
City of South Lyon, Michigan

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

City of South Lyon, Michigan

Financial Report

June 30, 2024

Mayor Steve Kennedy

City Council

Lisa Dilg, Mayor Pro-Tem

Alex Hansen

Glenn Kivell

Margaret Kurtzweil

Lori Mosier

Thad Bogert

City Administration

City Manager

City Clerk/Treasurer

Fire Chief

Police Chief

Finance & Benefit Administrator

Paul Zelenak

Lisa Deaton

Joey Thorington

Doug Baaki

Patricia Tiernan

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Independent Auditor's Report

To the Mayor and Members of City Council
City of South Lyon, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Lyon, 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's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Mayor and Members of City Council
City of South Lyon, Michigan

In performing an audit in accordance with GAAS, 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.

Supplementary Information

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

To the Mayor and Members of City Council
City of South Lyon, Michigan

Additional Information

Management is responsible for the accompanying statistical section schedules which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

Plante & Moran, PLLC

September 17, 2024

As management of the City of South Lyon, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2024.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2024:

- Revenue and other financing sources were greater than expenditures in the General Fund, thus increasing fund balance by approximately \$691,000. This was greater than the final amended budget, which expected an increase of approximately \$106,000.
- Total net position related to the City's governmental activities increased by \$2,586,351.

Using This Annual Report

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

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

Government-wide Overall Financial Analysis

As noted earlier, 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 \$57,802,122 at the close of the most recent fiscal year.

City of South Lyon, Michigan

Management's Discussion and Analysis (Continued)

The City's Net Position

The following table shows, in a condensed format, the net position as of June 30, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 22,124,955	\$ 25,870,066	\$ 9,016,241	\$ 9,669,279	\$ 31,141,196	\$ 35,539,345
Capital assets	21,848,771	17,206,778	27,611,287	26,584,226	49,460,058	43,791,004
Total assets	43,973,726	43,076,844	36,627,528	36,253,505	80,601,254	79,330,349
Deferred Outflows of Resources						
	1,214,858	1,884,298	191,112	308,107	1,405,970	2,192,405
Liabilities						
Current liabilities	2,158,718	3,451,352	338,560	362,143	2,497,278	3,813,495
Noncurrent liabilities	16,662,986	17,648,927	4,821,163	6,073,091	21,484,149	23,722,018
Total liabilities	18,821,704	21,100,279	5,159,723	6,435,234	23,981,427	27,535,513
Deferred Inflows of Resources						
	187,699	268,033	35,976	49,015	223,675	317,048
Net Position						
Net investment in capital assets	17,539,560	15,344,400	23,998,908	21,816,847	41,538,468	37,161,247
Restricted	5,825,399	5,273,246	1,708,563	1,312,477	7,533,962	6,585,723
Unrestricted	2,814,222	2,975,184	5,915,470	6,948,039	8,729,692	9,923,223
Total net position	\$ 26,179,181	\$ 23,592,830	\$ 31,622,941	\$ 30,077,363	\$ 57,802,122	\$ 53,670,193

City of South Lyon, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

The following table shows the changes in the net position during the years ended June 30, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue						
Program revenue:						
Charges for services	\$ 799,535	\$ 715,249	\$ 4,060,344	\$ 3,829,755	\$ 4,859,879	\$ 4,545,004
Operating grants	1,926,107	1,406,803	-	-	1,926,107	1,406,803
Capital grants	1,078,123	-	286,642	261,800	1,364,765	261,800
General revenue:						
Taxes	6,851,408	5,678,144	1,486,958	1,345,673	8,338,366	7,023,817
Intergovernmental	1,639,347	1,597,784	-	-	1,639,347	1,597,784
Investment earnings	621,782	368,167	160,759	138,060	782,541	506,227
Other revenue	550,051	435,857	-	-	550,051	435,857
Total revenue	13,466,353	10,202,004	5,994,703	5,575,288	19,461,056	15,777,292
Expenses						
General government	2,158,684	2,028,798	-	-	2,158,684	2,028,798
Public safety	4,459,464	4,632,141	-	-	4,459,464	4,632,141
Public works	3,434,216	2,917,402	-	-	3,434,216	2,917,402
Community and economic development	131,089	153,587	-	-	131,089	153,587
Recreation and culture	399,063	409,353	-	-	399,063	409,353
Debt service	297,486	141,152	-	-	297,486	141,152
Water and sewer	-	-	4,449,125	4,536,396	4,449,125	4,536,396
Total expenses	10,880,002	10,282,433	4,449,125	4,536,396	15,329,127	14,818,829
Transfers	-	(15,735)	-	15,735	-	-
Change in Net Position	2,586,351	(96,164)	1,545,578	1,054,627	4,131,929	958,463
Net Position - Beginning of year	23,592,830	23,688,994	30,077,363	29,022,736	53,670,193	52,711,730
Net Position - End of year	\$ 26,179,181	\$ 23,592,830	\$ 31,622,941	\$ 30,077,363	\$ 57,802,122	\$ 53,670,193

Governmental Activities

The City's total governmental expenses increased year over year by approximately \$598,000. The significant increase is principally due to Trailway Improvements project.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water distribution and sewage treatment to residents from the city-owned water supply and treatment facility. Expenses decreased by approximately \$87,000.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to account for changes made necessary due to unanticipated events or situations requiring the decrease of expenditures for operational and capital expenditures. The amended budget projected an increase of approximately \$106,000 in fund balance. The actual increase of fund balance was approximately \$691,000. This increase is mainly related to actual expenditures lower than budgeted due to delay in projects.

Total General Fund revenue was approximately \$401,000 less than the amended budget. This was primarily due to the City recognizing less ARPA Fund revenue due to the timing of project expenditures and lower property tax revenue received. General Fund expenditures were approximately \$982,000 less than the amended budget due primarily to the timing of actual expenditures for capital outlay/equipment purchases and delays to projects. Salary expenditures for a few departments were also lower than budgeted. The Public Transportation budget was \$77,000 under budget due to the adoption of the Oakland County Transit Millage.

Capital Assets and Debt Administration

At the end of 2024, the City had approximately \$49 million (after depreciation) invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Outstanding debt of the governmental and business-type activities totaled approximately \$12.7 million as of June 30, 2024. For additional information related to capital assets and debt, please see Notes 4 and 6, respectively.

Economic Factors and Next Year's Budgets and Rates

(City to review and update this section) The City's budget for next year takes into consideration many factors anticipated to impact the budget. Among them are steadily increasing property tax income, as taxable value (in both the housing and commercial markets) is projected to increase by approximately 9 percent in 2024. Over the years, the City has had the flexibility to adjust various ad valorem tax rates as necessary and as determined by Headlee, Truth in Taxation, and Proposal A. The statewide tax reform acts limit growth in taxable value to inflation or 5 percent, whichever is less.

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 the city manager's office.

June 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 14,302,607	\$ 6,130,813	\$ 20,433,420	\$ 172,678
Investments	1,016,591	-	1,016,591	-
Receivables:				
Customer receivables	55,963	1,295,070	1,351,033	-
Other receivables	36,621	-	36,621	-
Due from other governments	667,110	18,424	685,534	-
Internal balances	164,910	(164,910)	-	-
Prepaid expenses and other assets	167,755	28,281	196,036	-
Restricted assets (Note 1)	5,334,158	1,708,563	7,042,721	-
Investment in joint venture (Note 8)	326,240	-	326,240	-
Land held for resale	53,000	-	53,000	-
Capital assets: (Note 4)				
Assets not subject to depreciation	5,216,946	205,376	5,422,322	-
Assets subject to depreciation - Net	16,631,825	27,405,911	44,037,736	-
Total assets	43,973,726	36,627,528	80,601,254	172,678
Deferred Outflows of Resources - Deferred pension and OPEB costs (Notes 9 and 10)	1,214,858	191,112	1,405,970	-
Liabilities				
Accounts payable	1,101,102	315,983	1,417,085	6,441
Due to other governmental units	4,338	-	4,338	-
Cash bonds and deposits	365,638	-	365,638	-
Accrued liabilities and other	242,901	22,577	265,478	-
Unearned revenue	444,739	-	444,739	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	179,800	35,000	214,800	-
Current portion of long-term debt (Note 6)	804,872	1,185,000	1,989,872	-
Due in more than one year:				
Compensated absences (Note 6)	179,789	35,000	214,789	-
Net pension liability (Note 10)	6,915,574	1,073,316	7,988,890	-
Net OPEB liability (Note 9)	319,172	65,468	384,640	-
Long-term debt (Note 6)	8,263,779	2,427,379	10,691,158	-
Total liabilities	18,821,704	5,159,723	23,981,427	6,441
Deferred Inflows of Resources - Deferred pension and OPEB cost reductions (Notes 9 and 10)	187,699	35,976	223,675	-
Net Position				
Net investment in capital assets	17,539,560	23,998,908	41,538,468	-
Restricted:				
Road improvements	5,027,529	-	5,027,529	-
Law enforcement	3,289	-	3,289	-
Cemetery	703,070	-	703,070	-
Opioid settlement	46,706	-	46,706	-
Debt service	44,805	1,708,563	1,753,368	-
Unrestricted	2,814,222	5,915,470	8,729,692	166,237
Total net position	\$ 26,179,181	\$ 31,622,941	\$ 57,802,122	\$ 166,237

