 8.25 percent trending down to 3.5 percent over 10 years.
- Repeal of the Cadillac Tax, a tax provision from the Affordable Care Act 2018.
- Updated actuarial assumptions to be consistent with those adopted by SERS and FPRS.
- Health care trend assumption reset to 9.0 percent grading down to 3.0 percent over 10 years.
- 7.0 percent load was applied to the health care liabilities to approximate the cost for future excise tax (Cadillac Tax).

2016 - Health care trend assumption reset to 9.0 percent grading down to 4.0 percent over 10 years.

- 5.0 percent load was applied to the health care liabilities to approximate the cost for future excise tax (Cadillac Tax).

Supplementary Information

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2024

| | Special Revenue Funds | | | | | | |
|---|-----------------------|----------------------|----------------------|-------------------|-----------------------------------|-------------------|--|
| | Major Streets | Local Streets | Parks and Recreation | Cable Television | Community Development Block Grant | Grants | Donations, Memorial Trusts, and Sponsorships |
| Assets | | | | | | | |
| Cash and investments | \$ 10,250,866 | \$ 6,959,134 | \$ 5,840,537 | \$ 376,305 | \$ 534,966 | \$ 154,931 | \$ 1,217,449 |
| Receivables | 1,349,495 | 439,432 | 520,325 | 135,474 | 63,920 | 53,510 | 3,456 |
| Advances to component units | - | - | - | - | - | - | - |
| Due from other funds | 1,371,435 | 2,784,076 | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - | - |
| Prepaid expenses and other assets | 14,900 | - | 20,813 | 4,369 | 940 | - | - |
| Restricted assets | - | - | - | - | - | - | - |
| Total assets | <u>\$ 12,986,696</u> | <u>\$ 10,182,642</u> | <u>\$ 6,381,675</u> | <u>\$ 516,148</u> | <u>\$ 599,826</u> | <u>\$ 208,441</u> | <u>\$ 1,220,905</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ 394,382 | \$ 3,577,827 | \$ 203,577 | \$ 694 | \$ 17,214 | \$ - | \$ 7,375 |
| Advances from primary government | - | - | - | - | 48,466 | - | - |
| Due to other funds | 22,082 | - | 160,127 | 3,425 | - | - | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Accrued liabilities and other | - | 36 | 204,791 | 13,016 | 6,805 | - | - |
| Provision for property tax refunds | 1,089 | 9,347 | 14,552 | - | - | - | - |
| Unearned revenue | - | - | 500,000 | - | - | - | - |
| Payable from restricted assets | - | - | - | - | - | - | - |
| Total liabilities | 417,553 | 3,587,210 | 1,083,047 | 17,135 | 72,485 | - | 7,375 |
| Deferred Inflows of Resources | | | | | | | |
| | - | - | 155,515 | - | - | 53,273 | - |
| Total liabilities and deferred inflows of resources | 417,553 | 3,587,210 | 1,238,562 | 17,135 | 72,485 | 53,273 | 7,375 |
| Fund Balances | | | | | | | |
| Nonspendable | 14,900 | - | 20,813 | 4,369 | 940 | - | - |
| Restricted | 12,554,243 | 6,595,432 | 5,122,300 | 494,644 | 526,401 | 155,168 | 352,321 |
| Committed - Local improvement revolving - Northland | - | - | - | - | - | - | 861,209 |
| Assigned - Capital projects | - | - | - | - | - | - | - |
| Total fund balances | 12,569,143 | 6,595,432 | 5,143,113 | 499,013 | 527,341 | 155,168 | 1,213,530 |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 12,986,696</u> | <u>\$ 10,182,642</u> | <u>\$ 6,381,675</u> | <u>\$ 516,148</u> | <u>\$ 599,826</u> | <u>\$ 208,441</u> | <u>\$ 1,220,905</u> |

