

**CITY OF MOUNT CLEMENS
MACOMB COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED JUNE 30, 2025



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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission
City of Mount Clemens, Michigan

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mount Clemens, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mount Clemens 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 of Mount Clemens' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mount Clemens' 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 of Mount Clemens' 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Clemens' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes 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, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maner Costerian PC

December 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of City of Mount Clemens (the City), we offer this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the year by \$71,717,087 (*net position*). Of this amount, a negative \$14,154,831 is considered the City's *unrestricted net position*.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$21,657,439, a net increase of \$5,200,714 or 32% over the prior year. Of the total fund balance, \$12,396,910 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$12,396,910, an amount that is approximately 72% of total General Fund expenditures (including operating transfers).

Overview of the Financial Statements

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources vs. liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position indicate whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judicial, public safety, public works, health and welfare, community and economic development, and recreation and culture functions. The business-type activities primarily represent the administration of the sewage disposal system, water supply system, ice arena, parking system, and sanitation.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information related to the City's individual governmental funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The General Fund is considered to be the City's sole major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. A budgetary comparison schedule has been provided herein to demonstrate compliance with the City General Fund and all major Special Revenue Funds budgets.

Proprietary Funds. The City maintains five proprietary funds. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Sewage Disposal System and Water Supply System, which are each considered to be a major fund. Data from the other nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*, including combining statements of the nonmajor governmental funds, nonmajor enterprise funds, and fiduciary funds.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	\$ 23,091,072	\$ 17,447,286	\$ 9,205,494	\$ 11,755,197	\$ 32,296,566	\$ 29,202,483
Noncurrent assets	<u>23,946,310</u>	<u>19,588,406</u>	<u>68,818,429</u>	<u>53,403,841</u>	<u>92,764,739</u>	<u>72,992,247</u>
TOTAL ASSETS	47,037,382	37,035,692	78,023,923	65,159,038	125,061,305	102,194,730
DEFERRED OUTFLOWS OF RESOURCES	843,333	1,400,030	339,262	583,595	1,182,595	1,983,625
LIABILITIES						
Current	3,705,119	3,007,109	5,137,315	3,611,776	8,842,434	6,618,885
Noncurrent	<u>23,886,023</u>	<u>25,706,237</u>	<u>15,058,727</u>	<u>10,677,658</u>	<u>38,944,750</u>	<u>36,383,895</u>
TOTAL LIABILITIES	27,591,142	28,713,346	20,196,042	14,289,434	47,787,184	43,002,780
DEFERRED INFLOWS OF RESOURCES	5,090,907	4,464,572	1,648,722	1,721,584	6,739,629	6,186,156
NET POSITION						
Net investment in capital assets	17,403,932	14,356,096	60,064,615	50,776,659	77,468,547	65,132,755
Restricted	8,403,371	5,060,299	-	-	8,403,371	5,060,299
Unrestricted	<u>(11,694,393)</u>	<u>(14,158,591)</u>	<u>(3,842,522)</u>	<u>(1,045,044)</u>	<u>(15,536,915)</u>	<u>(15,203,635)</u>
TOTAL NET POSITION	\$ 14,112,910	\$ 5,257,804	\$ 56,222,093	\$ 49,731,615	\$ 70,335,003	\$ 54,989,419

The City's net position includes \$77,468,547 in net investment in capital assets comprised of land, construction in progress, buildings, vehicles, and equipment less any capital related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Certain other limitations on the use of net position apply due primarily to legal restrictions. The restricted net position totals \$8,403,371. The remaining balance of unrestricted net position (a negative \$14,154,831) is available to meet the government's ongoing obligations.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes in net position in a comparative format for the years ending June 30, 2025 and June 30, 2024, respectively.

Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenue						
Charges for services	\$ 4,715,279	\$ 2,038,430	\$ 15,040,480	\$ 13,604,665	\$ 19,755,759	\$ 15,643,095
Operating grants and contributions	3,486,843	3,256,500	90,000	1,435	3,576,843	3,257,935
Capital grants and contributions	1,697,942	621,776	6,880,875	244,474	8,578,817	866,250
General revenues						
Property taxes	8,671,935	8,373,932	133,786	126,345	8,805,721	8,500,277
State shared revenue	2,365,417	2,355,751	-	-	2,365,417	2,355,751
Investment earnings	968,429	843,117	451,029	608,706	1,419,458	1,451,823
(Loss) on sale of capital assets	-	-	(84,112)	-	(84,112)	-
Other	227,540	138,323	-	-	227,540	138,323
Transfers	<u>3,993,850</u>	<u>90,300</u>	<u>(3,993,850)</u>	<u>(90,300)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	26,127,235	17,718,129	18,518,208	14,495,325	44,645,443	32,213,454
EXPENSES						
General government	3,911,652	3,236,595	-	-	3,911,652	3,236,595
Judicial	16,754	55,552	-	-	16,754	55,552
Public safety	6,975,950	5,240,398	-	-	6,975,950	5,240,398
Public works	4,240,908	3,237,581	-	-	4,240,908	3,237,581
Community and economic development	755,599	857,650	-	-	755,599	857,650
Recreation and culture	247,845	247,141	-	-	247,845	247,141
Sewage Disposal System	-	-	6,180,409	4,381,257	6,180,409	4,381,257
Water Supply System	-	-	3,459,387	2,434,096	3,459,387	2,434,096
Ice Arena	-	-	768,981	1,852,913	768,981	1,852,913
Automobile Parking System	-	-	319,483	289,485	319,483	289,485
Sanitation Department	-	-	1,003,142	1,231,824	1,003,142	1,231,824
Interest on long-term debt	<u>37,665</u>	<u>38,065</u>	<u>-</u>	<u>-</u>	<u>37,665</u>	<u>38,065</u>
TOTAL EXPENSES	16,186,373	12,912,982	11,731,402	10,189,575	27,917,775	23,102,557
Change in net position	\$ 9,940,862	\$ 4,805,147	\$ 6,786,806	\$ 4,305,750	\$ 16,727,668	\$ 9,110,897

Governmental Activities

The preceding table shows that the net position of the City's governmental activities increased by \$9,940,862 during the fiscal year ended June 30, 2025, as compared to an increase of \$4,805,147 during the prior fiscal year. The primary reasons for the increase are the sale of the ice arena, increase in property tax values, increased revenue in building and inspections due to economic development, and higher interest rates.

Business-type Activities

The preceding table shows that the net position of business-type activities increased by \$6,786,806 during the fiscal year ended June 30, 2025, as compared to an increase of \$4,305,750 in the prior fiscal year. This is mainly due to an increase in utility and sanitation rates and large reimbursement of prior year expenditures related to the DWSRF/CWSRF project.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, *unassigned fund balance* serves as a useful measure of a government's net resources available for spending at the end of the year. At the end of the current year, the City's governmental funds reported combined ending fund balances of \$21,657,439, a net increase of \$5,200,714. The primary reasons for the increase are the sale of the ice arena, increase in property tax values, increased revenue in building and inspections due to economic development, and higher interest rates. Approximately 57% of this total amount \$12,396,910 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* as it is not available in a spendable form (\$24,976), *restricted* to indicate that it can only be expended if certain criteria are met (\$8,402,360), or *assigned* with the intent to use for a specific purpose (\$833,193).

Major Governmental Fund

Fund Balance as of:	General
June 30, 2025	\$ 13,254,068
June 30, 2024	\$ 11,396,426
Change	\$ 1,857,642

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance had increased as a result of the increase in property tax values, increased revenue in building and inspections due to economic development, and higher interest rates.

Enterprise Funds. The focus of the City's *enterprise funds* is to provide information on the full accrual basis of accounting and demonstrate how each fund is structured to be self-sufficient.

Major Enterprise Funds

Net Position as of:	Sewage Disposal System	Water Supply System
June 30, 2025	\$ 33,430,630	\$ 18,503,328
June 30, 2024	\$ 30,144,749	\$ 11,406,342
Change	\$ 3,285,881	\$ 7,096,986

The Sewage Disposal System Fund accounts for operations of the sewage collection and disposal system maintained by the City. At the end of the current fiscal year, the total net position had increased as a result of increase in utility and sanitation rates and large reimbursement of prior year expenditures related to the CWSRF project.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Water Supply System Fund accounts for the operations of the water treatment and distribution system maintained by the City. At the end of the current fiscal year, the total fund balance had increased as a result of an increase in utility and sanitation rates and large reimbursement of prior year expenditures related to the DWSRF project.

General Fund Budgetary Highlights

The City's budget is a dynamic document. Although adopted prior to the start of the fiscal year, the budget is amended during the course of the year to reflect changing operational demands. Actual General Fund revenues and other financing sources totaled \$18,960,426, or \$7,098,718 (27%) less than the final amended budget which was increased from the original budget by \$10,465,682. General Fund actual expenditures and other financing uses came in at \$17,102,784 and the final amended budget was \$25,714,722, which was approximately 33% more than actual. The final amended budget was 47% higher than the originally adopted budget after new information became available requiring the amendments. The significant variances related to the General Fund's budget are noted below.

	Original Budget	Final Amended Budget	Variance between Original and Final Budgets	Actual	Variance between Final Budget and Actual
REVENUES					
Intergovernmental - Federal	\$ 150,000	\$ 4,263,602	\$ 4,113,602	\$ 1,122,734	\$ (3,140,868)
Intergovernmental - State	3,314,355	5,344,275	2,029,920	3,295,421	(2,048,854)
Other	649,767	716,842	67,075	358,623	(358,219)
EXPENDITURES					
General government	3,888,197	4,202,009	313,812	3,855,133	346,876
Public safety	6,467,886	8,454,179	1,986,293	8,263,054	191,125
Capital outlay	3,299,615	9,812,084	6,512,469	2,293,626	7,518,458
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	1,953,698	1,903,698	589,853	(1,363,845)
Transfers out	(1,000,000)	-	1,000,000	-	-

- Local Community Stabilization revenue was less than the final budgeted amount due to a decrease in the payments received in the current year.
- Other revenue was less than the final budgeted amount due to less sidewalk improvements/reimbursements.
- Budgeted general government expenditures were amended during the year when unexpected expenditures are needed. Actual general government expenditures were lower than the final budgeted amount due to employee turnover, less attorney fees, less tax tribunal costs/write-offs, and less IT equipment purchases.
- Amounts budgeted for public safety were amended during the year when actual current wages and salaries are known. Actual public safety expenditures were lower than the final budgeted amount due to less salary cost needed for the Fire Chief and Fire Inspection positions during the year.
- Actual capital outlay expenditures were lower than the final budgeted amount due to grant related projects and related revenues being budgeted in full rather than prorated across fiscal years, and less sidewalk improvements than anticipated.
- Other financing sources were less than that the final budgeted amount due to the full amount of the transfer from Ice Arena proceeds to fund the City's match on the Downtown Revitalization being budgeted rather than prorated across fiscal years.
- Other financing uses were amended during the year when the budgeted transfers to the local street fund ended up being funded through the Ice Arena sale proceeds.

CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2025, the City's investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and vehicles. (These capital assets do not include those of the component unit).

	Governmental Activities	Business-type Activities	Totals
Land	\$ 2,791,980	\$ 3,983,694	\$ 6,775,674
Construction in progress	1,997,024	19,855,783	21,852,807
Land improvements, net	847,686	490,485	1,338,171
Buildings and improvements, net	2,753,791	-	2,753,791
Machinery, equipment, and vehicles, net	1,402,106	7,382,933	8,785,039
Sidewalks and other intangible rights, net	2,806,657	-	2,806,657
Roads and bridges, net	8,404,916	-	8,404,916
Plant facilities, net	-	8,553,418	8,553,418
Production facilities, net	-	6,064,385	6,064,385
Transmission facilities, net	-	5,749,111	5,749,111
Tunnel and retention basins, net	-	14,538,963	14,538,963
 Capital Assets, net	 \$ 21,004,160	 \$ 66,618,772	 \$ 87,622,932

The net increase of \$17,527,968 in the City's investment in capital assets in the current year was mainly the result of the ongoing plant improvements at the Wastewater Treatment Plant (vactor septic receiving station, screw press, influent pumps, submersible dry pit, barscreen, and oxidation ditch), CWSRF projects (open cut repairs and pipe bursting), W Breitmeyer watermain replacement project, and water plant conversion project. See Note 5 for additional capital asset information.

Long-term obligations. At the end of the current year, the City's primary government had various long-term obligations outstanding aside from compensated absences.