City of South Lyon, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,158,684	\$ 783,272	\$ -	\$ -
Public safety - Police, fire, and EMS	4,459,464	16,263	611,327	-
Community maintenance and development	3,434,216	-	1,286,424	1,078,123
Community and economic development	131,089	-	28,356	-
Recreation and culture	399,063	-	-	-
Interest on long-term debt	297,486	-	-	-
Total governmental activities	10,880,002	799,535	1,926,107	1,078,123
Business-type activities - Water and sewer	4,449,125	4,060,344	-	286,642
Total primary government	\$ 15,329,127	\$ 4,859,879	\$ 1,926,107	\$ 1,364,765
Component units - Downtown Development Authority	\$ 103,953	\$ -	\$ 53,124	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 Income from joint venture
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2024

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (1,375,412)	\$ -	\$ (1,375,412)	\$ -
(3,831,874)	-	(3,831,874)	-
(1,069,669)	-	(1,069,669)	-
(102,733)	-	(102,733)	-
(399,063)	-	(399,063)	-
(297,486)	-	(297,486)	-
(7,076,237)	-	(7,076,237)	-
-	(102,139)	(102,139)	-
(7,076,237)	(102,139)	(7,178,376)	-
-	-	-	(50,829)
6,851,408	1,486,958	8,338,366	61,192
1,639,347	-	1,639,347	-
621,782	160,759	782,541	-
115,768	-	115,768	-
12,833	-	12,833	-
421,450	-	421,450	-
9,662,588	1,647,717	11,310,305	61,192
2,586,351	1,545,578	4,131,929	10,363
23,592,830	30,077,363	53,670,193	155,874
\$ 26,179,181	\$ 31,622,941	\$ 57,802,122	\$ 166,237

City of South Lyon, Michigan

Governmental Funds Balance Sheet

June 30, 2024

	General Fund	Major Road Fund	Municipal Street Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 6,447,840	\$ 4,380,897	\$ -	\$ 2,043,661	\$ 1,430,209	\$ 14,302,607
Investments (Note 3)	1,016,591	-	-	-	-	1,016,591
Receivables:						
Customer receivables	55,963	-	-	-	-	55,963
Other receivables	36,621	-	-	-	-	36,621
Due from other governments	445,448	135,257	-	-	86,405	667,110
Due from other funds (Note 5)	208,493	-	-	-	-	208,493
Prepaid expenses and other assets	158,828	5,803	-	-	3,124	167,755
Restricted assets (Note 1)	-	-	5,334,158	-	-	5,334,158
Land held for resale	-	-	-	-	53,000	53,000
Total assets	\$ 8,369,784	\$ 4,521,957	\$ 5,334,158	\$ 2,043,661	\$ 1,572,738	\$ 21,842,298
Liabilities						
Accounts payable	\$ 416,760	\$ 82,532	\$ 574,718	\$ -	\$ 27,092	\$ 1,101,102
Due to other governmental units	4,020	-	-	318	-	4,338
Due to other funds (Note 5)	-	7,601	-	-	35,982	43,583
Cash bonds and deposits	365,638	-	-	-	-	365,638
Accrued liabilities and other	121,356	1,299	-	-	1,299	123,954
Unearned revenue	444,739	-	-	-	-	444,739
Total liabilities	1,352,513	91,432	574,718	318	64,373	2,083,354
Deferred Inflows of Resources -						
Unavailable revenue	252,833	-	-	-	28,356	281,189
Fund Balances						
Nonspendable	158,828	5,803	-	-	3,124	167,755
Restricted:						
Roads	-	4,424,722	4,714,635	-	593,880	9,733,237
Police	-	-	-	-	3,289	3,289
Debt service	-	-	44,805	-	-	44,805
Cemetery perpetual care	-	-	-	-	703,070	703,070
Opioid settlement	12,327	-	-	-	-	12,327
Committed:						
Capital improvements	192,267	-	-	2,043,343	-	2,235,610
Land acquisition	-	-	-	-	196,550	196,550
Equipment replacement	-	-	-	-	8,452	8,452
Unassigned	6,401,016	-	-	-	(28,356)	6,372,660
Total fund balances	6,764,438	4,430,525	4,759,440	2,043,343	1,480,009	19,477,755
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,369,784	\$ 4,521,957	\$ 5,334,158	\$ 2,043,661	\$ 1,572,738	\$ 21,842,298

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 19,477,755
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	21,848,771
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	281,189
Investments in joint ventures are not financial resources and are not reported in the funds	326,240
Debt obligations are not due and payable in the current period and are not reported in the funds	(9,068,651)
Accrued interest is not due and payable in the current period and is not reported in the funds	(118,947)
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	(359,589)
Pension benefits	(5,890,239)
Retiree health care benefits	(317,348)
Net Position of Governmental Activities	<u>\$ 26,179,181</u>

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

Year Ended June 30, 2024

	General Fund	Major Road Fund	Municipal Street Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 5,373,445	\$ -	\$ 981,761	\$ 496,202	\$ -	\$ 6,851,408
Intergovernmental:						
Federal grants	611,327	-	-	-	28,511	639,838
State sources:						
State-shared revenue	1,334,876	-	-	-	-	1,334,876
Act 51 gas and weight tax	-	843,617	-	-	362,055	1,205,672
Local Community Stabilization Authority	266,962	-	-	-	-	266,962
Metro act	-	37,509	-	-	-	37,509
Local grants and contributions	8,072	76,456	17,300	-	-	101,828
Charges for services	94,628	-	-	-	115,825	210,453
Fines and forfeitures	16,263	-	-	-	-	16,263
Licenses and permits	694,962	-	-	-	-	694,962
Investment income	587,450	3,628	-	26,158	4,546	621,782
Other revenue	350,408	-	-	-	121,420	471,828
Total revenue	9,338,393	961,210	999,061	522,360	632,357	12,453,381
Expenditures						
Current services:						
General government	2,092,333	-	-	-	-	2,092,333
Public safety	4,177,062	-	-	-	-	4,177,062
Public works	1,149,788	382,863	3,893,393	-	533,165	5,959,209
Community and economic development	-	-	-	-	28,356	28,356
Recreation and culture	1,018,422	-	-	-	-	1,018,422
Capital outlay	-	-	-	31,305	716,231	747,536
Debt service	-	-	937,456	-	-	937,456
Total expenditures	8,437,605	382,863	4,830,849	31,305	1,277,752	14,960,374
Excess of Revenue Over (Under) Expenditures	900,788	578,347	(3,831,788)	491,055	(645,395)	(2,506,993)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	310,000	310,000
Transfers out	(210,000)	(100,000)	-	-	-	(310,000)
Total other financing (uses) sources	(210,000)	(100,000)	-	-	310,000	-
Net Change in Fund Balances	690,788	478,347	(3,831,788)	491,055	(335,395)	(2,506,993)
Fund Balances - Beginning of year	6,073,650	3,952,178	8,591,228	1,552,288	1,815,404	21,984,748
Fund Balances - End of year	\$ 6,764,438	\$ 4,430,525	\$ 4,759,440	\$ 2,043,343	\$ 1,480,009	\$ 19,477,755

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	\$ (2,506,993)
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, including capital contributions of \$1,078,123	6,690,382
Depreciation expense	(2,046,511)
Net book value of assets disposed of	(1,878)
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	(13,159)
Change in investment in joint venture is not recorded in the governmental funds but is recorded in the statement of activities	12,833
Repayment of debt principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt). Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	584,628
Interest expense is recognized in the government-wide statements as it accrues	54,842
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(187,793)
Change in Net Position of Governmental Activities	\$ 2,586,351

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Net Position

June 30, 2024

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 6,130,813
Receivables - Customer receivables	1,313,494
Prepaid expenses and other assets	28,281

Total current assets 7,472,588

Noncurrent assets:

Restricted assets (Note 1)	1,708,563
Capital assets: (Note 4)	
Assets not subject to depreciation	205,376
Assets subject to depreciation - Net	27,405,911

Total noncurrent assets 29,319,850

Total assets 36,792,438

Deferred Outflows of Resources - Deferred pension and OPEB costs (Notes 9 and 10) 191,112

Liabilities

Current liabilities:

Accounts payable	315,983
Due to other funds (Note 5)	164,910
Accrued liabilities and other	22,577
Compensated absences (Note 6)	35,000
Current portion of long-term debt (Note 6)	1,185,000

Total current liabilities 1,723,470

Noncurrent liabilities:

Compensated absences (Note 6)	35,000
Net pension liability (Note 10)	1,073,316
Net OPEB liability (Note 9)	65,468
Long-term debt (Note 6)	2,427,379

Total noncurrent liabilities 3,601,163

Total liabilities 5,324,633

Deferred Inflows of Resources - Deferred pension and OPEB cost reductions (Notes 9 and 10) 35,976

Net Position

Net investment in capital assets	23,998,908
Restricted - Debt service	1,708,563
Unrestricted	5,915,470

Total net position \$ 31,622,941

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2024

Operating Revenue	
Sale of water	\$ 1,648,826
Sewage disposal charges	1,755,376
Refuse collection	611,103
Billing and collection charges	43,997
Other income	1,042
	<hr/>
Total operating revenue	4,060,344
Operating Expenses	
Salaries and wages	748,413
Fringe benefits	358,405
Equipment repair and maintenance	221,964
Public utilities	434,524
Refuse collection	610,112
Professional services	265,808
Insurance	31,279
Other	285,078
Depreciation	1,394,389
	<hr/>
Total operating expenses	4,349,972
Operating Loss	(289,628)
Nonoperating Revenue (Expense)	
Property tax revenue	1,486,958
Investment income	160,759
Interest expense	(99,153)
	<hr/>
Total nonoperating revenue	1,548,564
Income - Before capital contributions	1,258,936
Capital Contributions - Tap-in fees	286,642
	<hr/>
Change in Net Position	1,545,578
Net Position - Beginning of year	30,077,363
	<hr/>
Net Position - End of year	\$ 31,622,941