Supplementary Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds

June 30, 2024

| | Special Revenue Funds | | | | Debt Service Funds | | |
|--|--------------------------------------|----------------------|----------------------|-----------------------|--------------------|---------------------|-------------------|
| | Michigan Indigent Defense Commission | Drug Law Enforcement | Library | Michigan Works Grants | Auto Theft Grant | Road Bond Debt | Drains-at-Large |
| Assets | | | | | | | |
| Cash and investments | \$ 549,855 | \$ 551,751 | \$ 12,549,434 | \$ 633,473 | \$ 94,948 | \$ 3,064,637 | \$ 667,665 |
| Receivables | - | 1,034 | 186,112 | 509,434 | 24,669 | 5,020 | 1,015 |
| Advances to component units | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - | - |
| Prepaid expenses and other assets | - | - | 69,691 | 1,476 | - | - | - |
| Restricted assets | - | - | - | - | - | - | - |
| Total assets | \$ 549,855 | \$ 552,785 | \$ 12,805,237 | \$ 1,144,383 | \$ 119,617 | \$ 3,069,657 | \$ 668,680 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 41,038 | \$ 3,973 | \$ 84,868 | \$ 51,793 | \$ - | \$ - | \$ - |
| Advances from primary government | - | - | - | - | - | - | - |
| Due to other funds | - | 46,047 | - | 972,599 | - | - | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Accrued liabilities and other | - | - | 152,305 | 66,679 | 542 | - | - |
| Provision for property tax refunds | - | - | 22,169 | - | - | 25,103 | 2,284 |
| Unearned revenue | 508,817 | - | - | - | - | - | - |
| Payable from restricted assets | - | - | - | - | - | - | - |
| Total liabilities | 549,855 | 50,020 | 259,342 | 1,091,071 | 542 | 25,103 | 2,284 |
| Deferred Inflows of Resources | - | - | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | 549,855 | 50,020 | 259,342 | 1,091,071 | 542 | 25,103 | 2,284 |
| Fund Balances | | | | | | | |
| Nonspendable | - | - | 69,691 | 1,476 | - | - | - |
| Restricted | - | 502,765 | 12,476,204 | 51,836 | 119,075 | 3,044,554 | 666,396 |
| Committed - Local improvement revolving - Northland | - | - | - | - | - | - | - |
| Assigned - Capital projects | - | - | - | - | - | - | - |
| Total fund balances | - | 502,765 | 12,545,895 | 53,312 | 119,075 | 3,044,554 | 666,396 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 549,855 | \$ 552,785 | \$ 12,805,237 | \$ 1,144,383 | \$ 119,617 | \$ 3,069,657 | \$ 668,680 |

Supplementary Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds

June 30, 2024

| | Capital Project Funds | | | | | Total |
|--|------------------------|----------------------|-----------------------------------|---|---------------------------------------|----------------------|
| | Capital Improvement | Road Construction | Local Improvement Revolving | Library Building Authority Construction | Special Assessment Construction | |
| Assets | | | | | | |
| Cash and investments | \$ 4,988,615 | \$ 3,991,981 | \$ 1,171,757 | \$ 92,500 | \$ 3,284,993 | \$ 56,975,797 |
| Receivables | 6,900 | 12,639 | 11,519 | 88 | 409,806 | 3,733,848 |
| Advances to component units | - | - | 1,401,386 | - | - | 1,401,386 |
| Due from other funds | - | - | - | - | - | 4,155,511 |
| Advances to other funds | - | - | 652,783 | - | - | 652,783 |
| Prepaid expenses and other assets | 312,177 | - | 126,974 | - | - | 551,340 |
| Restricted assets | 37,130 | 9,590,462 | - | - | - | 9,627,592 |
| Total assets | \$ 5,344,822 | \$ 13,595,082 | \$ 3,364,419 | \$ 92,588 | \$ 3,694,799 | \$ 77,098,257 |
| Liabilities | | | | | | |
| Accounts payable | \$ 179,091 | \$ - | \$ 1,546 | \$ - | \$ 67,064 | \$ 4,630,442 |
| Advances from primary government | - | - | - | - | - | 48,466 |
| Due to other funds | 2,223 | 3,991,981 | - | - | - | 5,198,484 |
| Advances from other funds | - | - | - | - | 380,598 | 380,598 |
| Accrued liabilities and other | - | - | - | - | - | 444,174 |
| Provision for property tax refunds | - | - | - | - | - | 74,544 |
| Unearned revenue | - | - | - | - | - | 1,008,817 |
| Payable from restricted assets | - | 529,981 | - | - | - | 529,981 |
| Total liabilities | 181,314 | 4,521,962 | 1,546 | - | 447,662 | 12,315,506 |
| Deferred Inflows of Resources | - | - | - | - | 405,954 | 614,742 |
| Total liabilities and deferred inflows of resources | 181,314 | 4,521,962 | 1,546 | - | 853,616 | 12,930,248 |
| Fund Balances | | | | | | |
| Nonspendable | 312,177 | - | 2,181,143 | - | - | 2,605,509 |
| Restricted | 545,213 | 9,073,120 | - | - | 377,341 | 52,657,013 |
| Committed - Local improvement revolving - Northland | - | - | - | - | - | 861,209 |
| Assigned - Capital projects | 4,306,118 | - | 1,181,730 | 92,588 | 2,463,842 | 8,044,278 |
| Total fund balances | 5,163,508 | 9,073,120 | 3,362,873 | 92,588 | 2,841,183 | 64,168,009 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 5,344,822 | \$ 13,595,082 | \$ 3,364,419 | \$ 92,588 | \$ 3,694,799 | \$ 77,098,257 |

Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended June 30, 2024

| | Special Revenue Funds | | | | | | |
|--|-----------------------|---------------------|----------------------|-------------------|-----------------------------------|-------------------|--|
| | Major Streets | Local Streets | Parks and Recreation | Cable Television | Community Development Block Grant | Grants | Donations, Memorial Trusts, and Sponsorships |
| Revenue | | | | | | | |
| Property taxes | \$ 355,611 | \$ 3,397,949 | \$ 5,369,224 | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - | - | 23,695 | - |
| Intergovernmental: | | | | | | | |
| Federal grants | 128,999 | - | 333,734 | - | 605,318 | - | - |
| State sources | 10,300,273 | 2,502,553 | - | - | - | - | - |
| Charges for services | - | - | 1,899,991 | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 547,554 | - | - | - |
| Interest and rentals | 357,524 | 710,937 | 557,925 | 11,429 | - | 4,030 | 41,054 |
| Other revenue | 344,864 | 81,195 | 16,383 | 57 | - | 1,418 | 75,919 |
| Total revenue | 11,487,271 | 6,692,634 | 8,177,257 | 559,040 | 605,318 | 29,143 | 116,973 |
| Expenditures | | | | | | | |
| Current services: | | | | | | | |
| General government | - | - | - | - | - | - | (19) |
| Public safety | - | - | - | - | - | - | (200) |
| Public works | 4,344,559 | 3,279,069 | - | - | - | - | - |
| Social services | - | - | - | - | 463,483 | - | 105,504 |
| Community improvements and economic development | - | - | - | - | - | 17,500 | - |
| Recreation and culture | - | - | 5,539,407 | 439,371 | - | - | 19,543 |
| Capital outlay and other related costs | 2,898,203 | 12,264,887 | 1,751,594 | 35,930 | - | - | - |
| Debt service: | | | | | | | |
| Principal retirement | 1,150,000 | - | - | - | - | - | - |
| Interest and fiscal charges | 24,955 | - | - | - | - | - | - |
| Total expenditures | 8,417,717 | 15,543,956 | 7,291,001 | 475,301 | 463,483 | 17,500 | 124,828 |
| Excess of Revenue Over (Under) Expenditures | 3,069,554 | (8,851,322) | 886,256 | 83,739 | 141,835 | 11,643 | (7,855) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 1,562,876 | 3,607,835 | 380,445 | - | - | - | - |
| Transfers out | - | - | (1,807,500) | - | - | - | - |
| Total other financing sources (uses) | 1,562,876 | 3,607,835 | (1,427,055) | - | - | - | - |
| Net Change in Fund Balances | 4,632,430 | (5,243,487) | (540,799) | 83,739 | 141,835 | 11,643 | (7,855) |
| Fund Balances - Beginning of year | 7,936,713 | 11,838,919 | 5,683,912 | 415,274 | 385,506 | 143,525 | 1,221,385 |
| Fund Balances - End of year | \$ 12,569,143 | \$ 6,595,432 | \$ 5,143,113 | \$ 499,013 | \$ 527,341 | \$ 155,168 | \$ 1,213,530 |

Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances (Continued)
Nonmajor Governmental Funds