	Balance July 1, 2024	Change	Balance June 30, 2025
PRIMARY GOVERNMENT			
Governmental activities			
Direct borrowings and direct placements	\$ 803,400	\$ (50,900)	\$ 752,500
Other debt	2,910,000	(75,000)	2,835,000
Unamortized bond premiums	13,524	(796)	12,728
Compensated absences	804,070	(154,904)	649,166
Business-type activities			
Direct borrowings and direct placements	1,235,285	5,318,872	6,554,157
Compensated absences	176,538	167,241	343,779
 Total long-term obligations	 \$ 5,942,817	 \$ 5,204,513	 \$ 11,147,330

See Note 6 for additional long-term debt information.

**CITY OF MOUNT CLEMENS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2025-2026 fiscal year:

- In October 2024, the Commission adopted the strategic plan for 2024-2025, which highlighted the action plan to enhance the community through effective and equitable public service. The budget for 2025-2026 budget and related five-year financial forecast was a cornerstone of this overall strategic plan and was adopted and amended with those goals in mind.
- Even with this positive initiative to promote the City's image, it has taken several years to obtain significant accumulated long-term financial resources to reinvest in the City's infrastructure. The City has received several grants to assist with infrastructure and operations, most notably the Downtown Revitalization project and the Riverfront Revitalization project. These two large investments are expected to continue in the 2025-2026 fiscal year.
- Studies have been completed on the analysis of the City's water and sewer plants. There are multiple projects occurring at the sewer plant which are being financed through the Clean Water State Revolving Fund (CWSRF). The City has also received \$53 million in a low interest loan, including \$20 million in principal forgiveness, through the Drinking Water State Revolving Fund (DWSRF). These funds will be used to construct a new pump station and water tower, demolish the current water plant, and switch to Great Lakes Water Authority (GLWA) for the City's drinking water. The construction contract has been awarded and construction began in November 2024.
- The past five years have seen the City stay within the guidelines of its budgeted revenue and expenditures. Affordable union agreements, material reductions in legacy costs, and contractual arrangement in providing services where necessary have seen the City's General Fund balance grow to \$13,254,068 as of June 30th, 2025. This has allowed the City Commission to not only restore certain services the citizens appreciate, such as recreation, but also make noticeable strides with the long-term capital improvement program identified in the overall strategic plan.
- In terms of legacy costs, the City has been continually funding the OPEB fund (retiree health care) and has reduced the outstanding projected liability of \$52 million in 2017 to \$28 million as of June 30, 2025. The pension plan is 102% funded, which is 6% more than the previous year.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk's office.

BASIC FINANCIAL STATEMENTS

CITY OF MOUNT CLEMENS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown
				Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,877,802	\$ 1,469,827	\$ 8,347,629	\$ 683
Investments	14,057,797	3,727,865	17,785,662	43,797
Receivables, net	702,284	2,537,303	3,239,587	163
Due from other governmental units	1,428,213	1,465,935	2,894,148	-
Prepays	24,976	4,564	29,540	-
Total current assets	<u>23,091,072</u>	<u>9,205,494</u>	<u>32,296,566</u>	<u>44,643</u>
Noncurrent assets				
Investments	1,825,688	1,903,329	3,729,017	-
Investment in joint venture	30,706	-	30,706	-
Capital assets not being depreciated	4,789,004	23,839,477	28,628,481	281,507
Capital assets, net of accumulated depreciation	16,215,156	42,779,295	58,994,451	-
Net pension asset	1,085,756	296,328	1,382,084	-
Total noncurrent assets	<u>23,946,310</u>	<u>68,818,429</u>	<u>92,764,739</u>	<u>281,507</u>
TOTAL ASSETS	<u>47,037,382</u>	<u>78,023,923</u>	<u>125,061,305</u>	<u>326,150</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	299,710	62,270	361,980	-
Deferred outflows related to OPEB	543,623	276,992	820,615	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>843,333</u>	<u>339,262</u>	<u>1,182,595</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,506,644	2,699,533	4,206,177	17,637
Accrued liabilities	214,291	122,132	336,423	-
Accrued interest payable	22,093	-	22,093	-
Refundable deposits and bonds	270,697	-	270,697	-
Unearned revenue	500,000	1,556,186	2,056,186	-
Payable to joint venture	758,270	-	758,270	-
Current portion of compensated absences	221,824	129,464	351,288	-
Current portion of long-term debt	211,300	630,000	841,300	-
Total current liabilities	<u>3,705,119</u>	<u>5,137,315</u>	<u>8,842,434</u>	<u>17,637</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	427,342	214,315	641,657	-
Noncurrent portion of long-term debt	3,388,928	5,924,157	9,313,085	-
Environmental remediation	600,000	-	600,000	-
Net OPEB liability	19,469,753	8,920,255	28,390,008	-
Total noncurrent liabilities	<u>23,886,023</u>	<u>15,058,727</u>	<u>38,944,750</u>	<u>-</u>
TOTAL LIABILITIES	<u>27,591,142</u>	<u>20,196,042</u>	<u>47,787,184</u>	<u>17,637</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	3,711,217	879,482	4,590,699	-
Deferred inflows related to OPEB	1,379,690	769,240	2,148,930	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,090,907</u>	<u>1,648,722</u>	<u>6,739,629</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	17,403,932	60,064,615	77,468,547	281,507
Restricted				
Streets	4,219,609	-	4,219,609	-
Transportation	1,200,262	-	1,200,262	-
Public improvements	44,175	-	44,175	-
Capital projects	2,939,325	-	2,939,325	-
Pension asset	1,085,756	296,328	1,382,084	-
Unrestricted	(11,694,393)	(3,842,522)	(15,536,915)	27,006
TOTAL NET POSITION	<u>\$ 15,198,666</u>	<u>\$ 56,518,421</u>	<u>\$ 71,717,087</u>	<u>\$ 308,513</u>

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Downtown Development Authority	
Primary government									
Governmental activities									
General government	\$ 3,911,652	\$ 499,860	\$ 992,320	\$ 356,065	\$ (2,063,407)	\$ -	\$ (2,063,407)	\$ -	\$ -
Judicial	16,754	-	-	-	(16,754)	-	(16,754)	-	-
Public safety	6,975,950	3,169,431	19,649	317,560	(3,469,310)	-	(3,469,310)	-	-
Public works	4,240,908	971,724	2,473,312	231,398	(564,474)	-	(564,474)	-	-
Health and welfare	-	-	1,562	-	1,562	-	1,562	-	-
Community and economic development	755,599	-	-	792,919	37,320	-	37,320	-	-
Recreation and culture	247,845	74,264	-	-	(173,581)	-	(173,581)	-	-
Interest on long-term debt	37,665	-	-	-	(37,665)	-	(37,665)	-	-
Total governmental activities	16,186,373	4,715,279	3,486,843	1,697,942	(6,286,309)	-	(6,286,309)	-	-
Business-type activities									
Sewage Disposal System	6,180,409	7,465,628	-	1,750,447	-	3,035,666	3,035,666	-	-
Water Supply System	3,459,387	5,258,083	90,000	5,130,428	-	7,019,124	7,019,124	-	-
Ice Arena	768,981	708,249	-	-	-	(60,732)	(60,732)	-	-
Automobile Parking System	319,483	596,416	-	-	-	276,933	276,933	-	-
Sanitation Department	1,003,142	1,012,104	-	-	-	8,962	8,962	-	-
Total business-type activities	11,731,402	15,040,480	90,000	6,880,875	-	10,279,953	10,279,953	-	-
Total primary government	\$ 27,917,775	\$ 19,755,759	\$ 3,576,843	\$ 8,578,817	(6,286,309)	10,279,953	3,993,644	-	-
Component unit									
Downtown Development Authority	\$ 350,381	\$ 123,855	\$ -	\$ 81,507	-	-	-	(145,019)	-
General revenues									
Property taxes					8,671,935	133,786	8,805,721	283,331	-
State shared revenue					2,365,417	-	2,365,417	-	-
Investment earnings					968,429	451,029	1,419,458	4,588	-
(Loss) on sale of capital assets					-	(84,112)	(84,112)	-	-
Other					227,540	-	227,540	-	-
Transfers					3,993,850	(3,993,850)	-	-	-
Total general revenues and transfers	16,227,171	(3,493,147)	-	12,734,024	-	287,919	-	-	-
Change in net position					9,940,862	6,786,806	16,727,668	142,900	-
Net position, beginning of the year					5,257,804	49,731,615	54,989,419	165,613	-
Net position, end of the year					\$ 15,198,666	\$ 56,518,421	\$ 71,717,087	\$ 308,513	-

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,556,778	\$ 4,321,024	\$ 6,877,802
Investments	11,193,650	4,689,835	15,883,485
Receivables			
Taxes	233,255	-	233,255
Interest	6,498	-	6,498
Accounts	440,082	22,449	462,531
Due from other funds	589,853	464,672	1,054,525
Due from other governmental units	1,082,754	345,459	1,428,213
Prepays	23,965	1,011	24,976
TOTAL ASSETS	\$ 16,126,835	\$ 9,844,450	\$ 25,971,285
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,168,556	\$ 338,088	\$ 1,506,644
Accrued liabilities	182,291	32,000	214,291
Refundable deposits and bonds	270,697	-	270,697
Due to other funds	-	1,054,525	1,054,525
Unearned revenue	500,000	-	500,000
TOTAL LIABILITIES	2,121,544	1,424,613	3,546,157
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	751,223	16,466	767,689
FUND BALANCES			
Nonspendable			
Prepays	23,965	1,011	24,976
Restricted			
Right-of-way maintenance	-	46,301	46,301
Street preservation and maintenance	-	4,173,308	4,173,308
Transportation	-	1,199,251	1,199,251
Public improvements	-	44,175	44,175
Capital projects - ice arena	-	2,939,325	2,939,325
Assigned			
Sidewalks	833,193	-	833,193
Unassigned	12,396,910	-	12,396,910
TOTAL FUND BALANCES	13,254,068	8,403,371	21,657,439
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,126,835	\$ 9,844,450	\$ 25,971,285

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds \$ 21,657,439

Amounts reported for governmental activities in the statement of net position are different because:

Investments in joint ventures are not financial resources and are not reported in the funds.

Grosse Pointe-Clinton Refuse Disposal Authority	\$ 30,706
41B District Court Common Fund	<u>(758,270)</u>
	(727,564)

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	47,574,607
Accumulated depreciation is	<u>(26,570,447)</u>
	21,004,160

Long-term receivables are not available to pay for current period expenditures and are therefore unavailable revenue in the funds.

767,689

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net pension asset	1,085,756
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB asset/liability as of the measurement date. Also, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pension	299,710
Deferred outflows of resources related to OPEB	543,623
Deferred inflows of resources related to pension	<u>(3,711,217)</u>
Deferred inflows of resources related to OPEB	<u>(1,379,690)</u>
	(4,247,574)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Accrued interest payable	(22,093)
Compensated absences	(649,166)
Long-term debt	(3,600,228)
Environmental remediation	(600,000)
Net OPEB liability	<u>(19,469,753)</u>
	(24,341,240)
Net position of governmental activities	<u>\$ 15,198,666</u>

See accompanying notes to the financial statements.

**CITY OF MOUNT CLEMENS
GOVERNMENTAL FUNDS**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 8,529,672	\$ 367,078	\$ 8,896,750
Special assessments	-	81,384	81,384
Licenses and permits	3,006,413	-	3,006,413
Intergovernmental			
Federal	1,122,734	39,862	1,162,596
State	3,295,421	2,173,857	5,469,278
Local	20,000	-	20,000
Charges for services	1,289,248	98,674	1,387,922
Fines and forfeitures	16,607	-	16,607
Interest and rentals	731,855	255,036	986,891
Other	358,623	-	358,623
TOTAL REVENUES	<u>18,370,573</u>	<u>3,015,891</u>	<u>21,386,464</u>
EXPENDITURES			
Current			
General government	3,855,133	-	3,855,133
Public safety	8,263,054	-	8,263,054
Public works	1,372,362	3,076,816	4,449,178
Community and economic development	755,599	-	755,599
Recreation and culture	448,335	-	448,335
Capital outlay	2,293,626	-	2,293,626
Debt service	114,675	-	114,675
TOTAL EXPENDITURES	<u>17,102,784</u>	<u>3,076,816</u>	<u>20,179,600</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,267,789</u>	<u>(60,925)</u>	<u>1,206,864</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	589,853	4,458,522	5,048,375
Transfers out	-	(1,054,525)	(1,054,525)
TOTAL OTHER FINANCING SOURCES (USES)	<u>589,853</u>	<u>3,403,997</u>	<u>3,993,850</u>
NET CHANGE IN FUND BALANCES	<u>1,857,642</u>	<u>3,343,072</u>	<u>5,200,714</u>
Fund balances, beginning of year	<u>11,396,426</u>	<u>5,060,299</u>	<u>16,456,725</u>
Fund balances, end of year	<u>\$ 13,254,068</u>	<u>\$ 8,403,371</u>	<u>\$ 21,657,439</u>

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds \$ 5,200,714

Amounts reported for governmental activities in the statement of activities are different because:

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds.