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Cash Flows

Year Ended June 30, 2024

Cash Flows from Operating Activities

Receipts from customers	\$ 3,967,720
Payments to suppliers	(1,875,985)
Payments to employees and fringes	(1,093,299)
Other payments	(2,901)

Net cash and cash equivalents provided by operating activities 995,535

Cash Flows Used in Noncapital Financing Activities - Payments to other funds (96,148)

Cash Flows from Capital and Related Financing Activities

Collection of tap-in fees	286,642
Property taxes revenue received	1,486,958
Purchase of capital assets	(2,421,450)
Principal and interest paid on capital debt	(1,261,372)

Net cash and cash equivalents used in capital and related financing activities (1,909,222)

Cash Flows Provided by Investing Activities - Interest received on investments 160,759

Net Decrease in Cash and Cash Equivalents (849,076)

Cash and Cash Equivalents - Beginning of year 8,688,452

Cash and Cash Equivalents - End of year \$ 7,839,376

Classification of Cash and Cash Equivalents

Cash and investments	\$ 6,130,813
Restricted cash	1,708,563

Total cash and cash equivalents \$ 7,839,376

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (289,628)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	1,394,389
Changes in assets and liabilities:	
Receivables	(95,525)
Prepaid and other assets	(4,365)
Accounts payable	(16,364)
Net pension or OPEB liability	(95,698)
Deferrals related to pension or OPEB	103,956
Accrued and other liabilities	(1,230)

Total adjustments 1,285,163

Net cash and cash equivalents provided by operating activities \$ 995,535

Statement of Fiduciary Net Position

June 30, 2024

	Other Postemployment Benefits Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets - Interest in pooled investment	\$ 399,907	\$ -	\$ 399,907
Liabilities	-	-	-
Net Position - Restricted for postemployment benefits other than pension	<u>\$ 399,907</u>	<u>\$ -</u>	<u>\$ 399,907</u>

City of South Lyon, Michigan

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	Other Postemployment Benefits Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Net increase in fair value of investments	\$ 38,199	\$ -	\$ 38,199
Investment expenses	(757)	-	(757)
Net investment income	37,442	-	37,442
Contributions	111,092	-	111,092
Property tax collections for other taxing authorities	-	14,280,175	14,280,175
Total additions	148,534	14,280,175	14,428,709
Deductions			
Benefit payments	37,492	-	37,492
Property tax disbursements to other taxing authorities	-	14,280,175	14,280,175
Total deductions	37,492	14,280,175	14,317,667
Net Increase in Fiduciary Net Position	111,042	-	111,042
Net Position - Beginning of year	288,865	-	288,865
Net Position - End of year	\$ 399,907	\$ -	\$ 399,907

Note 1 - Significant Accounting Policies

Reporting Entity

The City of South Lyon, Michigan (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

The South Lyon Building Authority (the "Building Authority") is governed by a board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to acquire and lease property to the City.

Discretely Presented Component Unit

Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue a separate financial report.

Accounting and Reporting Principles

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

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 unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Note 1 - Significant Accounting Policies (Continued)

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spent certain resources; separate funds allow it to show the particular expenditures for which specific revenue was 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. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the General Fund, the Major Road Fund, the Capital Improvement Fund, and the Municipal Street Fund as major governmental funds. The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund. The Major Road Fund is a special revenue fund that accounts for the City's construction and maintenance of its major street system. The Major Road Fund is funded primarily through the receipt of State of Michigan motor vehicle fuel taxes. The Capital Improvement Fund is a capital project fund that accounts for the City's major capital improvement projects and is primarily funded through collection of property taxes. The Municipal Street Fund is a capital project fund that accounts for the City's construction of streets and was primarily funded by a debt issuance to be spent on future street projects. The fund will also collect property taxes to pay back the debt as voted by the tax payers.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports only the Water and Sewer Fund as a major enterprise fund. The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

Fiduciary Funds

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

- The Other Postemployment Benefits Fund accumulates resources for future retiree health care payments to eligible employees.
- The Tax Collection Fund collects and distributes taxes on behalf of various taxing authorities (state, county, school district, and the various smaller authorities).

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 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.

Note 1 - Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Prepaid Items

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.

Investments

Investments are reported at fair value or estimated fair value.

Restricted Assets

Restricted assets consist of cash and cash equivalents held for the following:

- Unspent property taxes levied and held in the Water and Sewer Fund and Municipal Street Fund required to be set aside for future bond principal and interest payments.
- Unspent bond proceeds held in the Municipal Street Fund to be spent on future road projects.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

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

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

	<u>Depreciable Life - Years</u>
Wastewater treatment plant and equipment	10-40
Water treatment plant and equipment	10-40
Utility system, buildings, and improvements	7-40
Roads and sidewalks	20-25
Other tools, furniture, and equipment	15-40
Tools, furniture, and equipment	5-15
Office furnishings	5-7
Other tools and equipment	3-7

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 issuance costs are expensed at the time they are incurred. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements and proprietary funds report deferred outflows related to the pension and OPEB plans, as detailed in Notes 9 and 10.

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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The government-wide statements and proprietary funds report deferred inflows related to the pension and OPEB plans, as detailed in Notes 9 and 10. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. The General Fund reports unavailable revenue from certain state-shared revenue and opioid settlement revenue. The Community Development Block Grant Fund reports unavailable revenue from grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

Sometimes, the City will 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.

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 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 government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the city manager to assign fund balance. The City Council may also 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. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Water and Sewer Tap-in Fees Policy

Based on a city administrative policy amended in May 2022, 80 percent of funds collected for tap-in fees, developer contributions, or any other payment for a share of a capital improvement (e.g., cost-sharing fund, special assessments for water and sanitary sewer improvement, etc.) will be contributed to the water and sanitary sewer capital fund. The water and sanitary sewer capital fund is to be used by both the water and sanitary sewer departments for capital improvements to the systems. If at any time, the water and sanitary sewer capital fund is carrying a balance that exceeds more money than is needed for future planned improvements, the fund balance amounts will be reevaluated and, if necessary, proportionally reallocated to the related operating budgets to be used in accordance with best practices recommended by the City's professional service providers. At June 30, 2024, the water and sanitary sewer capital fund has a balance of \$1,216,217.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are levied on 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 on September 30 with the final collection date of February 28. Taxes are considered delinquent on October 1, at which time penalties and interest are assessed.

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.

The 2023 taxable valuation of the City totaled \$496 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 11.5756 mills for operating purposes, 3.000 mills for debt service, and 1.9946 for the road bond. This resulted in approximately \$5.7 million used for operations, \$1.5 million utilized for debt service, and \$1 million used for the road bond. These amounts are recognized in the respective general, capital projects, and enterprise fund financial statements as tax revenue.

Pension

The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers a monthly health care stipend to qualified 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 City of South Lyon Other Postemployment Benefits Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. Limits to accumulations are based on collective bargaining agreements for contract employees and personnel policies for administrative, nonunion contract employees. Once maximum accumulations are reached, unused days accumulated beyond that number shall be lost. The payment obligation for future absences (leave) is based on employee services already rendered. The amount of the obligation can be reasonably estimated. Sick pay and vacation pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Generally, the funds that report each employee's compensation (the General Fund, Major Road Fund, Local Road Fund, and Water and Sewer Fund, primarily) 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 the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system, property taxes, and investment income. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

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 April 2024, the Government 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.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have significant expenditure budget variances.

June 30, 2024

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2023		\$	(965,837)
Current year permit revenue			551,892
Related expenses:			
Direct costs	\$	515,319	
Estimated indirect costs		11,388	526,707
			<u>526,707</u>
Current year surplus			<u>25,185</u>
Cumulative shortfall at June 30, 2024		\$	<u><u>(940,652)</u></u>

Note 3 - Deposits and Investments

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

The other postemployment benefits fund is 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 (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the City Council 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 and such obligations, bonds, and securities permitted by the statutes of the State of Michigan.

The City's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of approximately \$26,554,000 (checking and savings accounts) that were uninsured and uncollateralized. The component unit did not have any bank deposits that were uninsured and uncollateralized. 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.

June 30, 2024

Note 3 - Deposits and Investments (Continued)

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 270-day maturity.

Investment	Fair Value	Less Than 1 Year	1-5 Years
Oakland County Local Government Investment Pool	\$ 1,016,591	-	\$ 1,016,591

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Oakland County Local Government Investment Pool	\$ 1,016,591	Not rated	Not rated

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.

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 does not have any investments within the fair value hierarchy above and only has an investment measured at fair value using net asset value per share (or its equivalent) as a practical expedient.

Investments in Entities that Calculate Net Asset Value per Share

The General Fund and Other Postemployment Benefits Fund holds shares or interests in an investment pool 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.

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

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS RHFV Total Market Portfolio	\$ 399,907	-	N/A	N/A
Oakland County Local Government Investment Pool	1,016,591	-	N/A	N/A

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

June 30, 2024

Note 3 - Deposits and Investments (Continued)

The Oakland County Local Government Investment Pool (LGIP) is not registered with the Securities and Exchange Commission (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.