Year Ended June 30, 2024

| | Special Revenue Funds | | | | Debt Service Funds | | |
|--|---|-------------------------|----------------------|--------------------------|---------------------|---------------------|---------------------|
| | Michigan Indigent Defense Commission | Drug Law Enforcement | Library | Michigan Works Grants | Auto Theft Grant | Road Bond Debt | Drains-at- Large |
| Revenue | | | | | | | |
| Property taxes | \$ - | \$ - | \$ 8,594,958 | \$ - | \$ - | \$ 8,119,495 | \$ 675,603 |
| Special assessments | - | - | - | - | - | - | - |
| Intergovernmental: | | | | | | | |
| Federal grants | - | 46,291 | 48,073 | 2,192,722 | 146,146 | - | - |
| State sources | 464,844 | - | 92,574 | - | - | - | - |
| Charges for services | - | - | 251,637 | - | - | - | - |
| Fines and forfeitures | - | 23,716 | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Interest and rentals | - | 12,387 | 664,168 | - | - | 216,909 | 32,192 |
| Other revenue | - | - | 7,304 | 224,128 | - | - | - |
| Total revenue | 464,844 | 82,394 | 9,658,714 | 2,416,850 | 146,146 | 8,336,404 | 707,795 |
| Expenditures | | | | | | | |
| Current services: | | | | | | | |
| General government | - | - | - | - | - | 2,431 | 248 |
| Public safety | 548,274 | 70,694 | - | - | 169,768 | - | - |
| Public works | - | - | - | - | - | - | - |
| Social services | - | - | - | 2,425,187 | - | - | - |
| Community improvements and economic development | - | - | - | 63,836 | - | - | - |
| Recreation and culture | - | - | 6,160,041 | - | - | - | - |
| Capital outlay and other related costs | - | - | 80,045 | - | - | - | - |
| Debt service: | | | | | | | |
| Principal retirement | - | - | 1,570,000 | - | - | 5,660,000 | 480,228 |
| Interest and fiscal charges | - | - | 462,200 | - | - | 1,797,975 | 16,794 |
| Total expenditures | 548,274 | 70,694 | 8,272,286 | 2,489,023 | 169,768 | 7,460,406 | 497,270 |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures | (83,430) | 11,700 | 1,386,428 | (72,173) | (23,622) | 875,998 | 210,525 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 83,430 | - | - | - | 88,016 | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 83,430 | - | - | - | 88,016 | - | - |
| Net Change in Fund Balances | - | 11,700 | 1,386,428 | (72,173) | 64,394 | 875,998 | 210,525 |
| Fund Balances - Beginning of year | - | 491,065 | 11,159,467 | 125,485 | 54,681 | 2,168,556 | 455,871 |
| Fund Balances - End of year | \$ - | \$ 502,765 | \$ 12,545,895 | \$ 53,312 | \$ 119,075 | \$ 3,044,554 | \$ 666,396 |

Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances (Continued)
Nonmajor Governmental Funds

Year Ended June 30, 2024

| | Capital Project Funds | | | | | Total |
|--|------------------------|----------------------|-----------------------------------|---|---------------------------------------|----------------------|
| | Capital Improvement | Road Construction | Local Improvement Revolving | Library Building Authority Construction | Special Assessment Construction | |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 26,512,840 |
| Special assessments | - | - | - | - | 788,266 | 811,961 |
| Intergovernmental: | | | | | | |
| Federal grants | - | - | - | - | - | 3,501,283 |
| State sources | - | - | - | - | - | 13,360,244 |
| Charges for services | 65,243 | - | - | - | - | 2,216,871 |
| Fines and forfeitures | - | - | - | - | - | 23,716 |
| Licenses and permits | - | - | - | - | - | 547,554 |
| Interest and rentals | 210,225 | 696,035 | 197,295 | 41,570 | 52,657 | 3,806,337 |
| Other revenue | - | - | - | - | 79,722 | 830,990 |
| Total revenue | 275,468 | 696,035 | 197,295 | 41,570 | 920,645 | 51,611,796 |
| Expenditures | | | | | | |
| Current services: | | | | | | |
| General government | 7,747 | 385,809 | 1,068 | - | - | 397,284 |
| Public safety | - | - | - | - | - | 788,536 |
| Public works | - | - | - | - | - | 7,623,628 |
| Social services | - | - | - | - | - | 2,994,174 |
| Community improvements and economic development | - | - | - | - | - | 81,336 |
| Recreation and culture | - | - | - | - | - | 12,158,362 |
| Capital outlay and other related costs | 1,557,303 | - | 4,305,094 | - | 547,040 | 23,440,096 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | 8,860,228 |
| Interest and fiscal charges | - | - | - | - | - | 2,301,924 |
| Total expenditures | 1,565,050 | 385,809 | 4,306,162 | - | 547,040 | 58,645,568 |
| Excess of Revenue Over (Under) Expenditures | (1,289,582) | 310,226 | (4,108,867) | 41,570 | 373,605 | (7,033,772) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 1,807,500 | - | - | - | 94,248 | 7,624,350 |
| Transfers out | - | (5,170,711) | - | - | - | (6,978,211) |
| Total other financing sources (uses) | 1,807,500 | (5,170,711) | - | - | 94,248 | 646,139 |
| Net Change in Fund Balances | 517,918 | (4,860,485) | (4,108,867) | 41,570 | 467,853 | (6,387,633) |
| Fund Balances - Beginning of year | 4,645,590 | 13,933,605 | 7,471,740 | 51,018 | 2,373,330 | 70,555,642 |
| Fund Balances - End of year | \$ 5,163,508 | \$ 9,073,120 | \$ 3,362,873 | \$ 92,588 | \$ 2,841,183 | \$ 64,168,009 |