Change in equity interest in joint ventures	(67,654)
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over the estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,525,251
Capital contributions	587,463
Depreciation expense	<u>(1,191,574)</u>

Excess of capital outlay and capital contributions over depreciation expense	2,921,140
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in long-term receivables reported in the funds is:

159,458

Certain transactions related to long-term debt are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Principal retirement	126,696
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	713
Decrease in compensated absences	154,904
Decrease in environmental remediation	30,000
Increase in net pension asset	1,085,756
(Decrease) in deferred outflows of resources related to pension	(176,181)
(Increase) in deferred inflows of resources related to pension	(1,410,144)
Decrease in net pension liability	2,020,964
(Increase) in net OPEB liability	(508,797)
(Decrease) in deferred outflows of resources related to OPEB	(380,516)
Decrease in deferred inflows of resources related to OPEB	<u>783,809</u>

1,600,508

Change in net position of governmental activities \$ 9,940,862

See accompanying notes to the financial statements.

**CITY OF MOUNT CLEMENS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Sewage Disposal System	Water Supply System	Nonmajor Enterprise Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,001,056	\$ 166,001	\$ 302,770	\$ 1,469,827
Investments	2,044,166	243,426	1,440,273	3,727,865
Accounts receivable, net				
Customers	908,862	815,045	-	1,723,907
Other	390,280	332,328	90,788	813,396
Due from other governmental units	183,368	1,282,567	-	1,465,935
Prepads	1,084	2,596	884	4,564
Total current assets	<u>4,528,816</u>	<u>2,841,963</u>	<u>1,834,715</u>	<u>9,205,494</u>
Noncurrent assets				
Investments	1,299,177	427,618	176,534	1,903,329
Capital assets not being depreciated	11,587,975	7,697,508	4,553,994	23,839,477
Capital assets, net of accumulated depreciation	29,124,665	13,615,598	39,032	42,779,295
Net pension asset	162,561	72,905	60,862	296,328
Total noncurrent assets	<u>42,174,378</u>	<u>21,813,629</u>	<u>4,830,422</u>	<u>68,818,429</u>
TOTAL ASSETS	<u>46,703,194</u>	<u>24,655,592</u>	<u>6,665,137</u>	<u>78,023,923</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	17,983	40,869	3,418	62,270
Deferred outflows related to OPEB	119,348	121,928	35,716	276,992
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>137,331</u>	<u>162,797</u>	<u>39,134</u>	<u>339,262</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,187,022	891,455	621,056	2,699,533
Accrued liabilities	65,300	41,327	15,505	122,132
Unearned revenue	1,556,186	-	-	1,556,186
Current portion of compensated absences	60,341	54,099	15,024	129,464
Current portion of long-term debt	385,000	245,000	-	630,000
Total current liabilities	<u>3,253,849</u>	<u>1,231,881</u>	<u>651,585</u>	<u>5,137,315</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	90,590	94,780	28,945	214,315
Noncurrent portion of long-term debt	5,567,677	356,480	-	5,924,157
Net OPEB liability	3,789,382	3,903,942	1,226,931	8,920,255
Total noncurrent liabilities	<u>9,447,649</u>	<u>4,355,202</u>	<u>1,255,876</u>	<u>15,058,727</u>
TOTAL LIABILITIES	<u>12,701,498</u>	<u>5,587,083</u>	<u>1,907,461</u>	<u>20,196,042</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	372,027	390,808	116,647	879,482
Deferred inflows related to OPEB	336,370	337,170	95,700	769,240
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>708,397</u>	<u>727,978</u>	<u>212,347</u>	<u>1,648,722</u>
NET POSITION				
Net investment in capital assets	34,759,963	20,711,626	4,593,026	60,064,615
Restriction for pension asset	162,561	72,905	60,862	296,328
Unrestricted	(1,491,894)	(2,281,203)	(69,425)	(3,842,522)
TOTAL NET POSITION	<u>\$ 33,430,630</u>	<u>\$ 18,503,328</u>	<u>\$ 4,584,463</u>	<u>\$ 56,518,421</u>

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Sewage Disposal System	Water Supply System	Ice Arena	Formerly Major	Nonmajor Enterprise Funds	Total
OPERATING REVENUES						
Customer billings	\$ 7,465,141	\$ 4,712,727			\$ 2,251,371	\$ 14,429,239
Other	487	545,356			65,398	611,241
TOTAL OPERATING REVENUES	7,465,628	5,258,083			2,316,769	15,040,480
OPERATING EXPENSES						
Cost of materials	189,297	78,369			18,339	286,005
Water supply and sewer disposal	3,273,737	1,690,114			-	4,963,851
Maintenance and operations	640,318	417,480			1,958,420	3,016,218
General and administrative	580,943	572,983			38,028	1,191,954
OPEB (recovery)	(422,552)	(46,020)			(125,257)	(593,829)
Depreciation	1,854,638	732,025			202,076	2,788,739
TOTAL OPERATING EXPENSES	6,116,381	3,444,951			2,091,606	11,652,938
OPERATING INCOME	1,349,247	1,813,132			225,163	3,387,542
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	-	90,000			-	90,000
Taxes	-				133,786	133,786
Investment earnings	250,215	77,862			122,952	451,029
(Loss) on sale of capital assets	-	-			(84,112)	(84,112)
Interest and fees expense	(63,028)	(14,436)			-	(77,464)
Bond issuance costs	(1,000)	-			-	(1,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	186,187	153,426			172,626	512,239
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,535,434	1,966,558			397,789	3,899,781
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Capital grants	1,750,447	5,130,428			-	6,880,875
Transfers out	-	-			(3,993,850)	(3,993,850)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	1,750,447	5,130,428			(3,993,850)	2,887,025
CHANGE IN NET POSITION	3,285,881	7,096,986			(3,596,061)	6,786,806
Net position, beginning of year, as previously reported	30,144,749	11,406,342	4,138,694	4,041,830		49,731,615
Change within financial reporting entity (major to nonmajor)	-	-	(4,138,694)	4,138,694		-
Net position, beginning of year, as restated	30,144,749	11,406,342	-	8,180,524		49,731,615
Net position, end of year	\$ 33,430,630	\$ 18,503,328	\$ -	\$ 4,584,463	\$ 56,518,421	

See accompanying notes to the financial statements.

**CITY OF MOUNT CLEMENS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

	Formerly Major			
	Sewage Disposal System	Water Supply System	Ice Arena	Nonmajor Enterprise Funds
	Total			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 7,312,038	\$ 3,629,396		\$ 2,296,305
Cash paid to suppliers	(3,455,672)	(1,612,533)		(1,108,760)
Cash paid to/for employees	(813,740)	(839,708)		(570,543)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,042,626	1,177,155		617,002
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes not restricted for capital activities	-	-		133,786
Intergovernmental	-	90,000		90,000
Transfer to other funds	-	-		(3,993,850)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	90,000		(3,860,064)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipt of capital grants	1,750,447	5,130,428		6,880,875
Capital asset acquisitions/disposals	(13,215,857)	(7,120,976)		2,857,155
Principal paid on long-term debt	(65,000)	(240,000)		(305,000)
Proceeds on borrowing	5,531,735	92,137		5,623,872
Interest and fees paid on long-term debt	(64,028)	(14,436)		(78,464)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,062,703)	(2,152,847)		2,857,155
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sale (purchase) of investments	3,680,202	945,720		(233,677)
Interest received	250,215	77,862		122,952
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,930,417	1,023,582		(110,725)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	910,340	137,890		(496,632)
Cash and cash equivalents, beginning of year, as previously reported	90,716	28,111	322,935	476,467
Change within financial reporting entity (major to nonmajor)	-		(322,935)	322,935
Cash and cash equivalents, beginning of year, as restated	90,716	28,111	-	799,402
Cash and cash equivalents, end of year	\$ 1,001,056	\$ 166,001	\$ -	\$ 302,770
	\$ 1,001,056	\$ 166,001	\$ -	\$ 302,770
Reconciliation of operating income to cash provided by operating activities				
Operating income	\$ 1,349,247	\$ 1,813,132		\$ 225,163
Adjustments to reconcile operating income to net cash provided by operating activities				\$ 3,387,542
Depreciation	1,854,638	732,025		202,076
(Increase) decrease in:				2,788,739
Accounts receivable	29,778	(394,535)		(20,464)
Due from other governmental units	(183,368)	(1,234,152)		-
Prepays	113	199		52
Deferred outflows of resources	113,795	95,926		34,612
Net pension asset	(162,561)	(72,905)		(60,862)
Increase (decrease) in:				(296,328)
Accounts payable	447,288	369,632		421,526
Accrued liabilities	20,897	(3,008)		(62,483)
Compensated absences	92,808	58,148		16,285
Net pension liability	(146,554)	(231,811)		(33,121)
Net OPEB liability	(312,975)	42,474		(91,370)
Deferred inflows of resources	(60,480)	2,030		(14,412)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,042,626	\$ 1,177,155		\$ 617,002
	\$ 3,042,626	\$ 1,177,155		\$ 4,836,783

See accompanying notes to the financial statements.

CITY OF MOUNT CLEMENS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Trust Funds	Custodial Funds
	Pension and Other Retirement Benefits	Tax Collection Funds
ASSETS		
Cash and cash equivalents	\$ 722,085	\$ -
Investments		
Common stock	25,793,170	-
Closely held equities	8,841,207	-
Mutual funds	19,534,116	-
Corporate bonds	3,962,523	-
Corporate asset backed securities	531,575	-
Corporate collateralized mortgage obligations	876,946	-
U.S. government mortgage backed securities	1,727,619	-
U.S. government notes and bonds	7,417,976	-
Foreign bonds	471,532	-
Foreign stock	515,730	-
Short-term investments	711,701	-
Interest receivable	<u>151,415</u>	<u>-</u>
	<u>71,257,595</u>	<u>-</u>
TOTAL ASSETS	<u>71,257,595</u>	<u>-</u>
LIABILITIES		
Accounts liabilities	<u>209,177</u>	<u>-</u>
NET POSITION		
Restricted		
Pension	68,496,693	-
Postemployment benefits other than pension	<u>2,551,725</u>	<u>-</u>
	<u>\$ 71,048,418</u>	<u>\$ -</u>
TOTAL NET POSITION	<u>\$ 71,048,418</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**CITY OF MOUNT CLEMENS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Trust Funds	Custodial Funds
	Pension and Other Retirement Benefits	Tax Collection Funds
ADDITIONS		
Investment income		
Interest and dividends	\$ 1,240,789	\$ 50,410
Net increase in fair value of investments	6,771,265	-
Investment-related expenses	<u>(168,038)</u>	<u>-</u>
Net investment income	<u>7,844,016</u>	<u>50,410</u>
Contributions		
Employer	3,001,625	-
Employee	<u>260,832</u>	<u>-</u>
Total contributions	<u>3,262,457</u>	<u>-</u>
Property tax collections for other governmental units	-	17,488,744
Other	<u>72</u>	<u>-</u>
TOTAL ADDITIONS	<u>11,106,545</u>	<u>17,539,154</u>
DEDUCTIONS		
Benefit payments	6,384,021	-
Refunds of contributions	217,332	-
Administrative expenses	63,743	-
Property tax distributions to other governmental units	-	17,539,154
Other	<u>6,902</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>6,671,998</u>	<u>17,539,154</u>
CHANGE IN NET POSITION	4,434,547	-
Net position, beginning of year	<u>66,613,871</u>	<u>-</u>
Net position, end of year	<u>\$ 71,048,418</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Mount Clemens (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Reporting Entity

The City is governed by an elected seven-member commission. These financial statements present the financial activities of the City (primary government) and its component unit, an entity for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's financial statements and are not audited separately.

Blended Component Unit

The Mount Clemens Building Authority is governed by a board that is appointed by the City Commission. Although legally separate from the City, the Mount Clemens Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

The Downtown Development Authority (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 11 individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission.

The Brownfield Redevelopment Finance Authority (BRFA) was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as brownfield redevelopment zones. The BRFA's board of directors, consisting of nine members, is selected by the City Commission. In addition, the BRFA's budget is subject to approval by the City Commission. The BRFA had no financial activity during the year or at year end.

Financial statements of the DDA and BRFA can be obtained from the administrative offices at One Crocker Boulevard, Mount Clemens, Michigan 48043.