Note 4 - 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 Reclassifications	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 3,436,792	\$ -	\$ -	\$ 3,436,792
Construction in progress	758,628	1,749,302	(727,776)	1,780,154
Subtotal	4,195,420	1,749,302	(727,776)	5,216,946
Capital assets being depreciated:				
Roads and sidewalks	24,444,769	3,857,178	727,776	29,029,723
Buildings and improvements	11,457,189	87,531	(15,440)	11,529,280
Furniture and equipment	8,158,152	996,371	(14,587)	9,139,936
Subtotal	44,060,110	4,941,080	697,749	49,698,939
Accumulated depreciation:				
Roads and sidewalks	19,469,964	1,050,639	-	20,520,603
Buildings and improvements	6,179,868	363,851	(13,562)	6,530,157
Furniture and equipment	5,398,920	632,021	(14,587)	6,016,354
Subtotal	31,048,752	2,046,511	(28,149)	33,067,114
Net governmental activities capital assets being depreciated	13,011,358	2,894,569	725,898	16,631,825
Net governmental activities capital assets	<u>\$ 17,206,778</u>	<u>\$ 4,643,871</u>	<u>\$ (1,878)</u>	<u>\$ 21,848,771</u>

June 30, 2024

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2023	Additions	Disposals and Reclassifications	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 156,842	\$ -	\$ -	\$ 156,842
Construction in progress	13,903	34,631	-	48,534
Subtotal	170,745	34,631	-	205,376
Capital assets being depreciated:				
Wastewater treatment plant and equipment	34,005,687	-	-	34,005,687
Water treatment plant and equipment	7,102,348	118,013	-	7,220,361
Utility systems, building, and improvements	19,658,815	2,268,806	-	21,927,621
Other tools, furniture, and equipment	1,418,485	-	-	1,418,485
Subtotal	62,185,335	2,386,819	-	64,572,154
Accumulated depreciation - Total water and sewer	35,771,854	1,394,389	-	37,166,243
Net business-type activities capital assets being depreciated	26,413,481	992,430	-	27,405,911
Net business-type activities capital assets	<u>\$ 26,584,226</u>	<u>\$ 1,027,061</u>	<u>\$ -</u>	<u>\$ 27,611,287</u>

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

Governmental activities:	
General government	\$ 130,643
Public safety	388,907
Public works	1,419,817
Recreation and culture	107,144
Total governmental activities	<u>\$ 2,046,511</u>
Business-type activities - Water and sewer	<u>\$ 1,394,389</u>

Construction Commitments

The City has an active construction project at year end related to the Eagle Pointe/Brookfield Subdivision paving project with a total project cost of \$2,078,944. At year end, \$274,067 has been spent on the project, with the remaining \$1.8 million expected to be spent during the fiscal year ending June 30, 2025.

June 30, 2024

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 164,910
	Major Road Fund	7,601
	Nonmajor governmental funds	<u>35,982</u>
Total		<u>\$ 208,493</u>

These balances result 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
Major Road Fund	Nonmajor governmental funds	\$ 100,000
General Fund	Nonmajor governmental funds	210,000

The Major Road Fund transfer relates to a contribution from the Major Road Fund to the Local Road Fund in accordance with Michigan Public Act 51, as amended.

The transfer from the General Fund to the Equipment Replacement Fund relates to budgeted transfer of funds to Equipment Replacement fund for equipment purchases.

Note 6 - Long-term Debt

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Direct borrowings and direct placements:					
2021 Ladder truck installment contract	\$ 766,913	\$ -	\$ -	\$ 766,913	\$ 249,872
2023 Unlimited Tax General Obligation Bond	<u>7,525,000</u>	<u>-</u>	<u>(445,000)</u>	<u>7,080,000</u>	<u>555,000</u>
Total direct borrowings and direct placements principal outstanding	8,291,913	-	(445,000)	7,846,913	804,872
Unamortized bond premiums	1,361,366	-	(139,628)	1,221,738	-
Compensated absences	<u>404,987</u>	<u>194,157</u>	<u>(239,555)</u>	<u>359,589</u>	<u>179,800</u>
Total governmental activities long-term debt	<u>\$ 10,058,266</u>	<u>\$ 194,157</u>	<u>\$ (824,183)</u>	<u>\$ 9,428,240</u>	<u>\$ 984,672</u>

June 30, 2024

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:					
General obligations	\$ 3,147,379	\$ -	\$ (1,025,000)	\$ 2,122,379	\$ 1,050,000
Revenue bonds	1,620,000	-	(130,000)	1,490,000	135,000
Total direct borrowings and direct placements principal outstanding	4,767,379	-	(1,155,000)	3,612,379	1,185,000
Compensated absences	71,230	41,672	(42,902)	70,000	35,000
Total business-type activities long-term debt	<u>\$ 4,838,609</u>	<u>\$ 41,672</u>	<u>\$ (1,197,902)</u>	<u>\$ 3,682,379</u>	<u>\$ 1,220,000</u>

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. General obligations outstanding at June 30, 2024 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Firetruck installment purchase agreement	2021	2.29%	2027	\$ 766,913
2023 Unlimited Tax General Obligation Bond	2023	5.00 - 6.00%	2033	7,080,000
Business-type Activities				
State of Michigan Revolving Fund	2003	2.50%	2025	\$ 2,122,379

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. During fiscal year 2013, the City issued revenue bonds in the amount of \$5,300,000. These bonds are funded by the Drinking Water Revolving Fund, and the City received a loan forgiveness to the extent of \$2,650,000. The City has pledged substantially all revenue generated through the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer system. The remaining principal and interest to be paid on the bonds is approximately \$1,702,125. During the current year, operating income of the system (excluding depreciation expense) was \$1,104,761.

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Business-type Activities				
Drinking Water Revolving Fund Program #7314-01	2013	2.50%	2034	\$ 1,490,000

June 30, 2024

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Total interest expense for the year related to governmental activities was approximately \$297,500. Total interest incurred related to business-type activities for the year approximated \$99,200. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 804,872	\$ 423,100	\$ 1,227,972	\$ 1,185,000	\$ 77,184	\$ 1,262,184
2026	855,594	388,240	1,243,834	1,207,379	47,280	1,254,659
2027	911,447	352,387	1,263,834	140,000	30,500	170,500
2028	710,000	307,400	1,017,400	145,000	27,000	172,000
2029	775,000	264,800	1,039,800	145,000	23,375	168,375
2030-2034	3,790,000	572,200	4,362,200	790,000	60,125	850,125
Total	\$ 7,846,913	\$ 2,308,127	\$ 10,155,040	\$ 3,612,379	\$ 265,464	\$ 3,877,843

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for workers' compensation, medical, health, life, and disability claims and participates in the Michigan Municipal Risk Management Authority's state pool for claims relating to general law enforcement, emergency medical, public errors and omissions, and auto liabilities. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 8 - Joint Ventures

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC) and the South Lyon Area Recreation Authority (SLARA). RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan; the Village of Milford, Michigan; and the Charter Township of Milford. SLARA is incorporated by the City of South Lyon, Michigan and the charter townships of Lyon and Green Oak. The City appoints one member to each of the joint ventures' governing boards, which then approve the annual budgets. The joint ventures receive their operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for RRRASOC can be obtained from RRRASOC's office at 20000 West 8 Mile Road, Southfield, MI 48075 and for SLARA at SLARA's office at 23333 Griswold Road, Suite 100, South Lyon, MI 48178.

During the year, the City contributed \$30,324 to RRRASOC and \$23,218 to SLARA. The City reported equity interest in SLARA of \$326,240 as of June 30, 2024 and has no definable interest in RRRASOC.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care benefits to eligible employees upon retirement in accordance with established labor contracts. Under terms of the contracts, the City provides a flat monthly stipend up to age 65 to be used to supplement insurance costs incurred for postemployment health care benefits. The benefits are provided through a single-employer plan administered by the South Lyon City Council. The financial statements of the single-employer plan are included in these financial statements as an other postemployment benefits fund (a fiduciary fund).

Management of the plan is the responsibility of the City's pension board, which consists of seven members - three elected by plan members; three appointed by the City; and the city treasurer, who serves as an ex officio member.

Benefits Provided

All employees retiring under regular (normal), work-related disability, or workers' compensation retirement are eligible to receive a stipend for health care coverage until age 65. Police regular (normal) retirees are required to have 25 years of service to be eligible for the employer stipend. General retirees have no service requirement. Eligible police retirees from the POAM union receive a stipend of up to \$700 per month for health care premiums. Eligible police retirees from the POLC union receive a stipend of up to \$900 per month for health care premiums. Eligible general retirees receive a stipend of up to \$500 per month for health care insurance premiums. To the extent the stipend exceeds the monthly health care premiums, the remainder may be used to offset spousal health care insurance premiums.

Employees Covered by Benefit Terms

The following members were covered by the contractual benefit terms:

Date of member count	June 30, 2024
Inactive plan members or beneficiaries currently receiving benefits	5
Active plan members	<u>47</u>
Total plan members	<u><u>52</u></u>

Contributions

Retiree health care costs are funded by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment, except for new employees hired after July 1, 2018. For the fiscal year ended June 30, 2024, the City paid postemployment health care stipends of \$37,492. In addition, the City made contributions of approximately \$73,600 during the year ended June 30, 2024.

Total OPEB Liability

The June 30, 2024 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2024.

Note 9 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2023	\$ 686,141	\$ 288,865	\$ 397,276
Changes for the year:			
Service cost	24,640	-	24,640
Interest	50,889	-	50,889
Differences between expected and actual experience	14,603	-	14,603
Changes in assumptions	45,766	-	45,766
Contributions - Employer	-	111,092	(111,092)
Net investment income	-	38,199	(38,199)
Benefit payments	(37,492)	(37,492)	-
Administrative expenses	-	(757)	757
Net changes	98,406	111,042	(12,636)
Balance at June 30, 2024	\$ 784,547	\$ 399,907	\$ 384,640

The plan's fiduciary net position represents 51.0 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 expense of \$45,701.