Supplementary Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2024

| | Health Care | Facilities Maintenance | Motor Pool | Equipment Revolving | Insurance Risk Retention | Total Internal Service Funds |
|---------------------------------------|----------------------|---------------------------|----------------------|------------------------|-----------------------------|---------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,997,069 | \$ 37,801 | \$ 116,993 | \$ 49,783 | \$ 115,688 | \$ 2,317,334 |
| Investments | - | 4,993,406 | 9,641,663 | 2,813,128 | 703,911 | 18,152,108 |
| Receivables | 13,444,504 | 15,697 | 26,816 | 4,531 | 2,633 | 13,494,181 |
| Due from other funds | - | - | 4,212 | - | - | 4,212 |
| Inventory | - | - | 544,613 | - | - | 544,613 |
| Prepaid expenses and other assets | 1,175,137 | - | 75,414 | 60,000 | 653,791 | 1,964,342 |
| Total current assets | 16,616,710 | 5,046,904 | 10,409,711 | 2,927,442 | 1,476,023 | 36,476,790 |
| Noncurrent assets: | | | | | | |
| Restricted assets - Cash | - | - | - | - | 1,022,708 | 1,022,708 |
| Capital assets: | | | | | | |
| Assets not subject to depreciation | - | - | 20,950 | 137,663 | - | 158,613 |
| Assets subject to depreciation - Net | - | 35,696 | 3,674,964 | 3,504,871 | - | 7,215,531 |
| Total noncurrent assets | - | 35,696 | 3,695,914 | 3,642,534 | 1,022,708 | 8,396,852 |
| Total assets | 16,616,710 | 5,082,600 | 14,105,625 | 6,569,976 | 2,498,731 | 44,873,642 |
| Deferred Outflows of Resources | - | 150,590 | 153,231 | - | - | 303,821 |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 2,833 | 287,908 | 177,834 | 285,228 | 32 | 753,835 |
| Due to other funds | - | 4,212 | - | - | - | 4,212 |
| Accrued liabilities and other | - | 74,370 | 82,431 | - | 121 | 156,922 |
| Compensated absences | - | 45,585 | 103,681 | - | - | 149,266 |
| Total current liabilities | 2,833 | 412,075 | 363,946 | 285,228 | 153 | 1,064,235 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | - | 68,917 | 156,750 | - | - | 225,667 |
| Provision for claims | - | - | - | - | 3,813,409 | 3,813,409 |
| Net pension liability | - | 2,070,334 | 2,117,359 | - | - | 4,187,693 |
| Net OPEB liability | - | 175,332 | 135,384 | - | - | 310,716 |
| Total liabilities | 2,833 | 2,726,658 | 2,773,439 | 285,228 | 3,813,562 | 9,601,720 |
| Deferred Inflows of Resources | - | 210,588 | 205,433 | - | - | 416,021 |
| Net Position (Deficit) | | | | | | |
| Net investment in capital assets | - | 35,696 | 3,695,914 | 3,642,534 | - | 7,374,144 |
| Restricted - Claims | - | - | - | - | 1,022,708 | 1,022,708 |
| Unrestricted | 16,613,877 | 2,260,248 | 7,584,070 | 2,642,214 | (2,337,539) | 26,762,870 |
| Total net position (deficit) | \$ 16,613,877 | \$ 2,295,944 | \$ 11,279,984 | \$ 6,284,748 | \$ (1,314,831) | \$ 35,159,722 |

Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2024

| | Health Care | Facilities Maintenance | Motor Pool | Equipment Revolving | Insurance Risk Retention | Total Internal Service Funds |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|------------------------------|---------------------------------|
| Operating Revenue - Charges to other funds | \$ 10,042,195 | \$ 4,556,908 | \$ 3,538,224 | \$ 1,292,359 | \$ - | \$ 19,429,686 |
| Operating Expenses | | | | | | |
| Cost of insurance claims | 9,813,786 | - | - | - | - | 9,813,786 |
| Other operating and maintenance costs | - | 1,509,539 | 1,225,156 | - | - | 2,734,695 |
| Billing and administrative costs | 112,011 | 1,700,613 | 491,491 | 3,449 | 303,026 | 2,610,590 |
| Repairs and maintenance | - | 1,019,827 | 723,212 | 100,194 | - | 1,843,233 |
| Operating supplies | - | 4,888 | 708,620 | - | - | 713,508 |
| Depreciation | - | 12,169 | 1,189,052 | 971,391 | - | 2,172,612 |
| Total operating expenses | <u>9,925,797</u> | <u>4,247,036</u> | <u>4,337,531</u> | <u>1,075,034</u> | <u>303,026</u> | <u>19,888,424</u> |
| Operating Income (Loss) | 116,398 | 309,872 | (799,307) | 217,325 | (303,026) | (458,738) |
| Nonoperating Revenue | | | | | | |
| Investment income | 131,697 | 260,658 | 562,635 | 136,042 | 83,361 | 1,174,393 |
| Other nonoperating general revenue | - | 27,600 | - | - | - | 27,600 |
| Total nonoperating revenue | <u>131,697</u> | <u>288,258</u> | <u>562,635</u> | <u>136,042</u> | <u>83,361</u> | <u>1,201,993</u> |
| Change in Net Position | 248,095 | 598,130 | (236,672) | 353,367 | (219,665) | 743,255 |
| Net Position (Deficit) - Beginning of year | <u>16,365,782</u> | <u>1,697,814</u> | <u>11,516,656</u> | <u>5,931,381</u> | <u>(1,095,166)</u> | <u>34,416,467</u> |
| Net Position (Deficit) - End of year | <u><u>\$ 16,613,877</u></u> | <u><u>\$ 2,295,944</u></u> | <u><u>\$ 11,279,984</u></u> | <u><u>\$ 6,284,748</u></u> | <u><u>\$ (1,314,831)</u></u> | <u><u>\$ 35,159,722</u></u> |

Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2024

| | Health Care | Facilities Maintenance | Motor Pool | Equipment Revolving | Insurance Risk Retention | Total Internal Service Funds |
|--|---------------------|---------------------------|-------------------|------------------------|-----------------------------|---------------------------------|
| Cash Flows from Operating Activities | | | | | | |
| Receipts from interfund services and reimbursements | \$ 10,042,195 | \$ 4,561,120 | \$ 3,536,217 | \$ 1,292,359 | \$ - | \$ 19,431,891 |
| Payments to suppliers | (9,723,959) | (2,055,519) | (1,776,394) | (100,209) | (2,070,044) | (15,726,125) |
| Payments to employees and fringes | - | (2,414,728) | (1,669,988) | - | - | (4,084,716) |
| Other receipts (payments) | 248,185 | (1,535) | 1,912 | 215,436 | 1,531,129 | 1,995,127 |
| Net cash and cash equivalents provided by (used in) operating activities | 566,421 | 89,338 | 91,747 | 1,407,586 | (538,915) | 1,616,177 |
| Cash Flows Used in Financing Activities | | | | | | |
| - Purchase of capital assets | - | - | (1,243,479) | (1,079,874) | - | (2,323,353) |
| Cash Flows from Investing Activities | | | | | | |
| Interest received on investments | 132,876 | 277,005 | 535,255 | 131,511 | 81,507 | 1,158,154 |
| (Purchase of) proceeds from sale and maturities of investment securities | - | (497,518) | 693,173 | (471,241) | 210,028 | (65,558) |
| Net cash and cash equivalents provided by (used in) investing activities | 132,876 | (220,513) | 1,228,428 | (339,730) | 291,535 | 1,092,596 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 699,297 | (131,175) | 76,696 | (12,018) | (247,380) | 385,420 |
| Cash and Cash Equivalents - Beginning of year | 1,297,772 | 168,976 | 40,297 | 61,801 | 1,385,776 | 2,954,622 |
| Cash and Cash Equivalents - End of year | <u>\$ 1,997,069</u> | <u>\$ 37,801</u> | <u>\$ 116,993</u> | <u>\$ 49,783</u> | <u>\$ 1,138,396</u> | <u>\$ 3,340,042</u> |
| Classification of Cash and Cash Equivalents | | | | | | |
| Cash and investments | \$ 1,997,069 | \$ 37,801 | \$ 116,993 | \$ 49,783 | \$ 115,688 | \$ 2,317,334 |
| Restricted cash | - | - | - | - | 1,022,708 | 1,022,708 |
| Total cash and cash equivalents | <u>\$ 1,997,069</u> | <u>\$ 37,801</u> | <u>\$ 116,993</u> | <u>\$ 49,783</u> | <u>\$ 1,138,396</u> | <u>\$ 3,340,042</u> |

Supplementary Information
Combining Statement of Cash Flows (Continued)
Internal Service Funds

Year Ended June 30, 2024

| | Health Care | Facilities Maintenance | Motor Pool | Equipment Revolving | Insurance Risk Retention | Total Internal Service Funds |
|---|-------------------|---------------------------|------------------|------------------------|-----------------------------|---------------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | | | | |
| Operating income (loss) | \$ 116,398 | \$ 309,872 | \$ (799,307) | \$ 217,325 | \$ (303,026) | \$ (458,738) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | | | |
| Depreciation | - | 12,169 | 1,189,052 | 971,391 | - | 2,172,612 |
| Changes in assets and liabilities: | | | | | | |
| Receivables | 248,185 | (1,535) | 1,912 | - | - | 248,562 |
| Due to and from other funds | - | 4,212 | (2,007) | - | - | 2,205 |
| Inventories | - | - | (42,533) | - | - | (42,533) |
| Prepaid and other assets | 199,005 | - | (48,539) | (60,000) | (653,791) | (563,325) |
| Accounts payable | 2,833 | (303,269) | 13,641 | 278,870 | 32 | (7,893) |
| Estimated claims liability | - | - | - | - | 417,749 | 417,749 |
| Net pension or OPEB liability | - | (68,066) | (368,311) | - | 121 | (436,256) |
| Deferrals related to pension or OPEB | - | 122,231 | 116,356 | - | - | 238,587 |
| Accrued and other liabilities | - | 13,724 | 31,483 | - | - | 45,207 |
| Total adjustments | 450,023 | (220,534) | 891,054 | 1,190,261 | (235,889) | 2,074,915 |
| Net cash and cash equivalents provided by (used in) operating activities | <u>\$ 566,421</u> | <u>\$ 89,338</u> | <u>\$ 91,747</u> | <u>\$ 1,407,586</u> | <u>\$ (538,915)</u> | <u>\$ 1,616,177</u> |