The City has excluded the Mount Clemens Housing Commission (the "Housing Commission") from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Component Units

The Pension and Other Employee Benefits Trust Fund was established to account for the assets set aside to fund the City of Mount Clemens Employees Retirement System. The primary purpose of the System is to provide the necessary funding for the pension benefits provided to eligible City employees and their beneficiaries during retirement. Although they are legally separate from the City, the fund is reported as a fiduciary component unit because the City appoints a voting majority of the board and the System imposes a financial burden on the City. The System is governed by a seven-member board that includes the mayor, City Commissioner, two members appointed by the City, two active participants elected by plan participants, and one retiree appointed by the City and is administered by the City of Mount Clemens. The assets of the System are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

The Retiree Health Care Trust Fund was established to account for the assets set aside to fund the City of Mount Clemens Retiree Health Program. The primary purpose of the Program is to provide the necessary funding for the other post-employment (healthcare) benefits provided to eligible City employees and their beneficiaries during retirement. Although they are legally separate from the City, the fund is reported as a fiduciary component unit because the City appoints a voting majority of the board and the Program imposes a financial burden on the City. The Program is governed by a seven-member board that includes the mayor, City Commissioner, two members appointed by the City, two active participants elected by plan participants, and one retiree appointed by the City and is administered by the City of Mount Clemens. The assets of the Program are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted state revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following *Major Governmental Fund*:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following *Major Proprietary Funds*:

The *Sewage Disposal System Fund* accounts for the activities of the sewage collection and disposal system operated by the City.

The *Water Supply System Fund* accounts for the activities of the water treatment and distribution system operated by the City.

Additionally, the City reports the following *Fund Types*:

The *Special Revenue Funds* account for revenue sources that are restricted or committed to expenditures for specific purposes other than debt service, capital projects, or permanent funds.

The *Capital Project Fund* accounts for the financial resources to be used for the acquisition, construction, or significant renovation of the City's buildings and equipment.

The *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The *Custodial Funds* account for assets held by the City as a custodian for other governments, private organizations, or individuals. The City's *Custodial Funds* are the *Tax Collections - Real Fund* and the *Tax Collections - Personal Fund*.

The *Component Unit Fiduciary Funds* account for the assets held in a trustee capacity. The *Pension and Other Employee Benefits Trust Fund* and *Retiree Health Care Trust Fund* each account for the resources accumulated to fund the pension and other post-employment obligations to eligible retirees and their beneficiaries.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary (i.e., enterprise and internal service) funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

If/when both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to the first regular City Commission meeting in April, the City Manager submits to the City Commission a proposed budget for the fiscal year beginning the following July 1.
- b. A public hearing is then conducted to obtain taxpayer comments.
- c. Prior to the third Monday in May, the budget is required to be legally enacted through passage of an ordinance.
- d. The budget is legally adopted at the activity level for the General Fund, Special Revenue Funds, and Capital Project Funds; however, they are maintained at the account level for control purposes.
- e. The City Manager, or designee, is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Commission.
- f. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are not tracked during the year, and there were no encumbrances at year-end.
- g. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were appropriately approved by the City Commission as required.
- h. Budget appropriations lapse at year end.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, money market accounts, and cash on hand.

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Some assets held by the Pension and Other Employee Benefits Trust Fund and Retiree Health Care Trust Fund are not publicly traded, and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, fund managers, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.
- g. Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

The Pension and Other Employee Benefits Trust Fund and Retiree Health Care Trust Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Receivables

Receivables consist of amounts due related to charges for services, taxes, special assessments, and other amounts owed to the City at year-end.

Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance. Prepaid expenditures in the governmental funds are reported using the consumption method.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements and proprietary fund types. Capital assets are those with an initial individual cost of \$15,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

Land and construction in progress, if any, are not depreciated. The other capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Class</u>	<u>Lives-Years</u>
Land improvements	10-20
Buildings and improvements	10-15
Plant facilities	50-66
Production facilities	20-66
Transmission facilities	50
Tunnels and retention basins	10-50
Machinery and equipment	5-15
Roads, bridges, and sidewalks	25-40

Unearned Revenue

Unearned revenue is reported in connection with resources that have been received but not yet earned.

Compensated Absences

The City recognizes a liability compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

Paid time off is earned in varying amounts depending on personnel policies and union agreements. The liability for compensated absences includes salary-related benefits, where applicable. Upon termination, an employee receives payment for the balance of unused paid time off, which has been credited to an employee.

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position reported in the City's Pension and Other Employee Benefits Trust Fund. For the purpose of measuring the net pension asset, 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 Post-Employment Benefits

The City offers retiree healthcare benefits to its employees. 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 reported in the City's Retiree Health Care Trust Fund. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position, the governmental funds, or proprietary funds balance sheet/statement of net position.

The City reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension/OPEB asset/liabilities and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual plan investment earnings. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

The City also reports deferred inflows of resources, one of which arises only under a modified accrual basis of accounting and qualify for reporting in this category. The City reports unavailable revenue in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied on July 1 and December 1 and are payable without penalty through September 14 and February 14, respectively. The July 1 levy is composed of the County's levy, State Education Tax assessment, City's millages and assessments. The December 1 levy is composed of the rest of the County levies, district library, transit, school district, and intermediate school district taxes. All real property taxes not paid to the City by March 1 are turned over to the Macomb County Treasurer for collection. The County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services other than the payment of debt service. The City is also permitted to levy additional mills specifically designated for dial-a-ride, pension, and sanitation. For the year ended June 30, 2025, the City levied 19.1043 mills per \$1,000 of assessed valuation for general operations, 0.8725 mills for dial-a-ride, 0.8725 mills for pension, and 0.3000 mills for sanitation. The total taxable value for the 2024 levy for property within the City was \$431,274,800.

**CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Balances for transfers that have not yet cleared as of the balance sheet date are considered interfund receivables and payables.

Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Commission, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Commission. The formal action that is required to be taken to establish a fund balance commitment is a resolution by the City Commission.

For assigned fund balances, the City Commission has not authorized an individual or position with the ability to assign amounts to a specific purpose. Currently, assigned fund balance represents funds intended to be used by the City Commission for specific purposes that do not meet the criteria to be classified as restricted or committed such as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures (continued)

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The cash, cash equivalents, and investments referred to below have been reported on the financial statements based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of June 30, 2025.

	Primary Government	Component Unit	Fiduciary Fund	Reporting Entity
Cash and cash equivalents	\$ 8,347,629	\$ 683	\$ 722,085	\$ 9,070,397
Investments - current	17,785,662	43,797	-	17,829,459
Investments - noncurrent	<u>3,729,017</u>	<u>-</u>	<u>70,384,095</u>	<u>74,113,112</u>
	<u><u>\$ 29,862,308</u></u>	<u><u>\$ 44,480</u></u>	<u><u>\$ 71,106,180</u></u>	<u><u>\$ 101,012,968</u></u>

As of June 30, 2025, the City had cash, cash equivalents, and investments summarized by the following categorization:

Deposits	
Checking	\$ 8,800,010
Money Market	268,522
Petty cash	1,865
Investments	91,933,352
Land held for resale	<u>9,219</u>
	<u><u>\$ 101,012,968</u></u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2025, \$9,536,963 of the City's bank balance of \$10,055,487 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issue or backer, by; limiting investments to the types of securities allowed by law; and investing through pre- approved third-party custodians.

The City's Pension and Other Employee Benefits Trust Fund (the Pension Fund) and Retiree Health Care Trust Fund (the OPEB Fund) do not have policies for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Investment Type	Fair Value	How Held
Common stock	\$ 25,793,170	Counterparty
Closely held equities	8,841,207	Counterparty
Mutual funds	19,534,116	Counterparty
Corporate bonds	3,962,523	Counterparty
Corporate asset backed securities	531,575	Counterparty
Corporate collateralized mortgage obligations	876,946	Counterparty
U.S. government mortgage backed securities	1,727,619	Counterparty
U.S. government notes and bonds	7,417,976	Counterparty
Foreign bonds	471,532	Counterparty
Short-term investments	<u>711,701</u>	Counterparty
Total	<u><u>\$ 69,868,365</u></u>	

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

As of June 30, 2025, the City had the following investments containing interest rate risk:

Investment Type	Fair Value	Weighted Average Maturity (years)
FIDUCIARY FUNDS		
Corporate bonds	\$ 3,962,523	7.16
Corporate asset-backed securities	531,575	3.94
Corporate collateralized mortgage obligations	876,946	26.92
U.S. government mortgage-backed securities	1,727,619	23.99
U.S. government treasurys, notes, and bonds	7,417,976	10.21
Foreign bonds	<u>471,532</u>	4.56
	<u><u>\$ 14,988,171</u></u>	
Portfolio weighted average maturity		<u><u>11.56</u></u>

One day maturity equals 0.0027, one year equals 1.00.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As of June 30, 2025, the primary government had the following investments containing credit risk:

Investment Type	Moody's Rating Fair Value							Total
	Aaa	Aa1	A1	A2	A3	Baa1 and Below	Not Rated	
FIDUCIARY FUNDS								
Corporate bonds	\$ -	\$ -	\$ 153,352	\$ 37,457	\$ 84,459	\$ 619,860	\$ 3,067,395	\$ 3,962,523
Corporate asset backed securities	30,468	5,028	-	-	-	-	496,079	531,575
Corporate collateralized mortgage obligations	251,129	-	-	-	-	-	625,817	876,946
U.S. government mortgage backed securities	54,520	-	-	-	-	-	1,673,099	1,727,619
U.S. government notes and bonds	3,532,569	-	-	-	-	-	3,885,407	7,417,976
Foreign bonds	-	-	30,084	-	-	15,476	425,972	471,532
Total	<u><u>\$ 3,868,686</u></u>	<u><u>\$ 5,028</u></u>	<u><u>\$ 183,436</u></u>	<u><u>\$ 37,457</u></u>	<u><u>\$ 84,459</u></u>	<u><u>\$ 635,336</u></u>	<u><u>\$ 10,173,769</u></u>	<u><u>\$ 14,988,171</u></u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. No more than 50% of the City's total investment portfolio can be invested in a single security type or with a single financial institution.

The fair value of individual marketable securities held by the City's Pension and Other Employee Benefits Trust Fund and Retiree Health Care Trust Fund that represent 5% or more of the total marketable securities included in investments as of June 30, 2025, are as follows:

Investment Type	Pension		OPEB	
	Fair Value	Percentage	Fair Value	Percentage
Ishares TR	\$ 5,708,808	8.4803%	\$ 403,416	16.8918%
Natixis Loomis Sayles	8,101,648	12.0349%	721,295	30.2020%
Loomis	9,047,838	13.4403%	355,225	14.8739%
Natixis Oakmark Fund-C	-	-	904,694	37.8812%
United States Treasuries	4,860,091	7.2183%	-	-
Loomis Sayles Senior Loan Fund	5,716,775	8.4922%	-	-

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk, except the City's fiduciary funds which are allowed to invest in foreign currency-denominated investments as authorized by Michigan Public Act 314 of 1965, as amended.

Investment Type	Fair Value
FIDUCIARY FUNDS	
Foreign bonds	\$ 471,532
Foreign stock	515,730
<u>\$ 987,262</u>	

Fair Value Measurement

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The City had the following recurring fair value measurements as of June 30, 2025:

Investment Type	Fair Value Measurement			Balance at June 30, 2025
	Level 1	Level 2	Level 3	
FIDUCIARY FUNDS				
Common stock	\$ 25,793,170	\$ -	\$ -	\$ 25,793,170
Corporate bonds	-	3,962,523	-	3,962,523
Corporate asset backed securities	-	531,575	-	531,575
Corporate collateralized mortgage obligations	-	876,946	-	876,946
U.S. government mortgage backed securities	-	1,727,619	-	1,727,619
U.S. government notes and bonds	7,417,976	-	-	7,417,976
Foreign bonds	-	471,532	-	471,532
Foreign stock	515,730	-	-	515,730
Mutual funds	19,534,116	-	-	19,534,116
Short-term investments	711,701	-	-	711,701
 Total investments by fair value level	 <u>\$ 53,972,693</u>	 <u>\$ 7,570,195</u>	 <u>\$ -</u>	 <u>61,542,888</u>
 Investments measured at the net asset value (NAV)				
Loomis Sayles Senior Loan Fund, LLC				5,716,775
NHIT Agency MBS Trust				2,446,480
Michigan CLASS				<u>677,952</u>
 Total investments measured at NAV	 <u></u>	 <u></u>	 <u></u>	 <u>8,841,207</u>
 Total investments	 <u></u>	 <u></u>	 <u></u>	 <u>\$ 70,384,095</u>

Investments in Entities that Calculate Net Asset Value Per Share

The City 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.