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	\$ 98,245	\$ (50,838)
Changes in assumptions	77,806	(120,501)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,515)
Total	\$ 176,051	\$ (173,854)

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	\$ (7,815)
2026	(7,770)
2027	(14,392)
2028	4,454
2029	7,540
Thereafter	20,180
Total	\$ 2,197

Note 9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, which was used to estimate liability for the fiscal year ended June 30, 2024. The June 30, 2024 actuarial valuation used an inflation assumption of 3.00 percent; a health care cost trend rate of 8.00 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2032 and later years; and the SOA Pub-2010 total dataset mortality tables using Scale MP-2021. In addition, active employees who currently have no coverage are assumed to elect no coverage at retirement and have been excluded from the GASB valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

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 footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.00
Private investments	7.00

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

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the City	\$ 428,130	\$ 384,640	\$ 343,709

June 30, 2024

Note 9 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 8.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7% Decreasing to 3.5%)	Current Health Care Cost Trend Rate (8% Decreasing to 4.5%)	1 Percentage Point Increase (9% Decreasing to 5.5%)
Net OPEB liability of the City	\$ 345,517	\$ 384,640	\$ 427,369

Assumption Changes

The beginning of year total OPEB liability was based on a discount rate of 7.35 percent and a health care trend rate of 7.50 percent in 2022 decreasing by 0.5 percent per year to an ultimate rate of 4.5 percent for years 2029 and later, and the end of year total OPEB liability was based on a discount rate of 7.00 percent and a health care trend rate of 8.00 percent in 2025 decreasing by 0.5 percent per year to an ultimate rate of 4.5 percent for years 2032 and later.

Investment Policy

The OPEB plan's 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 OPEB 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 OPEB plan's 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 following was the OPEB plan's adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	<u>100.00 %</u>

Rate 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 an investment gain of 10.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Pension Plan

Plan Description

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

Note 10 - Pension Plan (Continued)

Benefits Provided

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

The MERS plan covers full-time employees at the City, including AFSCME, nonunion, police, patrolmen, police command, and clerical employees. The MERS defined benefit plan is closed to new entrants. New employees are eligible to participate in the MERS defined contribution plus plan.

Retirement benefits are calculated as 2.5 percent of the employee's final 5-year average compensation times the employee's years of service, with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service (8 years for nonunion employees) but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for nonduty disability benefits after 10 years of service (8 years for nonunion employees) and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and, if duty-related, without the application of an actuarial reduction for retirement before age 60. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

At the December 31, 2023 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	25
Total employees covered by the plan	67

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS 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. 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 2.36 percent of annual pay. The City pays a flat amount each month for its required contribution, except for the command division. Monthly payment amounts for the various divisions range from \$2,082 to \$19,554 per month plus an amount for the command division contribution at a rate of 27.75 percent.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2024 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2023 measurement date. The December 31, 2023 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 10 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2022	\$ 21,903,769	\$ 13,475,902	\$ 8,427,867
Changes for the year:			
Service cost	251,011	-	251,011
Interest	1,561,433	-	1,561,433
Changes in benefits	(7,480)	-	(7,480)
Differences between expected and actual experience	(99,641)	-	(99,641)
Changes in assumptions	172,563	-	172,563
Contributions - Employer	-	755,766	(755,766)
Contributions - Employee	-	59,529	(59,529)
Net investment income	-	1,533,361	(1,533,361)
Benefit payments, including refunds	(984,529)	(984,529)	-
Administrative expenses	-	(31,793)	31,793
Net changes	893,357	1,332,334	(438,977)
Balance at December 31, 2023	<u>\$ 22,797,126</u>	<u>\$ 14,808,236</u>	<u>\$ 7,988,890</u>

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 \$1,042,622. 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	\$ 39,745	\$ (49,821)
Changes in assumptions	86,281	-
Net difference between projected and actual earnings on pension plan investments	732,915	-
Employer contributions to the plan subsequent to the measurement date	370,978	-
Total	<u>\$ 1,229,919</u>	<u>\$ (49,821)</u>

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

Years Ending June 30	Amount
2025	\$ 198,170
2026	281,380
2027	442,299
2028	(112,729)
Total	<u>\$ 809,120</u>

Note 10 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (gross of investment expenses) of 7.18 percent, and the Pub-2010 mortality tables. The assumptions were applied to all periods included in the measurement. All assumptions used, except for the investment rate of return, are based on an experience study conducted for the period from 2014-2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.18 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a 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. Best estimates of arithmetic real rates of return as of the December 31, 2023 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

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

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

	1 Percentage Point Decrease (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability of the City	\$ 10,697,295	\$ 7,988,890	\$ 5,706,277

Note 10 - Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The beginning of year total pension liability was based on a discount rate of 7.25 percent, and the end of year total pension liability was based on a discount rate of 7.18 percent.

Note 11 - Tax Abatements

The City uses the industrial facilities tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or 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 12 years.

For the fiscal year ended June 30, 2024, the City abated \$12,821 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,848,835	\$ 5,848,835	\$ 5,373,445	\$ (475,390)
Intergovernmental	2,447,406	2,447,406	2,221,237	(226,169)
Charges for services	75,000	75,000	94,628	19,628
Fines and forfeitures	16,100	16,100	16,263	163
Licenses and permits	633,000	633,000	694,962	61,962
Investment income	50,300	549,300	587,450	38,150
Other revenue	169,600	169,600	350,408	180,808
Total revenue	9,240,241	9,739,241	9,338,393	(400,848)
Expenditures				
Current services:				
General government	2,021,452	2,092,880	2,092,333	547
Public safety:				
Police	3,386,998	3,455,368	3,162,711	292,657
Fire	1,258,010	1,277,698	1,014,267	263,431
Ambulance	5,680	5,680	84	5,596
Public works:				
Public works	1,184,131	1,203,471	1,065,558	137,913
Cemetery	138,828	138,828	84,230	54,598
Recreation and culture:				
Parks and recreation	822,986	1,039,609	972,569	67,040
Cable television production	8,925	8,925	406	8,519
Historical	99,500	99,543	27,841	71,702
Cultural arts	5,375	5,375	2,644	2,731
Public transportation	92,000	92,000	14,962	77,038
Total expenditures	9,023,885	9,419,377	8,437,605	981,772
Other Financing Uses - Transfers out	(104,000)	(214,000)	(210,000)	4,000
Net Change in Fund Balance	112,356	105,864	690,788	584,924
Fund Balance - Beginning of year	6,073,650	6,073,650	6,073,650	-
Fund Balance - End of year	\$ 6,186,006	\$ 6,179,514	\$ 6,764,438	\$ 584,924

City of South Lyon, Michigan

Required Supplementary Information
 Budgetary Comparison Schedule - Major Special Revenue Fund
 Major Road Fund

Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 871,753	\$ 948,209	\$ 957,582	\$ 9,373
Investment income	250	250	3,628	3,378
Total revenue	872,003	948,459	961,210	12,751
Expenditures - Current services - Community maintenance and development - Public works	391,522	422,522	382,863	39,659
Other Financing Uses - Transfers to other funds	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	380,481	425,937	478,347	52,410
Fund Balance - Beginning of year	3,952,178	3,952,178	3,952,178	-
Fund Balance - End of year	<u>\$ 4,332,659</u>	<u>\$ 4,378,115</u>	<u>\$ 4,430,525</u>	<u>\$ 52,410</u>

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

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 251,011	\$ 253,606	\$ 245,597	\$ 242,132	\$ 238,655	\$ 268,288	\$ 274,113	\$ 283,687	\$ 256,313	\$ 255,907
Interest	1,561,433	1,492,596	1,463,631	1,350,131	1,329,551	1,257,029	1,199,100	1,141,285	1,064,707	1,004,596
Changes in benefit terms	(7,480)	3,053	435	719	(851)	(656)	(6,932)	(270)	-	-
Differences between expected and actual experience	(99,641)	119,235	(324,917)	240,371	(148,563)	106,840	(117,223)	(113,562)	(104,289)	-
Changes in assumptions	172,563	-	802,092	535,275	549,607	-	-	-	707,441	-
Benefit payments, including refunds	(984,529)	(850,872)	(872,344)	(881,574)	(767,720)	(652,600)	(591,459)	(575,867)	(578,810)	(485,354)
Net Change in Total Pension Liability	893,357	1,017,618	1,314,494	1,487,054	1,200,679	978,901	757,599	735,273	1,345,362	775,149
Total Pension Liability - Beginning of year	21,903,769	20,886,151	19,571,657	18,084,603	16,883,924	15,905,023	15,147,424	14,412,151	13,066,789	12,291,640
Total Pension Liability - End of year	\$ 22,797,126	\$ 21,903,769	\$ 20,886,151	\$ 19,571,657	\$ 18,084,603	\$ 16,883,924	\$ 15,905,023	\$ 15,147,424	\$ 14,412,151	\$ 13,066,789
Plan Fiduciary Net Position										
Contributions - Employer	\$ 755,766	\$ 777,896	\$ 675,499	\$ 606,867	\$ 581,677	\$ 559,154	\$ 529,687	\$ 470,446	\$ 420,267	\$ 417,111
Contributions - Employee	59,529	55,226	49,336	47,257	47,115	45,616	34,784	29,301	27,094	27,802
Net investment income (loss)	1,533,361	(1,675,041)	1,827,109	1,705,939	1,466,600	(447,680)	1,332,498	1,035,110	(140,969)	562,278
Administrative expenses	(31,793)	(27,999)	(21,626)	(24,293)	(25,284)	(22,001)	(21,070)	(20,433)	(20,522)	(20,698)
Benefit payments, including refunds	(984,529)	(850,872)	(872,344)	(881,574)	(767,720)	(652,600)	(591,459)	(575,867)	(578,810)	(485,354)
Net Change in Plan Fiduciary Net Position	1,332,334	(1,720,790)	1,657,974	1,454,196	1,302,388	(517,511)	1,284,440	938,557	(292,940)	501,139
Plan Fiduciary Net Position - Beginning of year	13,475,902	15,196,692	13,538,718	12,084,522	10,782,134	11,299,645	10,015,205	9,076,648	9,369,588	8,868,449
Plan Fiduciary Net Position - End of year	\$ 14,808,236	\$ 13,475,902	\$ 15,196,692	\$ 13,538,718	\$ 12,084,522	\$ 10,782,134	\$ 11,299,645	\$ 10,015,205	\$ 9,076,648	\$ 9,369,588
City's Net Pension Liability - Ending	\$ 7,988,890	\$ 8,427,867	\$ 5,689,459	\$ 6,032,939	\$ 6,000,081	\$ 6,101,790	\$ 4,605,378	\$ 5,132,219	\$ 5,335,503	\$ 3,697,201
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.96 %	61.52 %	72.76 %	69.18 %	66.82 %	63.86 %	71.04 %	66.12 %	62.98 %	71.71 %
Covered Payroll	\$ 2,189,120	\$ 2,233,252	\$ 2,348,598	\$ 2,365,710	\$ 2,321,141	\$ 2,588,286	\$ 2,643,114	\$ 2,725,500	\$ 2,533,242	\$ 2,528,331
City's Net Pension Liability as a Percentage of Covered Payroll	364.94 %	377.38 %	242.25 %	255.02 %	258.50 %	235.75 %	174.24 %	188.30 %	210.62 %	146.23 %