Supplementary Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2024

| | Pension and Other Employee Benefit Trust Funds | | | Custodial Funds | | Total Fiduciary Funds |
|---|--|-----------------------------------|---------------------------|------------------|---------------------|-----------------------|
| | Southfield Employees Retirement System | Fire and Police Retirement System | Retiree Health Care Trust | Tax Collection | 46th District Court | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 250 | \$ 150,890 | \$ - | \$ 2,743,479 | \$ 649,666 | 3,544,285 |
| Investments: | | | | | | |
| Debt securities | 18,266,940 | 42,567,717 | 27,649,350 | - | - | 88,484,007 |
| Equity securities | 101,591,027 | 134,271,621 | 98,286,992 | - | - | 334,149,640 |
| Other investments | 5,787,993 | 16,419,967 | 4,012,359 | - | - | 26,220,319 |
| Short-term investments | 2,147,533 | 6,321,542 | 10,229,640 | - | - | 18,698,715 |
| Securities lending | 152,070 | 22,402,137 | - | - | - | 22,554,207 |
| Receivables | 155,275 | - | 58,556 | - | - | 213,831 |
| Prepaid expenses and other assets | - | - | - | 14,284 | - | 14,284 |
| Total assets | 128,101,088 | 222,133,874 | 140,236,897 | 2,757,763 | 649,666 | 493,879,288 |
| Liabilities | | | | | | |
| Due to primary government | - | - | 13,490,229 | - | - | 13,490,229 |
| Due to other governmental units | - | 4,000 | - | 2,757,763 | 649,666 | 3,411,429 |
| Accrued liabilities and other | - | 11,206 | - | - | - | 11,206 |
| Obligations under securities lending agreements | 152,070 | 22,402,137 | - | - | - | 22,554,207 |
| Total liabilities | 152,070 | 22,417,343 | 13,490,229 | 2,757,763 | 649,666 | 39,467,071 |
| Net Position | | | | | | |
| Restricted: | | | | | | |
| Pension | 127,949,018 | 199,716,531 | - | - | - | 327,665,549 |
| Postemployment benefits other than pension | - | - | 126,746,668 | - | - | 126,746,668 |
| Total net position | \$ 127,949,018 | \$ 199,716,531 | \$ 126,746,668 | \$ - | \$ - | \$ 454,412,217 |

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

Year Ended June 30, 2024

| | Pension and Other Employee Benefit Trust Funds | | | Custodial Funds | | Total Fiduciary Funds |
|--|--|-----------------------------------|---------------------------|-----------------|---------------------|-----------------------|
| | Southfield Employees Retirement System | Fire and Police Retirement System | Retiree Health Care Trust | Tax Collection | 46th District Court | |
| Additions | | | | | | |
| Investment income (loss): | | | | | | |
| Interest and dividends | \$ 1,199,297 | \$ 3,882,591 | \$ 2,813,159 | \$ - | \$ - | \$ 7,895,047 |
| Net increase in fair value of investments | 12,242,741 | 12,245,359 | 10,408,316 | - | - | 34,896,416 |
| Investment costs | (531,003) | (985,697) | (322,409) | - | - | (1,839,109) |
| Net investment income | 12,911,035 | 15,142,253 | 12,899,066 | - | - | 40,952,354 |
| Contributions: | | | | | | |
| Employer | 5,746,805 | 11,800,296 | 11,037,793 | - | - | 28,584,894 |
| Plan members | 2,132,563 | 1,339,154 | 398,353 | - | - | 3,870,070 |
| Total contributions | 7,879,368 | 13,139,450 | 11,436,146 | - | - | 32,454,964 |
| Property tax collections for other governments | - | - | - | 105,863,905 | - | 105,863,905 |
| Other additions | - | - | - | 404,474 | - | 404,474 |
| District court collections | - | - | - | - | 1,389,995 | 1,389,995 |
| Total additions | 20,790,403 | 28,281,703 | 24,335,212 | 106,268,379 | 1,389,995 | 181,065,692 |
| Deductions | | | | | | |
| Benefit payments | 13,295,813 | 22,238,156 | 8,501,814 | - | - | 44,035,783 |
| Refunds of contributions | (192,002) | (144,113) | - | - | - | (336,115) |
| Administrative expenses | 119,258 | 167,813 | 197,122 | - | - | 484,193 |
| Tax distributions to other governments | - | - | - | 106,268,379 | - | 106,268,379 |
| Other deductions | - | - | - | - | 1,370 | 1,370 |
| District court disbursements | - | - | - | - | 1,388,625 | 1,388,625 |
| Total deductions | 13,223,069 | 22,261,856 | 8,698,936 | 106,268,379 | 1,389,995 | 151,842,235 |
| Net Increase in Fiduciary Net Position | 7,567,334 | 6,019,847 | 15,636,276 | - | - | 29,223,457 |
| Net Position - Beginning of year | 120,381,684 | 193,696,684 | 111,110,392 | - | - | 425,188,760 |
| Net Position - End of year | \$ 127,949,018 | \$ 199,716,531 | \$ 126,746,668 | \$ - | \$ - | \$ 454,412,217 |