The Loomis Sayles Senior Loan Fund, LLC invests in a portfolio of par bank loans. The fund seeks to diversify risks and reduce volatility by investing in a wide range of industries and securities. The fund's composite portfolio includes investments in approximately 88% U.S. investments, 3% Luxembourg investments, and 9% other international investments. The fair value of the investment has been estimated using net asset value of the City's ownership interest in members' capital.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value Per Share (continued)

The NHIT Agency MBS Trust invests in a portfolio of mortgage related bonds. The fund seeks to maximize current income consistent with capital preservation. The fair value of the investment has been estimated using net asset value of the City's ownership interest in members' capital.

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

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Loomis Sayles Senior Loan Fund, LLC	\$ 5,716,775	\$ -	No restrictions	None
NHIT Agency MBS Trust	2,446,480	-	No restrictions	None
Michigan CLASS	<u>677,952</u>	<u>-</u>	No restrictions	None
	<u><u>\$ 8,841,207</u></u>	<u><u>\$ -</u></u>		

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2025, are as follows:

Due to Other Funds	Due from Other Funds		
	Governmental Funds		
	Nonmajor	General Governmental Funds	Total
Governmental Funds			
Nonmajor Governmental Funds	\$ 589,853	\$ 464,672	\$ 1,054,525

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

The amount of interfund transfers in the fund financial statements at June 30, 2025, are as follows:

	Transfers In			<u>Total</u>	
	Governmental Funds		<u>Nonmajor Governmental Funds</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>			
<u>Transfers out</u>					
Governmental Funds					
Nonmajor Governmental Funds	\$ 589,853	\$ 464,672		\$ 1,054,525	
Proprietary Funds					
Nonmajor Enterprise Funds		-	3,993,850	3,993,850	
<u>Total</u>	<u>\$ 589,853</u>	<u>\$ 4,458,522</u>		<u>\$ 5,048,375</u>	

The transfers from the nonmajor governmental and business-type funds to the General Fund and nonmajor governmental funds were to fund current year operations and projects.

NOTE 5 - CAPITAL ASSETS

Primary Government

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance June 30, 2025</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,791,980	\$ -	\$ -	\$ -	\$ 2,791,980
Construction in progress	791,352	2,234,326	-	(1,028,654)	1,997,024
Subtotal	<u>3,583,332</u>	<u>2,234,326</u>	<u>-</u>	<u>(1,028,654)</u>	<u>4,789,004</u>
Capital assets being depreciated					
Land improvements	3,910,498	42,269	-	-	3,952,767
Buildings and improvements	6,737,658	25,001	-	-	6,762,659
Machinery, equipment, and vehicles	8,184,192	753,097	-	-	8,937,289
Sidewalks and other intangible rights	4,268,828	162,946	-	-	4,431,774
Roads and bridges	16,777,385	895,075	-	1,028,654	18,701,114
Subtotal	<u>39,878,561</u>	<u>1,878,388</u>	<u>-</u>	<u>1,028,654</u>	<u>42,785,603</u>
Less accumulated depreciation for:					
Land improvements	(3,040,387)	(64,694)	-	-	(3,105,081)
Buildings and improvements	(3,882,277)	(126,591)	-	-	(4,008,868)
Machinery, equipment, and vehicles	(7,209,012)	(326,171)	-	-	(7,535,183)
Sidewalks and other intangible rights	(1,446,420)	(178,697)	-	-	(1,625,117)
Roads and bridges	(9,800,777)	(495,421)	-	-	(10,296,198)
Subtotal	<u>(25,378,873)</u>	<u>(1,191,574)</u>	<u>-</u>	<u>-</u>	<u>(26,570,447)</u>
Net capital assets being depreciated	<u>14,499,688</u>	<u>686,814</u>	<u>-</u>	<u>1,028,654</u>	<u>16,215,156</u>
Capital assets, net	<u>\$ 18,083,020</u>	<u>\$ 2,921,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,004,160</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2024	Additions	Deletions	Reclassifications	Balance June 30, 2025
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 3,637,078	\$ 346,616	\$ -	\$ -	\$ 3,983,694
Construction in progress	4,686,413	15,305,099	- -	(135,729)	19,855,783
Subtotal	<u>8,323,491</u>	<u>15,651,715</u>	<u>- -</u>	<u>(135,729)</u>	<u>23,839,477</u>
Capital assets being depreciated					
Land improvements	700,275	147,924	- -	- -	848,199
Plant facilities	32,159,007	636,040	(8,095,797)	- -	24,699,250
Production facilities	20,423,517	- -	- -	- -	20,423,517
Transmission facilities	12,039,173	18,241	- -	135,729	12,193,143
Tunnel and retention basins	38,428,336	129,702	- -	- -	38,558,038
Machinery and equipment	14,371,342	4,670,127	(677,251)	- -	18,364,218
Subtotal	<u>118,121,650</u>	<u>5,602,034</u>	<u>(8,773,048)</u>	<u>135,729</u>	<u>115,086,365</u>
Less accumulated depreciation for:					
Land improvements	(334,579)	(23,135)	- -	- -	(357,714)
Plant facilities	(19,978,517)	(557,655)	4,390,340	- -	(16,145,832)
Production facilities	(13,955,687)	(403,445)	- -	- -	(14,359,132)
Transmission facilities	(6,233,310)	(210,722)	- -	- -	(6,444,032)
Tunnel and retention basins	(23,243,049)	(776,026)	- -	- -	(24,019,075)
Machinery and equipment	(10,688,055)	(817,756)	524,526	- -	(10,981,285)
Subtotal	<u>(74,433,197)</u>	<u>(2,788,739)</u>	<u>4,914,866</u>	<u>- -</u>	<u>(72,307,070)</u>
Net capital assets being depreciated	<u>43,688,453</u>	<u>2,813,295</u>	<u>(3,858,182)</u>	<u>135,729</u>	<u>42,779,295</u>
Capital assets, net	<u>\$ 52,011,944</u>	<u>\$ 18,465,010</u>	<u>\$ (3,858,182)</u>	<u>\$ -</u>	<u>\$ 66,618,772</u>

Depreciation expense was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 117,061	\$ 1,854,638
Public safety	88,660	732,025
Public works	908,799	62,037
Recreation and culture	<u>77,054</u>	<u>139,777</u>
Total depreciation expense	<u>\$ 1,191,574</u>	<u>\$ 262</u>
		Total depreciation expense
		<u>\$ 2,788,739</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

Component Unit

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Downtown Development Authority				
Capital assets not being depreciated				
Construction in progress	\$ 150,000	\$ 131,507	\$ -	\$ 281,507

NOTE 6 - LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Direct borrowing and direct placements					
41B District Court Building					
Refunding Bonds	\$ 803,400	\$ -	\$ (50,900)	\$ 752,500	\$ 111,300
Other debt					
Capital Improvement Bonds - Ice Arena	2,910,000	-	(75,000)	2,835,000	100,000
Unamortized bond premiums	13,524	-	(796)	12,728	796
Compensated absences*	804,070	-	(154,904)	649,166	221,824
Total governmental activities	<u>4,530,994</u>	<u>-</u>	<u>(281,600)</u>	<u>4,249,394</u>	<u>433,920</u>
Business-type activities					
Direct borrowings and direct placements					
2010 Clean Water Program proj. 5477-01	485,942	-	(65,000)	420,942	65,000
2007A Water Supply System Revenue Bonds	669,911	-	(220,000)	449,911	225,000
2007B Water Supply System Revenue Bonds	79,432	-	(20,000)	59,432	20,000
2025 Sewage Disposal System Revenue Bonds	-	5,531,735	-	5,531,735	320,000
2025 Water Supply System Revenue Bonds	-	92,137	-	92,137	-
Compensated absences*	176,538	167,241	-	343,779	129,464
Total business-type activities	<u>1,411,823</u>	<u>5,791,113</u>	<u>(305,000)</u>	<u>6,897,936</u>	<u>759,464</u>
Total long-term obligations	<u>\$ 5,942,817</u>	<u>\$ 5,791,113</u>	<u>\$ (586,600)</u>	<u>\$ 11,147,330</u>	<u>\$ 1,193,384</u>

* The change in compensated absences liability is presented as a net change.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Primary Government

Governmental Activities

\$11,447,000 2015 41B District Court Building Refunding Bonds dated July 8, 2015, due in annual installments ranging from \$795,000 to \$957,000 through April 1, 2031, with interest of 3.15%, payable semi-annually. The City's allocated portion, based on the volume of cases attributable to the City in the current year, is 14%. The City's anticipated future annual principal installments range from \$111,300 to \$133,980.	\$ 752,500
\$2,985,000 Ice Arena Capital Improvement Bonds dated February 9, 2021, due in annual installments ranging from \$100,000 to \$205,000 through December 1, 2040, with interest ranging from 1.00% to 1.90%, payable semi-annually.	2,835,000
Plus unamortized bond premium on Ice Arena Capital Improvement Bond.	12,728
Compensated absences	<u>649,166</u>
Total governmental activities	<u><u>\$ 4,249,394</u></u>

Business-type Activities

\$1,190,929 2010 Clean Water Program Obligation dated September 22, 2010, due in annual installments ranging from \$65,000 to \$75,929 through October 1, 2030, with interest of 2.50%, payable semi-annually.	\$ 420,942
\$3,799,911 2007A Water Supply System Revenue Bonds dated March 29, 2007, due in annual installments ranging from \$224,911 to \$225,000 through April 1, 2027, with interest of 2.13%, payable semi-annually.	449,911
\$249,432 2007B Water Supply System Revenue Bonds dated June 28, 2007, due in annual installments ranging from \$19,432 to \$20,000 through October 1, 2027, with interest of 2.13%, payable semi-annually.	59,432
\$7,760,000 2025 Sewage Disposal System Revenue Bonds dated May 6, 2024, due in annual installments ranging from \$320,000 to \$465,000 through October 1, 2044, with interest 2.00%, payable semi-annually. While an anticipated amortization schedule has been set, the bonds were not fully drawn down and the City has only reported the amount drawn down as long-term debt at June 30, 2025.	5,531,735

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Business-type Activities (continued)

\$36,220,480 2025 Water Supply System Revenue Bonds dated September 6, 2024, due in annual installments ranging from \$580,526 to \$1,030,000 through October 1, 2056, with interest of 2.00%, payable semi-annually. While an anticipated amortization schedule has been set, the bonds were not fully drawn down and the City has only reported the amount drawn down as long-term debt at June 30, 2025.

\$ 92,137

Compensated absences

343,779

Total business-type activities

\$ 6,897,936

The City's outstanding obligations from direct borrowings and direct placements contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, multiple types of leave qualify for recognition as a compensated absences liability. This liability, including salary-related benefits, has been accrued on the applicable financial statements.

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

	Governmental Activities				Business-type Activities	
	Direct Borrowings and Direct Placements		Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 111,300	\$ 23,704	\$ 100,000	\$ 38,300	\$ 630,000	\$ 127,757
2027	123,760	20,198	150,000	37,050	634,911	114,475
2028	121,940	16,300	170,000	35,450	511,569	101,960
2029	133,980	12,458	170,000	33,750	410,000	92,383
2030	131,880	8,238	175,000	32,025	420,000	83,721
2031-2035	129,640	4,084	900,000	130,561	1,910,942	296,725
2036-2040	-	-	965,000	62,902	2,036,735	103,907
2041-2044	-	-	205,000	1,947	-	-
	<u>\$ 752,500</u>	<u>\$ 84,982</u>	<u>\$ 2,835,000</u>	<u>\$ 371,985</u>	<u>\$ 6,554,157</u>	<u>\$ 920,928</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description

The City provides retiree pension benefits to substantially all permanent full-time employees of the City upon retirement in accordance with labor contracts. This is a cost-sharing defined benefit plan administered by the City. Benefit terms are provided under contractual agreements between the City and the Housing Commission and the various collective bargaining agreements.

Management of the plan is vested in the Retirement System Board of Trustees, which consists of seven members nominated by the mayor and approved by the City Commission. Administrative costs are paid by the pension plan through employer contributions.

The pension plan does not issue separate stand-alone financial statements. The financial statements of the pension system are included in these financial statements as the Pension and Other Employee Benefits Fund (a fiduciary fund).

Summary of Significant Accounting Policies

For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pension plan. The pension 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.

Employees Covered by Benefit Terms

At the June 30, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	181
Inactive employees or beneficiaries entitled to but not yet receiving benefits	10
Active employees	<u>66</u>
	<u><u>257</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the City retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the retirement system board of trustees in accordance with the city charter, union contracts, and plan provisions.