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 748,685	\$ 777,674	\$ 674,370	\$ 603,057	\$ 577,283	\$ 586,762	\$ 549,604	\$ 501,517	\$ 435,641	\$ 410,024
Contributions in relation to the actuarially determined contribution	748,685	777,674	674,370	603,057	577,283	586,762	549,604	501,517	435,641	410,024
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,189,120	\$ 2,233,252	\$ 2,348,598	\$ 2,365,710	\$ 2,321,141	\$ 2,588,286	\$ 2,643,114	\$ 2,725,500	\$ 2,533,242	\$ 2,528,331
Contributions as a Percentage of Covered Payroll	34.20 %	34.82 %	28.71 %	25.49 %	24.87 %	22.67 %	20.79 %	18.40 %	17.20 %	16.22 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent average, including inflation
Investment rate of return - Net of administrative expenses	7.35 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Mortality Tables
Other information	None

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

Last Seven Fiscal Years
(Schedule is Built Prospectively upon Implementation of GASB 75)

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 24,640	\$ 23,722	\$ 23,561	\$ 42,275	\$ 28,071	\$ 23,545	\$ 28,001
Interest	50,889	48,099	42,265	19,156	19,711	18,637	21,877
Changes in benefit terms	-	-	-	37,742	-	-	-
Differences between expected and actual experience	14,603	(811)	29,863	1,061	84,734	38,510	(167,358)
Changes in assumptions	45,766	-	10,744	(195,900)	42,861	13,697	(9,871)
Benefit payments, including refunds	(37,492)	(30,559)	(24,011)	(37,653)	(24,332)	(13,622)	(9,000)
Net Change in Total OPEB Liability	98,406	40,451	82,422	(133,319)	151,045	80,767	(136,351)
Total OPEB Liability - Beginning of year	686,141	645,690	563,268	696,587	545,542	464,775	601,126
Total OPEB Liability - End of year	\$ 784,547	\$ 686,141	\$ 645,690	\$ 563,268	\$ 696,587	\$ 545,542	\$ 464,775
Plan Fiduciary Net Position							
Contributions - Employer	\$ 111,092	\$ 102,559	\$ 94,011	\$ 180,650	\$ -	\$ -	\$ -
Net investment income (loss)	38,199	22,562	(19,896)	2,127	-	-	-
Administrative expenses	(757)	(462)	(334)	(129)	-	-	-
Benefit payments	(37,492)	(30,559)	(24,011)	(37,653)	-	-	-
Net Change in Plan Fiduciary Net Position	111,042	94,100	49,770	144,995	-	-	-
Plan Fiduciary Net Position - Beginning of year	288,865	194,765	144,995	-	-	-	-
Plan Fiduciary Net Position - End of year	\$ 399,907	\$ 288,865	\$ 194,765	\$ 144,995	\$ -	\$ -	\$ -
Net OPEB Liability - Ending	\$ 384,640	\$ 397,276	\$ 450,925	\$ 418,273	\$ 696,587	\$ 545,542	\$ 464,775
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	50.97 %	42.10 %	30.16 %	25.74 %	- %	- %	- %
Covered-employee Payroll	\$ 3,165,262	\$ 3,306,410	\$ 2,906,807	\$ 2,855,707	\$ 2,633,383	\$ 2,705,916	\$ 2,566,424
Net OPEB Liability as a Percentage of Covered-employee Payroll	12.15 %	12.02 %	15.51 %	14.65 %	26.45 %	20.16 %	18.11 %

Required Supplementary Information
Schedule of OPEB Contributions

Last Seven Fiscal Years
(Schedule is Built Prospectively upon Implementation of GASB 75)
Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018*
Actuarially determined contribution	\$ 60,296	\$ 63,467	\$ 60,192	\$ 78,997	\$ 59,341	\$ 61,253	\$ -
Contributions in relation to the actuarially determined contribution	73,600	72,000	70,000	142,997	-	-	-
Contribution Excess (Deficiency)	\$ 13,304	\$ 8,533	\$ 9,808	\$ 64,000	\$ (59,341)	\$ (61,253)	\$ -
Covered-employee Payroll	\$ 3,165,262	\$ 3,306,410	\$ 2,906,807	\$ 2,855,707	\$ 2,633,383	\$ 2,705,916	\$ 2,566,424
Contributions as a Percentage of Covered-employee Payroll	2.33 %	2.18 %	2.41 %	5.01 %	- %	- %	- %

*No actuarially determined contribution was calculated for fiscal year ended June 30, 2018.

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, one year 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
Amortization method	Level dollar amortization - Closed
Remaining amortization period	28 years
Asset valuation method	Market value
Inflation	3.00 percent
Health care cost trend rates	7.5 percent decreasing 0.5 percent per year to a 4.50 percent long-term rate
Salary increase	3.75 percent average, including inflation
Investment rate of return	7.35 percent
Mortality	Pub-2010 mortality tables with Scale MP-2021 generational mortality improvement

City of South Lyon, Michigan

**Required Supplementary Information
Schedule of OPEB Investment Returns**

	Last Four Fiscal Years Years Ended June 30			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	10.28 %	7.46 %	(8.24)%	1.26 %

*GASB Statement No. 74 was implemented in fiscal year 2017, but the City established the OPEB trust in fiscal year 2021. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds.

The annual budget is prepared by the city manager and submitted to the City Council at its meeting nearest the third Monday in April of each year. The budget is adopted by the City Council no later than the second regular City Council meeting in May. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2024 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund is presented as required supplementary information. Information comparing other special revenue funds activity to the respective budgets can be obtained at city hall.

The City has concluded to budget debt service costs to their associated departments instead of separately as a debt service line item. This is done for budget purposes only.

Pension Information

Changes in Assumptions

June 30, 2020 - The beginning of year total pension liability was based on a single discount rate of 8.00 percent, and the end of year total pension liability was based on a single discount rate of 7.60 percent.

June 30, 2021 - The beginning of year total pension liability was based on the RP-2014 mortality tables, and the end of year total pension liability was based on the Pub-2010 mortality tables.

June 30, 2022 - The beginning of year total pension liability was based on a single discount rate of 7.60 percent, and the end of year total pension liability was based on a single discount rate of 7.25 percent.

June 30, 2024 - The beginning of year total pension liability was based on a single discount rate of 7.25 percent, and the end of year total pension liability was based on a single discount rate of 7.18 percent.

OPEB Information

Changes in Assumptions

June 30, 2019 - The beginning of year total OPEB liability was based on a single discount rate of 3.87 percent, and the end of year total OPEB liability was based on a single discount rate of 3.51 percent.

June 30, 2020 - The beginning of year total OPEB liability was based on a single discount rate of 3.51 percent, and the end of year total OPEB liability was based on a single discount rate of 2.66 percent. In addition, the beginning of year total OPEB liability was based on the SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017, and the end of year total OPEB liability was based on a variation of the SOA Pub-2010 Mortality Tables.

June 30, 2021 - The beginning of year total OPEB liability was based on a single discount rate of 2.66 percent, and the end of year total OPEB liability was based on a single discount rate of 7.35 percent.

June 30, 2022 - The beginning of year total OPEB liability was based on the Pub-2010 Mortality tables using Scale MP-2019, and the end of year total OPEB liability was based on the Pub-2010 Mortality tables using Scale MP-2021.

June 30, 2024

June 30, 2024 - The beginning of year total OPEB liability was based on a single discount rate of 7.35 percent and a health care trend rate of 7.50 percent in 2022 decreasing by 0.5 percent per year to an ultimate rate of 4.5 percent for years 2029 and later, and the end of year total OPEB liability was based on a single discount rate of 7.00 percent and a health care trend rate of 8.00 percent in 2025 decreasing by 0.5 percent per year to an ultimate rate of 4.5 percent for years 2032 and later.

Other Supplementary Information

City of South Lyon, Michigan

	Special Revenue Funds			
	Local Road	Drug Forfeiture	Cemetery Perpetual Care	Community Development Block Grant
Assets				
Cash and cash equivalents	\$ 565,223	\$ 3,289	\$ 709,695	\$ -
Receivables - Due from other governmental units	58,049	-	-	28,356
Prepaid expenses and other assets	3,124	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 626,396	\$ 3,289	\$ 709,695	\$ 28,356
Liabilities				
Accounts payable	\$ 20,467	\$ -	\$ 6,625	\$ -
Due to other funds	7,626	-	-	28,356
Accrued liabilities and other	1,299	-	-	-
Total liabilities	29,392	-	6,625	28,356
Deferred Inflows of Resources - Unavailable revenue	-	-	-	28,356
Fund Balances (Deficit)				
Nonspendable	3,124	-	-	-
Restricted:				
Roads	593,880	-	-	-
Police	-	3,289	-	-
Cemetery perpetual care	-	-	703,070	-
Committed:				
Land acquisition	-	-	-	-
Equipment replacement	-	-	-	-
Unassigned	-	-	-	(28,356)
Total fund balances (deficit)	597,004	3,289	703,070	(28,356)
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 626,396	\$ 3,289	\$ 709,695	\$ 28,356

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2024

Capital Project Funds		Total Nonmajor Governmental Funds
Equipment Replacement	Land Acquisition	
\$ 8,452	\$ 143,550	\$ 1,430,209
-	-	86,405
-	-	3,124
-	53,000	53,000
\$ 8,452	\$ 196,550	\$ 1,572,738
\$ -	\$ -	\$ 27,092
-	-	35,982
-	-	1,299
-	-	64,373
-	-	28,356
-	-	3,124
-	-	593,880
-	-	3,289
-	-	703,070
-	196,550	196,550
8,452	-	8,452
-	-	(28,356)
8,452	196,550	1,480,009
\$ 8,452	\$ 196,550	\$ 1,572,738

City of South Lyon, Michigan

	Special Revenue Funds			
	Local Road	Drug Forfeiture	Cemetery Perpetual Care	Community Development Block Grant
Revenue				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ 28,511
State sources - Act 51 gas and weight tax	362,055	-	-	-
Charges for services	-	-	-	-
Investment income	-	14	4,532	-
Other revenue	-	-	57,800	-
Total revenue	362,055	14	62,332	28,511
Expenditures				
Current services:				
Public works:				
Streets	477,213	-	-	-
Stormwater drainage	5,326	-	-	-
Cemetery	-	-	50,626	-
Community and economic development	-	-	-	28,356
Capital outlay	-	-	-	-
Total expenditures	482,539	-	50,626	28,356
Excess of Revenue (Under) Over Expenditures	(120,484)	14	11,706	155
Other Financing Sources - Transfers in	100,000	-	-	-
Net Change in Fund Balances	(20,484)	14	11,706	155
Fund Balances (Deficit) - Beginning of year	617,488	3,275	691,364	(28,511)
Fund Balances (Deficit) - End of year	\$ 597,004	\$ 3,289	\$ 703,070	\$ (28,356)

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

Year Ended June 30, 2024

Capital Project Funds		Total Nonmajor Governmental Funds
Equipment Replacement	Land Acquisition	
\$ -	\$ -	\$ 28,511
-	-	362,055
115,825	-	115,825
-	-	4,546
-	63,620	121,420
115,825	63,620	632,357
-	-	477,213
-	-	5,326
-	-	50,626
-	-	28,356
716,231	-	716,231
716,231	-	1,277,752
(600,406)	63,620	(645,395)
210,000	-	310,000
(390,406)	63,620	(335,395)
398,858	132,930	1,815,404
\$ 8,452	\$ 196,550	\$ 1,480,009

City of South Lyon, Michigan

Expenditures	Community Maintenance and Development					
	General	Public Safety			Community Maintenance and Development	
		Government	Police	Fire	Ambulance	Cemetery
Salaries and wages	\$ 473,609	\$ 1,638,762	\$ 600,634	\$ -	\$ 28,044	\$ 239,051
Salaries and wages - Mechanic	-	-	-	-	-	46,273
Reimbursement of mechanic wages	-	-	-	-	-	(46,273)
Fringe benefits	211,575	950,224	99,959	-	24,478	216,295
Uniforms & Cleaning Allowance	-	22,472	44,606	-	-	8,224
Tuition reimbursement	-	1,800	-	-	-	-
Office supplies	2,725	3,994	3,191	-	-	1,003
Operating expenses	16,896	25,571	27,645	-	11,190	22,757
Ammunition	-	5,217	-	-	-	-
Professional Services	525,254	16,888	-	-	1,590	1,099
Contractual Services	130,435	159,044	61,063	-	1,325	29,011
Engineering Services	203,126	-	-	-	-	1,597
Auditor	35,090	-	-	-	-	-
Planning Consultant	90,974	-	-	-	-	-
Elections	46,598	-	-	-	-	-
Computers	9,269	7,791	4,367	-	-	1,784
Legal Fees	91,621	32,131	-	-	-	-
Memberships & Dues	15,102	640	3,909	-	-	672
Radio Maintenance	-	-	289	-	-	-
Telephone	15,200	16,299	10,580	-	-	2,478
Gas & Oil	-	21,143	12,904	-	3,319	24,906
Transportation & Mileage	1,048	-	-	-	-	109
Vehicle Maintenance	16	22,876	35,440	-	-	133,791
Community Promotions	84,148	-	3,511	-	-	-
Printing	5,265	-	-	-	-	-
Publishing	14,195	-	-	-	-	-
Insurance & Bonds	58,427	27,045	25,002	84	698	15,740
Utilities	17,553	15,729	14,025	-	1,035	19,515
Street Light Expenditures	-	-	-	-	-	130,178
Repairs & Maintenance	-	597	11,223	-	2,273	145
Building Maintenance	1,740	8,508	16,451	-	-	38,799
NPDES Phase II Stormwater	-	-	-	-	-	7,098
Equipment Rental	-	-	-	-	4,600	10,200
Education/Training	2,703	19,458	23,631	-	-	1,890
Witness fees	-	57	-	-	-	-
Miscellaneous Expense	875	-	-	-	-	-
Contribution-Solid Waste	30,324	-	-	-	-	-
Contribution-Community Schools	-	-	-	-	-	-
Land Improvements	-	15,640	15,837	-	170	148,617
Equipment Miscellaneous	8,565	8,500	-	-	5,508	10,599
Capital Equipment	-	142,325	-	-	-	-
Principal and Interest Payments	-	-	-	-	-	-
Total expenditures	\$ 2,092,333	\$ 3,162,711	\$ 1,014,267	\$ 84	\$ 84,230	\$ 1,065,558

Other Supplementary Information
Schedule of Expenditures – General Fund

June 30, 2024

Recreation and Culture					Total	
Parks and Recreation	Public Transportation	Historical	Cultural Arts	Cable Commission	2024	2023
\$ 86,649	\$ -	\$ 4,475	\$ -	\$ 406	\$ 3,071,630	\$ 3,071,374
-	-	-	-	-	46,273	51,813
-	-	-	-	-	(46,273)	(51,813)
26,789	-	-	-	-	1,529,320	1,510,602
-	-	-	-	-	75,302	59,461
-	-	-	-	-	1,800	3,001
-	-	-	-	-	10,913	12,850
4,875	-	-	-	-	108,934	101,671
-	-	-	-	-	5,217	5,255
105,209	-	-	-	-	650,040	646,917
943	14,962	5,495	350	-	402,628	469,930
-	-	-	-	-	204,723	-
-	-	-	-	-	35,090	40,230
-	-	-	-	-	90,974	84,086
-	-	-	-	-	46,598	46,409
-	-	-	-	-	23,211	16,542
-	-	-	-	-	123,752	87,046
-	-	-	-	-	20,323	17,933
-	-	-	-	-	289	129
-	-	-	-	-	44,557	51,883
13,248	-	-	-	-	75,520	59,215
-	-	-	-	-	1,157	953
-	-	-	-	-	192,123	233,370
-	-	-	2,162	-	89,821	70,010
-	-	-	-	-	5,265	3,671
-	-	-	-	-	14,195	7,454
1,023	-	992	-	-	129,011	120,131
417	-	6,158	-	-	74,432	86,869
-	-	-	-	-	130,178	117,065
19,252	-	4,738	-	-	38,228	33,796
-	-	5,956	-	-	71,454	136,265
-	-	-	-	-	7,098	6,343
11,076	-	-	-	-	25,876	25,825
-	-	-	-	-	47,682	52,534
-	-	-	-	-	57	-
-	-	27	132	-	1,034	2,805
-	-	-	-	-	30,324	22,308
-	-	-	-	-	-	3,639
-	-	-	-	-	180,264	113,875
609	-	-	-	-	33,781	21,532
702,479	-	-	-	-	844,804	1,560,311
-	-	-	-	-	-	534,868
\$ 972,569	\$ 14,962	\$ 27,841	\$ 2,644	\$ 406	\$ 8,437,605	\$ 9,438,158

Other Supplementary Information
 Schedule of Expenditures by Activity
 Major and Local Roads Funds

June 30, 2024

Major Roads Fund

	Professional Services	Street Construction	Street Routine Maintenance	Traffic Services	Snow Plowing	Drainage and Backsloping	Total
Wages and salaries	\$ -	\$ -	\$ 141,094	\$ 947	\$ 12,414	\$ 2,951	\$ 157,406
Fringe benefits	-	-	66,767	725	7,622	1,519	76,633
Operating expense	-	-	1,179	543	26,615	-	28,337
Professional services	4,668	7,575	-	-	-	-	12,243
Contractual services	-	76,919	-	-	-	-	76,919
Traffic signals	-	-	-	2,591	-	-	2,591
Repairs and maintenance	-	-	6,734	-	-	-	6,734
Equipment charges	-	-	12,000	-	10,000	-	22,000
Total expenditures	\$ 4,668	\$ 84,494	\$ 227,774	\$ 4,806	\$ 56,651	\$ 4,470	\$ 382,863