For the year ended June 30, 2025, contributions to the plan were as follows:

General member - active	5.30% of annual compensation
Fire member - active	6.55% of annual compensation
General City	12.33% of covered payroll
Police and Fire	41.96% of covered payroll

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided

The Employees' Retirement System provides retirement, disability, and death benefits to eligible employees.

Eligibility	Benefit
REGULAR RETIREMENT	
General: Age 50 with 25 or more years of service or age 55 with 10 years of service.	Final average compensation multiplied by the sum of a) 2.25% for the first 25 years of service, and b) 1.0% for years of service in excess of 25 years (2.0% for people hired before July 1, 1998).
Fire: Age 50 with 10 or more years of service.	Final average compensation multiplied by the sum of a) 2.5% for the first 25 years of service, plus b) 1.0% for years of service in excess of 25 years.
DEFERRED RETIREMENT	
10 or more years of service. Benefit begins at regular retirement age.	Same as regular retirement but based upon service, final average compensation and benefit formula at termination. Benefit is forfeited upon withdrawal of all or part of employee's accumulated contributions.
NON-DUTY DEATH	
25 years of service or eligible for regular retirement.	Same as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
DUTY DEATH	
No age or service requirement. Payable upon termination of Worker's Compensation.	Same amount that was paid by Worker's Compensation to widow, dependent widower, unmarried children under age 18 and dependent parents. Fire: An amount equal to the disability benefit.
NON-DUTY DISABILITY	
10 years of service.	Same as regular retirement, with a minimum benefit prior to voluntary retirement age of 15% of final average compensation for General and 50% of final average compensation for Fire.
DUTY DISABILITY	
No age or service requirement.	Same as regular retirement. Upon the earlier of termination of Worker's Compensation or age 60, additional service credit is granted for period in receipt of Worker's Compensation and benefit is recomputed. The sum of the Duty Disability pension and Worker's Compensation shall not exceed 100% (85% for firemen) of the member's final average compensation.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Eligibility	Benefit
SURVIVOR RETIREMENT ALLOWANCE	
10 or more years of service and not eligible for Duty or Non-Duty death benefits.	To surviving spouse: 75% of regular retirement allowance; additional service credit is granted for the period between the member's date of death and the date he would have attained age 60. Benefit terminates upon death.
	To unmarried children under 18: 15% of regular retirement allowance computed in same manner as for spouse above. If spouse's benefit is not being paid, amount is 60% of regular retirement allowance. Benefit terminates upon marriage, death or attainment of age 18.
POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS	
Fire member's retiring on or after February 13, 2003: 15 or more years of service, no requirement for disability or death benefit recipient.	2% non-compounding per year on the initial annual pension for ten years.
All others.	None.

Actuarial Assumptions

The total pension liability in the June 30, 2025, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.00%
Salary increases:	3.00% - 26.60%
Investment rate of return:	6.75%, net of expenses
Municipal bond rate:	5.20%
Mortality:	Pub-2010 Safety Mortality Tables, amount-weighted, scaled by 100%, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Changes in Assumptions

There were no changes in assumptions during the plan year.

Changes in Benefits

There were no changes in benefit terms during the plan year.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Investment Policy and Projected Cash Flows

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the retirement system board of trustees by a majority vote of its members. It is the policy of the retirement system board of trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension 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 board's adopted asset allocation policy as of June 30, 2025, along with best estimates of arithmetic real rates of return as of the measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	7.00%	3.50%
Large Domestic Cap Equity	25.00%	7.50%
Small Domestic Cap Equity	8.00%	7.00%
High-Yield Fixed Income	10.00%	7.00%
U.S. Investment Grade Bond	30.00%	5.00%
International Equity	20.00%	5.50%
	<u>100.00%</u>	

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 11.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 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.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Net Pension Liability

The City has elected to use June 30 as its measurement date for calculating the net pension liability (asset). The June 30, 2025, fiscal year end reported net pension liability (asset) was determined using a measure of the total pension liability and the fiduciary net position as of the June 30, 2025, measurement date. The June 30, 2025, total pension liability was determined by an actuarial valuation performed as of June 30, 2024, which used roll forward procedures to estimate the liability at June 30, 2025.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2024	\$ 66,901,677	\$ 64,469,227	\$ 2,432,450
Changes for the year			
Service Cost	815,412	-	815,412
Interest on total pension liability	4,369,582	-	4,369,582
Difference between expected and actual experience	177,615	-	177,615
Employer contributions	-	1,368,749	(1,368,749)
Employee contributions	-	260,832	(260,832)
Net investment income	-	7,607,233	(7,607,233)
Benefit payments, including employee refunds	(5,149,677)	(5,149,677)	-
Administrative expense	-	(59,743)	59,743
Other changes	-	72	(72)
Net changes	<u>212,932</u>	<u>4,027,466</u>	<u>(3,814,534)</u>
Balances at June 30, 2025	<u>\$ 67,114,609</u>	<u>\$ 68,496,693</u>	<u>\$ (1,382,084)</u>

Plan fiduciary net position as a percentage of total pension liability: 102.06%

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability (asset)	<u>\$ 5,596,495</u>	<u>\$ (1,382,084)</u>	<u>\$ (7,307,890)</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended June 30, 2025, the City recognized a pension benefit of \$456,030.

At June 30, 2025, 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
Differences between expected and actual experience	\$ 138,481	\$ -
Changes in assumptions	223,499	-
Net difference between projected and actual earnings on pension plan investments	-	<u>4,590,699</u>
 Total	 <u>\$ 361,980</u>	 <u>\$ 4,590,699</u>

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

Year Ending June 30,	Pension Expense (Benefit)
2026	\$ 665,411
2027	(2,590,303)
2028	(1,628,550)
2029	<u>(675,277)</u>
	 <u>\$ (4,228,719)</u>

Pension Plan Reserves

In accordance with the City's Code of Ordinances, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 3.00%. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Reserves (continued)

The balances of the reserve accounts at June 30, 2025, are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 59,331,946	\$ 59,331,946
Employee reserve	<u>9,164,747</u>	<u>9,164,747</u>
Total	<u><u>\$ 68,496,693</u></u>	<u><u>\$ 68,496,693</u></u>

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description

The City provides retiree health care benefits to substantially all permanent full-time employees of the City upon retirement in accordance with labor contracts. This is a single-employer defined benefit plan administered by the City. Benefit terms are provided under collective bargaining agreements.

Management of the plan is vested in the Retirement System Board of Trustees, which consists of seven members - two elected by plan members, four appointed by the City, and the City Mayor, who serves as an ex officio member. Administrative costs are paid by the other post-employment benefits (OPEB) plan through employer contributions.

The OPEB plan does not issue separate stand-alone financial statements. The financial statements of the OPEB plan are included in these financial statements as the Retiree Health Care Trust Fund (a fiduciary fund).

Summary of Significant Accounting Policies

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 plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Benefits Provided

The retiree health program provides health care benefits for eligible retirees and their spouses. Members are subject to age and service requirements in order to receive benefits. Member coverage is dependent upon the hire date and employee group of the member. Benefits are provided through the City's self-insurance program, and the full cost of benefits is covered by the plan.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

Employees Covered by Benefit Terms

At the June 30, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	126
Inactive employees or beneficiaries entitled to but not yet receiving benefits	4
Active employees	<u>63</u>
	<u><u>193</u></u>

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment; however, the City does make discretionary contributions to the trust. In the current year, the City paid post-employment health care premiums of \$1,451,676, plus it contributed \$181,200 into a prefunded retiree health care fund, which is reported in the financial statements as the Retiree Health Care Trust Fund (a fiduciary fund).

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.50%
Salary increases:	3.00%, including inflation
Investment rate of return:	6.00%, net of expenses
Municipal bond rate:	5.20%
Health care cost trend rate:	Pre-65: 7.25% decreasing 0.25% every year to an ultimate rate of 3.50% after 15 years Post-65: 6.50% decreasing 0.25% to an ultimate rate of 3.50% after 15 years
Mortality:	The Pub-2010, Amount weighted, General, Employee, Healthy Retiree, Disabled Retiree, Male and Female tables, projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Changes in Assumptions

There were no changes in assumptions during the plan year.

Changes in Benefits

There were no changes in benefit terms during the plan year.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

Investment Policy and Projected Cash Flows

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the retirement system board of trustees by a majority vote of its members. It is the policy of the retirement system board of trustees 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 board's adopted asset allocation policy as of June 30, 2025, is detailed in the table below. 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, 2025, 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	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	7.00%	3.50%
Large Domestic Cap Equity	25.00%	7.50%
Small Domestic Cap Equity	8.00%	7.00%
High-Yield Fixed Income	10.00%	7.00%
U.S. Investment Grade Bond	30.00%	5.00%
International Equity	20.00%	5.50%
	<u>100.00%</u>	

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of investment expense, was 10.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. 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.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

Net OPEB Liability

The City has elected to use June 30 as its measurement date for the net OPEB liability. The June 30, 2025, fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the fiduciary net position as of the June 30, 2025, measurement date. The June 30, 2025, total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, which used roll forward procedures to estimate the liability at June 30, 2025.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2024	\$ 30,387,726	\$ 2,144,644	\$ 28,243,082
Changes for the year			
Service cost	435,902	-	435,902
Interest on total OPEB liability	1,792,790	-	1,792,790
Difference between expected and actual experience	(223,009)	-	(223,009)
Employer contributions	-	1,632,876	(1,632,876)
Net investment income	-	236,783	(236,783)
Benefit payments, including employee refunds	(1,451,676)	(1,451,676)	-
Administrative expense	-	(4,000)	4,000
Other changes	-	(6,902)	6,902
Net changes	<u>554,007</u>	<u>407,081</u>	<u>146,926</u>
Balances at June 30, 2025	<u>\$ 30,941,733</u>	<u>\$ 2,551,725</u>	<u>\$ 28,390,008</u>

Plan fiduciary net position as a percentage of total OPEB liability: 8.25%

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.00%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	<u>\$ 32,018,607</u>	<u>\$ 28,390,008</u>	<u>\$ 25,357,947</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT 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 7.25%, decreasing 0.25% every year to an ultimate rate of 3.50% after 15 years, 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% lower or 1% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	<u>\$ 24,695,348</u>	<u>\$ 28,390,008</u>	<u>\$ 32,859,292</u>

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

For the year ended June 30, 2025, the City recognized an OPEB expense of \$1,144,550.

At June 30, 2025, 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
Differences between expected and actual experience	\$ -	\$ 2,077,281
Changes in assumptions	820,615	-
Net difference between projected and actual earnings on OPEB plan investments	-	71,649
Total	<u>\$ 820,615</u>	<u>\$ 2,148,930</u>

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

Year Ended June 30,	OPEB (Benefit)
2026	\$ (786,279)
2027	(466,371)
2028	(55,066)
2029	(20,599)
	<u>\$ (1,328,315)</u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CONDENSED PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLAN FINANCIAL STATEMENTS

The following are condensed financial statements for the individual pension plan and other post-employment benefits (health care) plan:

	Pension and Other Employee Benefits Fund	Retiree Health Care Trust Fund	Total Pension and OPEB Funds
Statement of Net Position			
Cash and investments	\$ 68,558,092	\$ 2,548,088	\$ 71,106,180
Other assets	147,778	3,637	151,415
Liabilities	<u>(209,177)</u>	-	<u>(209,177)</u>
 Net position	 <u>\$ 68,496,693</u>	 <u>\$ 2,551,725</u>	 <u>\$ 71,048,418</u>
 Statement of Changes in Net Position			
Investment income	\$ 7,772,865	\$ 239,189	\$ 8,012,054
Investment-related expenses	(165,632)	(2,406)	(168,038)
Contributions and other additions	1,629,653	1,632,876	3,262,529
Benefit payments and other deductions	<u>(5,209,420)</u>	<u>(1,462,578)</u>	<u>(6,671,998)</u>
 Net change in net position	 <u>\$ 4,027,466</u>	 <u>\$ 407,081</u>	 <u>\$ 4,434,547</u>

NOTE 10 - RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in any of the past three fiscal years.

The City is exposed to various risks of loss for which the City carries commercial insurance. Settled claims relating to the commercial insurances have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - JOINT VENTURES

The City is a member of the Grosse Pointe-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Park, Michigan; Grosse Pointe Farms, Michigan; Grosse Pointe, Michigan; Grosse Pointe Woods, Michigan; and Harper Woods, Michigan; the Village of Grosse Pointe Shores, Michigan; and the Township of Clinton. During the 2014-2015 fiscal year, the City declined to renew its participation in the refuse contract, but the City continues to maintain a membership interest in the Authority as the City's interest in the Authority has not been fully refunded to the City.