Local Roads Fund

	Professional Services	Street Construction	Street Routine Maintenance	Traffic Services	Snow Plowing	Drainage and Backsloping	Total
Wages and salaries	\$ -	\$ -	\$ 141,161	\$ 947	\$ 12,123	\$ 2,951	\$ 157,182
Fringe benefits	-	-	64,265	567	6,295	1,408	72,535
Operating expense	-	-	2,068	2,097	16,957	11	21,133
Professional services	4,460	-	-	-	-	-	4,460
Contractual services	-	189,697	-	-	-	-	189,697
Repairs and maintenance	-	-	19,576	-	-	956	20,532
Equipment charges	-	-	5,000	-	12,000	-	17,000
Total expenditures	\$ 4,460	\$ 189,697	\$ 232,070	\$ 3,611	\$ 47,375	\$ 5,326	\$ 482,539

Other Supplementary Information
Schedule of Operating Expenses
Proprietary Fund – Water and Sewer Fund

June 30, 2024

	Activity			Activity		Total	
	Water	Wastewater	Sanitary		2024	2023	
	Distribution		Sewer	Solid Waste			
System	Repair	System	Repair	Collection			
Personnel services:							
Salaries and wages	\$ 261,557	\$ 50,935	\$ 398,711	\$ 37,210	\$ -	\$ 748,413	\$ 737,427
Fringe benefits	137,256	15,833	186,353	10,703	-	350,145	360,981
Pension and OPEB liability expense	2,065	2,065	2,065	2,065	-	8,260	62,728
Total personnel services	400,878	68,833	587,129	49,978	-	1,106,818	1,161,136
Equipment repairs and maintenance:							
Equipment maintenance	24,137	25,311	17,374	16,376	-	83,198	110,894
Building maintenance	11,374	-	115,455	-	-	126,829	188,038
Total equipment repairs and maintenance	35,511	25,311	132,829	16,376	-	210,027	298,932
Public utilities:							
Electric and gas	11,937	-	295,540	-	-	307,477	306,592
Telephone	12,340	-	12,546	-	-	24,886	22,266
Total public utilities	24,277	-	308,086	-	-	332,363	328,858
Refuse collection	-	-	-	-	610,112	610,112	589,955
Depreciation	697,194	-	697,195	-	-	1,394,389	1,425,066
Other services and charges - Professional services	56,163	133,048	84,571	10,417	-	281,699	223,274
Insurance	114,098	-	15,388	-	-	129,486	140,260
Other	125,262	3,239	153,438	3,139	-	285,078	241,918
Total operating expenses	\$ 1,453,383	\$ 230,431	\$ 1,978,636	\$ 79,910	\$ 610,112	\$ 4,349,972	\$ 4,409,399

Statistical Section

City of South Lyon, Michigan

Schedule of Taxes Levied, Collected, and Returned Delinquent – 2023 Roll

June 30, 2024

	<u>Final Levy</u>	<u>Taxes Collected</u>	<u>Returned Delinquent</u>	<u>Percent Collected</u>
Taxable Value: \$496,261,330				
City of South Lyon	\$ 8,201,283	\$ 8,089,071	\$ 112,212	98.63
Specials	2,797	900	1,897	32.18
Downtown Development Authority	68,821	67,649	1,171	98.30
Administration fee	132,116	130,674	1,442	98.91
Oakland Community College	732,944	725,401	7,543	98.97
South Lyon Community Schools	5,076,620	5,029,839	46,782	99.08
State education	2,973,915	2,944,407	29,508	99.01
Zoo Authority	46,819	45,775	1,045	97.77
County Drains	280,081	279,586	495	99.82
Art Institute	96,385	94,234	2,151	97.77
Oakland County Parks & Recreation	168,880	165,114	3,767	97.77
Huron Clinton Metro Park	101,869	99,609	2,260	97.78
Intermediate School District	1,569,097	1,552,895	16,202	98.97
Library	743,754	736,100	7,654	98.97
Oakland County Transit	467,589	457,211	10,378	97.78
Oakland County	1,953,401	1,932,490	20,911	98.93
Total	<u>\$ 22,616,371</u>	<u>\$ 22,350,954</u>	<u>\$ 265,417</u>	98.83

June 30, 2024

A. Taxable Value – Fiscal Year 2023-2024 - \$496,261,330

B. Taxable Value by Use and Class – Fiscal Year 2023-2024

Use	Taxable Value	Percent of Taxable Value	SEV	Percent of SEV
Commercial	\$ 44,622,130	8.99	\$ 58,011,280	8.95
Industrial	5,735,430	1.16	7,011,980	1.08
Residential	434,106,910	87.48	572,408,940	88.17
Comm PP	2,977,660	0.60	2,977,660	0.46
Industrial PP	8,819,200	1.78	8,819,200	
Total	\$ 496,261,330	100.00	\$ 649,229,060	100.00
Class				
Real property	\$ 484,464,470	97.62	\$ 637,432,200	98.18
Personal property	11,796,860	2.38	11,796,860	1.82
Total	\$ 496,261,330	100.00	\$ 649,229,060	100.00

C & D. Property Tax Rates by Governmental Unit - Fiscal Year 2023-2024

City of South Lyon	Rate	City of South Lyon	Rate
General operation	11.5756	Huron Clinton Authority	0.2070
		Oakland County	3.9686
Debt Service- Sewer G.O.	3.0000	Intermediate schools	3.1658
		Oakland Community College	1.4891
Debt GO Road Bond	1.9946	Zoo Authority	0.0945
		Oakland County P&R	0.3431
		South Lyon Community Schools	18.0000
		Art Institute	0.1945
		State education	6.0000
		South Lyon school debt	7.0000
Total City of South Lyon	16.5702	Total governmental units	58.5439
District library	1.0466		
Library voted	0.4645		

City of South Lyon, Michigan

Continuing Disclosure Undertaking (Continued)

June 30, 2024

E. Property Tax Collections – Fiscal Year 2023-2024 (as of 3/1/2024) – 98.83%

F. Ten Largest Taxpayers – Fiscal Year 2023-2024

Taxpayer	Principal Product or Service	Taxable Value
Colonial Acres Phase 5	Co-op	\$ 20,145,320
Colonial Acres Dev Co	Co-op	9,132,770
DTE	Industrial	5,687,640
Brookdale Assn Ltd Partners	Apartments	4,807,740
Lake Street Apartments	Apartments	3,564,050
Roco Brookwood Farms, LLC	apr	3,424,500
Consumers Energy	Industrial	2,851,880
Loop Waters Edge LLC	Apartments	2,112,650
245 S Mill St LLC	Industrial	1,731,720
Roco Brookwood Farms, LLC	1681900	1,125,780
Total		<u>\$ 54,584,050</u>

G. Distributable Aid – State-Shared Revenue – Fiscal Year 2023-2024 - \$1,334,876

H. Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2024:

Debt limit (1)		\$ 64,922,906
Debt outstanding	\$ 12,681,030	
Less exempt debt	<u>2,122,379</u>	<u>10,558,651</u>
Legal debt margin		<u>\$ 54,364,255</u>

(1) 10 percent of \$649,229,060, which is the City’s SEV for the fiscal year ended June 30, 2023. See “Property Valuations” herein.

Source: Municipal Advisory Council of Michigan and the City of South Lyon

City of South Lyon, Michigan

Continuing Disclosure Undertaking (Continued)

June 30, 2024

Debt Statement

The following table reflects a breakdown of the City's direct debt as of June 30, 2024.

To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds in the following table, which are designated as "UT."

City Direct Debt	Gross	Self-supporting	Net
State Revolving Fund Loan:			
Dated March 27, 2003 (UT)	\$ 2,122,379	\$ 2,122,379	\$ -
Installment Purchase Obligations:			
2021 Ladder Truck	766,913	-	766,913
General Obligation Bonds:			
2023 Unlimited Tax General Obligation Bond	8,301,738	-	8,301,738
Revenue Bonds - 2012 Drinking Water			
Revolving Fund	1,490,000	-	1,490,000
Total	<u>\$ 12,681,030</u>	<u>\$ 2,122,379</u>	<u>\$ 10,558,651</u>
Per capita net City direct debt (1)			\$ 932.17
Percent of net direct debt to SEV (2)			1.63%

(1) Based on the City's 2020 census population of 11,327

(2) Based on \$649,229,060, which is the City's SEV for the fiscal year ended June 30, 2024. See "Property Valuations" herein.

City of South Lyon, Michigan

Continuing Disclosure Undertaking (Continued)

June 30, 2024

Overlapping Debt (3)	Gross	City's Share as Percent of Gross	Net
South Lyon Schools	\$ 162,970,000	15.24%	\$ 24,836,628
Oakland County	144,919,913	0.66%	956,471
Oakland Intermediate School District	38,215,000	0.66%	252,219
Total	<u>\$ 346,104,913</u>		<u>\$ 26,045,318</u>
Per capita net overlapping debt (1) (3)			\$ 2,299.40
Percent of net overlapping debt to SEV (2)			4.01%
Per capita net direct and overlapping debt (1)			\$ 3,231.57
Percent of net direct and overlapping debt to SEV (2)			5.64%

(1) Based on the City's 2020 Census population of 11,327

(2) Based on \$649,229,060, which is the City's SEV for the fiscal year ended June 30, 2024. See "Property Valuations" herein.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City