The City's interest in the net position of the Authority totaled \$30,706 at June 30, 2025, and is reported as part of the governmental activities in the statement of net position. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, Michigan 48081.

The City is also a member of the 41B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens and the charter townships of Clinton and Harrison. The City Commission appoints one member to the Court's management council, which has the responsibility of reviewing financial matters of the Court, including annual budget requests. The expenses of the Court are divided among three communities in proportion to the volume of cases attributable to each community. Fines and fees collected from within the communities are distributable to the communities, net of their allocation of the Court's expenditures. The City has also recorded its interest in the capital assets, the related bonded debt obligations, and the net position of the Court in the governmental activities statements in the amount of \$(758,270), based on the same allocation percentages used to allocate revenue and expenses among participating communities.

NOTE 12 - CODE ENFORCEMENT FINANCIAL INFORMATION

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, 2001, is as follows:

Cumulative (shortfall) at June 30, 2024	\$ (1,547,464)
Permit revenue	2,757,275
Expenditures	
Direct costs	\$ 2,555,003
Estimated indirect costs	<u>255,500</u>
	<u>2,810,503</u>
Current year shortfall	<u>(53,228)</u>
Cumulative (shortfall) at June 30, 2025	<u><u>\$ (1,600,692)</u></u>

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the following:

Net Investment in Capital Assets	Governmental Activities	Business-type Activities
Capital assets, net	\$ 21,004,160	\$ 66,618,772
Less: Outstanding principal of capital related debt	(3,600,228)	(6,554,157)
Net investment in capital assets	<u><u>\$ 17,403,932</u></u>	<u><u>\$ 60,064,615</u></u>

NOTE 14 - TAX ABATEMENTS

Certain housing developments and individuals within the City are receiving the Neighborhood Enterprise Zone tax exemption (PA 147 of 1992), which provides for the development and rehabilitation of residential housing located within eligible distressed communities. The amount of tax foregone as a result of this abatement for the year ended June 30, 2025, was \$140.

The City also has certain housing developments within the City that are making payments in lieu of taxes due to tax-exempt ownership or the use of a particular piece of property. The amount of tax foregone as a result of this abatement for the year ended June 30, 2025, was \$239,705.

In total, the amount forgone as a result of all tax abatements for the year ended June 30, 2025, was \$239,845.

There are no significant abatements made by other governments that reduce the City's tax revenue.

NOTE 15 - CONTRACTUAL COMMITMENTS

The City has entered into contracts for a wastewater plant improvement project that was not completed at June 30, 2025. The total contractual commitments outstanding at June 30, 2025, totaled \$698,751. Debt proceeds and net position are expected to be sufficient to cover these commitments.

The City has entered into contracts for a concrete repairs project that was not completed at June 30, 2025. The total contractual commitments outstanding at June 30, 2025, totaled \$1,208,231. Future revenue and fund balance are expected to be sufficient to cover these commitments.

The City has entered into a contract for a downtown revitalization project that was not completed at June 30, 2025. The total contractual commitment outstanding at June 30, 2025, totaled \$4,273,954. Grant funding and fund balance are expected to be sufficient to cover these commitments.

The City has entered into a contract for a street parking reconstruction project that was not completed at June 30, 2025. The total contractual commitment outstanding at June 30, 2025, totaled \$454,762. Future revenue and fund balance are expected to be sufficient to cover these commitments.

The City has entered into contracts for a drinking water system improvement project that was not completed at June 30, 2025. The total contractual commitments outstanding at June 30, 2025, totaled \$33,012,263. Grant funding, debt proceeds, and net position are expected to be sufficient to cover these commitments.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - SUBSEQUENT EVENTS

Subsequent to the fiscal year ended June 30, 2025, the City entered into a contract for the Grand Avenue Pavement Reconstruction project. The total contractual commitment totaled \$2,289,531. Fund balance is expected to be sufficient to cover this commitment.

NOTE 17 - RESTATEMENT OF BEGINNING NET POSITION

The beginning net position of the Ice Arena Fund has been restated as the Ice Arena Fund was reported as a nonmajor fund for the year ended June 30, 2025.

	Enterprise Fund	
	Ice Area Fund	Nonmajor Enterprise Funds
Net position, as previously reported	\$ 4,138,694	\$ 4,041,830
Change from major to nonmajor fund	<u>(4,138,694)</u>	<u>4,138,694</u>
Net position, as restated	<u>\$ -</u>	<u>\$ 8,180,524</u>

NOTE 18 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. The following is a summary of the new pronouncements:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

There were no material impact on the City's financial statements after the implementation of GASB Statements No. 101 and No. 102.

CITY OF MOUNT CLEMENS
NOTES TO FINANCIAL STATEMENTS

NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNT CLEMENS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 8,802,740	\$ 8,802,740	\$ 8,529,672	\$ (273,068)
Licenses and permits	781,500	3,031,500	3,006,413	(25,087)
Intergovernmental				
Federal	150,000	4,263,602	1,122,734	(3,140,868)
State	3,314,355	5,344,275	3,295,421	(2,048,854)
Local	20,000	20,000	20,000	-
Total intergovernmental	<u>3,484,355</u>	<u>9,627,877</u>	<u>4,438,155</u>	<u>(5,189,722)</u>
Charges for services	1,382,400	1,188,787	1,289,248	100,461
Fines and forfeitures	30,000	30,000	16,607	(13,393)
Interest and rents	412,700	707,700	731,855	24,155
Other	649,767	716,842	358,623	(358,219)
TOTAL REVENUES	<u>15,543,462</u>	<u>24,105,446</u>	<u>18,370,573</u>	<u>(5,734,873)</u>
EXPENDITURES				
Current				
General government	3,888,197	4,202,009	3,855,133	346,876
Public safety	6,467,886	8,454,179	8,263,054	191,125
Public works	1,176,426	1,558,351	1,372,362	185,989
Community and economic development	866,177	936,613	755,599	181,014
Recreation and culture	636,811	636,811	448,335	188,476
Capital outlay	3,299,615	9,812,084	2,293,626	7,518,458
Debt service	114,675	114,675	114,675	-
TOTAL EXPENDITURES	<u>16,449,787</u>	<u>25,714,722</u>	<u>17,102,784</u>	<u>8,611,938</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(906,325)</u>	<u>(1,609,276)</u>	<u>1,267,789</u>	<u>2,877,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	1,953,698	589,853	(1,363,845)
Transfers out	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(950,000)</u>	<u>1,953,698</u>	<u>589,853</u>	<u>(1,363,845)</u>
NET CHANGE IN FUND BALANCE	<u>(1,856,325)</u>	<u>344,422</u>	<u>1,857,642</u>	<u>1,513,220</u>
Fund balance, beginning of year	<u>11,396,426</u>	<u>11,396,426</u>	<u>11,396,426</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,540,101</u>	<u>\$ 11,740,848</u>	<u>\$ 13,254,068</u>	<u>\$ 1,513,220</u>

CITY OF MOUNT CLEMENS
EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH PLAN YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 815,412	\$ 729,976	\$ 738,513	\$ 680,079	\$ 675,072	\$ 630,043	\$ 626,571	\$ 613,780	\$ 602,960	\$ 622,625
Interest on total pension liability	4,369,582	4,460,910	4,465,784	4,459,980	4,384,217	4,375,128	4,370,888	4,337,461	4,345,809	4,330,064
Changes of benefit terms	-	-	(53,352)	-	-	-	-	-	316,481	-
Difference between expected and actual experience	177,615	90,669	(225,860)	(175,635)	623,266	(278,391)	(215,893)	337,094	(258,624)	(291,396)
Changes of assumptions	-	806,821	-	-	453,795	430,300	4,393,300	-	-	-
Benefit payments including employee refunds	(5,149,677)	(5,097,995)	(4,882,903)	(4,938,541)	(5,174,559)	(4,924,888)	(4,981,689)	(4,716,388)	(4,897,332)	(4,618,663)
Net Change in Total Pension Liability	212,932	990,381	42,182	25,883	961,791	232,192	4,193,177	571,947	109,294	42,630
Total Pension Liability, beginning	66,901,677	65,911,296	65,869,114	65,843,231	64,881,440	64,649,248	60,456,071	59,884,124	59,774,830	59,732,200
Total Pension Liability, ending	\$ 67,114,609	\$ 66,901,677	\$ 65,911,296	\$ 65,869,114	\$ 65,843,231	\$ 64,881,440	\$ 64,649,248	\$ 60,456,071	\$ 59,884,124	\$ 59,774,830
Plan Fiduciary Net Position										
Contributions-employer	\$ 1,368,749	\$ 1,120,985	\$ 1,064,718	\$ 1,115,176	\$ 984,909	\$ 993,253	\$ 378,647	\$ 363,621	\$ 416,548	\$ 700,332
Contributions-employee	260,832	254,391	242,100	232,018	232,463	219,659	210,656	215,289	214,293	222,008
Net investment income (loss)	7,607,233	8,779,088	8,734,177	(10,304,447)	13,449,799	2,460,110	3,633,772	3,106,857	7,360,738	1,208,552
Benefit payments, including employee refunds	(5,149,677)	(5,097,995)	(4,882,903)	(4,938,541)	(5,174,559)	(4,924,888)	(4,981,689)	(4,716,388)	(4,897,332)	(4,618,663)
Administrative expense	(59,743)	(71,079)	(63,168)	(32,316)	(21,385)	(7,500)	(73,485)	(5,021)	(5,092)	(11,979)
Other changes	72	72	69	-	(5,695)	(426)	28,786	-	-	141
Net Change in Plan Fiduciary Net Position	4,027,466	4,985,462	5,094,993	(13,928,110)	9,465,532	(1,259,792)	(803,313)	(1,035,642)	3,089,155	(2,499,609)
Plan Fiduciary Net Position, beginning	64,469,227	59,483,765	54,388,772	68,316,882	58,851,350	60,111,142	60,914,455	61,950,097	58,860,942	61,360,551
Plan Fiduciary Net Position, ending	\$ 68,496,693	\$ 64,469,227	\$ 59,483,765	\$ 54,388,772	\$ 68,316,882	\$ 58,851,350	\$ 60,111,142	\$ 60,914,455	\$ 61,950,097	\$ 58,860,942
Employer's Net Pension Liability (Asset)	\$ (1,382,084)	\$ 2,432,450	\$ 6,427,531	\$ 11,480,342	\$ (2,473,651)	\$ 6,030,090	\$ 4,538,106	\$ (458,384)	\$ (2,065,973)	\$ 913,888
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	102%	96%	90%	83%	104%	91%	93%	101%	103%	98%
Covered payroll	\$ 4,803,051	\$ 4,378,098	\$ 4,435,322	\$ 4,045,778	\$ 4,088,157	\$ 3,757,643	\$ 3,860,304	\$ 3,794,286	\$ 3,712,055	\$ 3,842,979
Employer's Net Pension Liability (Asset) as a percentage of covered payroll	-29%	56%	145%	284%	-61%	160%	118%	-12%	-56%	24%

CITY OF MOUNT CLEMENS
EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 895,222	\$ 781,695	\$ 668,464	\$ 668,464	\$ 764,929	\$ 650,467	\$ 378,647	\$ 314,785	\$ 386,887	\$ 443,782
Contributions in relation to the actuarially determined contribution	1,368,749	1,120,985	1,064,718	1,115,176	984,909	993,253	378,647	363,621	416,548	700,332
Contribution deficiency (excess)	\$ (473,527)	\$ (339,290)	\$ (396,254)	\$ (446,712)	\$ (219,980)	\$ (342,786)	\$ -	\$ (48,836)	\$ (29,661)	\$ (256,550)
Covered payroll	\$ 4,803,051	\$ 4,378,098	\$ 4,435,322	\$ 4,045,778	\$ 4,088,157	\$ 3,757,643	\$ 3,860,304	\$ 3,794,286	\$ 3,712,055	\$ 3,842,979
Contributions as a percentage of covered payroll	28%	26%	24%	28%	24%	26%	10%	10%	11%	18%

**CITY OF MOUNT CLEMENS
EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return - net of investment expense	11%	14%	9%	-16%	24%	4%	6%	5%	13%	2%

CITY OF MOUNT CLEMENS
RETIREE HEALTH CARE SYSTEM
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH PLAN YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 435,902	\$ 438,302	\$ 452,007	\$ 439,312	\$ 450,256	\$ 451,801	\$ 880,467	\$ 899,277
Interest	1,792,790	1,896,642	1,870,747	2,227,655	2,183,581	2,344,310	1,866,824	1,830,057
Difference between expected and actual experience	(223,009)	(4,509,839)	(485,107)	(8,225,784)	(535,361)	(6,268,708)	(397,696)	(92,558)
Changes in assumptions	-	1,926,565	-	908,324	-	2,300,048	(13,066,014)	-
Benefit payments including employee refunds	(1,451,676)	(1,510,994)	(1,287,426)	(1,321,204)	(1,395,676)	(1,615,299)	(1,519,002)	(1,704,430)
Net Change in Total OPEB Liability	554,007	(1,759,324)	550,221	(5,971,697)	702,800	(2,787,848)	(12,235,421)	932,346
Total OPEB Liability - beginning	<u>30,387,726</u>	<u>32,147,050</u>	<u>31,596,829</u>	<u>37,568,526</u>	<u>36,865,726</u>	<u>39,653,574</u>	<u>51,888,995</u>	<u>50,956,649</u>
Total OPEB Liability - ending	<u>\$ 30,941,733</u>	<u>\$ 30,387,726</u>	<u>\$ 32,147,050</u>	<u>\$ 31,596,829</u>	<u>\$ 37,568,526</u>	<u>\$ 36,865,726</u>	<u>\$ 39,653,574</u>	<u>\$ 51,888,995</u>
Plan Fiduciary Net Position								
Contributions-employer	\$ 1,632,876	\$ 1,692,194	\$ 1,467,426	\$ 1,527,725	\$ 1,923,559	\$ 2,115,299	\$ 1,626,344	\$ 1,854,442
Net investment income (loss)	236,783	170,877	138,141	(217,212)	147,142	(10,464)	6,297	254
Benefit payments including employee refunds	(1,451,676)	(1,510,994)	(1,287,426)	(1,321,204)	(1,395,676)	(1,615,299)	(1,519,002)	(1,704,430)
Administrative expenses	(4,000)	(14,202)	(27,144)	(11,916)	(7,888)	(9,226)	(6,000)	(1,008)
Other	(6,902)	1,594	29,956	-	-	102,485	-	-
Net Change in Plan Fiduciary Net Position	407,081	339,469	320,953	(22,607)	667,137	582,795	107,639	149,258
Plan Fiduciary Net Position - beginning	<u>2,144,644</u>	<u>1,805,175</u>	<u>1,484,222</u>	<u>1,506,829</u>	<u>839,692</u>	<u>256,897</u>	<u>149,258</u>	<u>-</u>
Plan Fiduciary Net Position - ending	<u>\$ 2,551,725</u>	<u>\$ 2,144,644</u>	<u>\$ 1,805,175</u>	<u>\$ 1,484,222</u>	<u>\$ 1,506,829</u>	<u>\$ 839,692</u>	<u>\$ 256,897</u>	<u>\$ 149,258</u>
Employer's Net OPEB Liability	<u>\$ 28,390,008</u>	<u>\$ 28,243,082</u>	<u>\$ 30,341,875</u>	<u>\$ 30,112,607</u>	<u>\$ 36,061,697</u>	<u>\$ 36,026,034</u>	<u>\$ 39,396,677</u>	<u>\$ 51,739,737</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	8%	7%	6%	5%	4%	2%	1%	0%
Covered payroll	\$ 4,960,362	\$ 4,688,972	\$ 4,469,430	\$ 3,341,946	\$ 3,679,165	\$ 4,230,147	\$ 4,042,547	\$ 3,681,726
Employer's Net OPEB Liability as a percentage of covered payroll	572%	602%	679%	901%	980%	852%	975%	1405%

**CITY OF MOUNT CLEMENS
RETIREE HEALTH CARE SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS**
LAST SEVEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contributions	\$ 2,561,763	\$ 2,487,148	\$ 2,445,430	\$ 2,362,734	\$ 2,702,247	\$ 2,610,867	\$ 2,398,840
Contributions in relation to the actuarially determined contribution	<u>1,632,876</u>	<u>1,692,194</u>	<u>1,467,426</u>	<u>1,527,725</u>	<u>1,923,559</u>	<u>2,115,299</u>	<u>1,626,344</u>
Contribution deficiency	<u>\$ 928,887</u>	<u>\$ 794,954</u>	<u>\$ 978,004</u>	<u>\$ 835,009</u>	<u>\$ 778,688</u>	<u>\$ 495,568</u>	<u>\$ 772,496</u>
Covered payroll	\$ 4,960,362	\$ 4,688,972	\$ 4,469,430	\$ 3,341,946	\$ 3,679,165	\$ 4,230,147	\$ 4,042,547
Contributions as a percentage of covered payroll	33%	36%	33%	46%	52%	50%	40%

No actuarially determined contribution was computed for the June 30, 2018, fiscal year.

CITY OF MOUNT CLEMENS
RETIREE HEALTH CARE SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return - net of investment expense	10%	9%	20%	-13%	21%	2%	6%	-2%

CITY OF MOUNT CLEMENS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - EMPLOYEE PENSION PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2024
Measurement date	June 30, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	3.00% to 26.60%
Investment rate of return	6.75%, net of expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Pub-2010 Safety Mortality Tables, amount-weighted, scaled by 100%, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Changes in assumptions:

- 2024 Investment rate of return changed from 7.00% to 6.75%, net of expenses.
Salary increases changed from 3.50% - 27.10% to 3.00% - 26.60%.
Municipal bond rate changed from 3.86% to 3.97%.
Mortality tables updated from MP-2014 to MP-2021.
- 2021 There were minor adjustments to the retiree mortality tables to better reflect anticipated future experience.
- 2020 There were minor adjustments to the retiree mortality tables to better reflect anticipated future experience.
- 2019 The inflation assumption was adjusted from 2.75% to 2.50%.
The assumed salary increases were adjusted from a range of 4.25% to 27.90% to 3.50% to 27.10%. Both the discount rate and investment rate of return in 2019 decreased from 7.50% to 7.00%. The mortality table utilized in 2019 was the RP-2014 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection scale MP- 2014, whereas the table utilized previously was the RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.

CITY OF MOUNT CLEMENS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - EMPLOYEE PENSION PLAN (continued)

Changes in benefits:

2023 The percentage applied to final average compensation decreased from 5.00% to 4.00%.

In 2023, the effect of lump sum distributions on final average compensation assumed to increase retirement benefits and liabilities was changed during the year to the following percentages:

General City members	5%
Firemen hired before 5/13/2020	14%
Firemen hired after 5/13/2020	6%

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2023
Measurement date	June 30, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	3.00% to 26.60%
Investment rate of return	6.00%, net of expenses
Medical inflation	Pre-65: 7.25% decreasing 0.25% every year to an ultimate rate of 3.50% after 15 years Post-65: 6.50% decreasing 0.25% to an ultimate rate of 3.50% after 15 years
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The Pub-2010, Amount weighted, General/Safety, Employee, Healthy Retiree, Disabled Retiree, Male and Female tables, projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

CITY OF MOUNT CLEMENS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)

Changes in assumptions:

- 2024 Health care cost trend initial rate changed from 7.50% to 7.25% for Pre-65 and from 6.25% to 6.50% for Post-65. The amortization was changed from 12 years to 15 years.
Mortality tables updated from MP-2014 to MP-2021.
- 2022 Changes in assumptions in 2022 reflect the effect of the change in the health care cost trend rate as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements.
- 2020 Changes in assumptions in 2020 reflect the effect of the change in the health care cost trend rate as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements.
- 2019 In 2019, both the discount rate and investment rate of return increased from 3.62% to 6.00%

Changes in benefits: There were no changes in benefit terms during the plan years displayed.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MOUNT CLEMENS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	Special Revenue					Capital Project Capital		
	Major Streets and Trunklines		Local Streets		Dial-A-Ride	Public Improvement	Improvement - Ice Arena	Total
ASSETS								
Cash and cash equivalents	\$ 123,535	\$ 139,801	\$ 26,293	\$ 37,545	\$ 3,993,850	\$ 4,321,024		
Investments	2,076,379	1,433,750	1,172,472	7,234	-	4,689,835		
Receivables	722	465	-	21,262	-	22,449		
Due from other funds	-	464,672	-	-	-	-	464,672	
Due from other governmental units	244,426	84,916	16,117	-	-	-	345,459	
Prepays	-	-	1,011	-	-	-	1,011	
TOTAL ASSETS	\$ 2,445,062	\$ 2,123,604	\$ 1,215,893	\$ 66,041	\$ 3,993,850	\$ 9,844,450		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 324,399	\$ 5,955	\$ 2,334	\$ 5,400	\$ -	\$ 338,088		
Accrued liabilities	16,116	2,587	13,297	-	-	32,000		
Due to other funds	-	-	-	-	-	1,054,525	1,054,525	
TOTAL LIABILITIES	340,515	8,542	15,631	5,400	1,054,525	1,424,613		
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	16,466	-	16,466	
FUND BALANCES								
Nonspendable					1,011			
Prepays	-	-	-	-	-	-	1,011	
Restricted								
Right-of-way maintenance	-	46,301	-	-	-	-	46,301	
Street preservation and maintenance	2,104,547	2,068,761	-	-	-	-	4,173,308	
Transportation	-	-	1,199,251	-	-	-	1,199,251	
Public improvement	-	-	-	44,175	-	-	44,175	
Capital projects - ice arena	-	-	-	-	-	2,939,325	2,939,325	
TOTAL FUND BALANCES	2,104,547	2,115,062	1,200,262	44,175	2,939,325	8,403,371		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,445,062	\$ 2,123,604	\$ 1,215,893	\$ 66,041	\$ 3,993,850	\$ 9,844,450		

CITY OF MOUNT CLEMENS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	Special Revenue					Capital Project Capital Improvement - Ice Arena		Total
	Major Streets		Dial-A-Ride		Public Improvement			
	and Trunklines	Local Streets						
REVENUES								
Taxes	\$ -	\$ -	\$ 367,078	\$ -	\$ -	\$ -	\$ 367,078	
Special assessments	-	-	-	81,384	-	-	81,384	
Intergovernmental								
Federal	-	-	39,862	-	-	-	39,862	
State	1,506,579	532,730	134,548	-	-	-	2,173,857	
Charges for services	40,367	23,708	34,599	-	-	-	98,674	
Investment earnings	115,163	76,264	60,616	2,993	-	-	255,036	
TOTAL REVENUES	1,662,109	632,702	636,703	84,377			3,015,891	
EXPENDITURES								
Current								
Public works	1,633,737	888,936	479,132	75,011	-	-	3,076,816	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,372	(256,234)	157,571	9,366			(60,925)	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	464,672	-	-	3,993,850	4,458,522		
Transfers out	-	-	-	-	(1,054,525)	(1,054,525)		
TOTAL OTHER FINANCING SOURCES	-	464,672	-	-	2,939,325	3,403,997		
NET CHANGE IN FUND BALANCES	28,372	208,438	157,571	9,366	2,939,325	3,343,072		
Fund balances, beginning of year	2,076,175	1,906,624	1,042,691	34,809	-	-	5,060,299	
Fund balances, end of year	\$ 2,104,547	\$ 2,115,062	\$ 1,200,262	\$ 44,175	\$ 2,939,325	\$ 8,403,371		

CITY OF MOUNT CLEMENS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Automobile Parking System	Sanitation Department	Ice Arena	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 291,911	\$ 10,859	\$ -	\$ 302,770
Investments	479,391	960,882	-	1,440,273
Accounts receivable, net	88,422	2,366	-	90,788
Prepays	578	306	-	884
Total current assets	<u>860,302</u>	<u>974,413</u>	-	<u>1,834,715</u>
Noncurrent assets				
Investments	18,600	157,934	-	176,534
Capital assets not being depreciated	4,553,994	-	-	4,553,994
Capital assets, net of accumulated depreciation	37,588	1,444	-	39,032
Net pension asset	34,792	26,070	-	60,862
Total noncurrent assets	<u>4,644,974</u>	<u>185,448</u>	-	<u>4,830,422</u>
TOTAL ASSETS	<u>5,505,276</u>	<u>1,159,861</u>	-	<u>6,665,137</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	2,376	1,042	-	3,418
Deferred outflows related to OPEB	<u>22,357</u>	<u>13,359</u>	-	<u>35,716</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>24,733</u>	<u>14,401</u>	-	<u>39,134</u>
LIABILITIES				
Current liabilities				
Accounts payable	539,186	81,870	-	621,056
Accrued liabilities	5,670	9,835	-	15,505
Current portion of compensated absences	<u>9,598</u>	<u>5,426</u>	-	<u>15,024</u>
Total current liabilities	<u>554,454</u>	<u>97,131</u>	-	<u>651,585</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	18,491	10,454	-	28,945
Net OPEB liability	<u>756,582</u>	<u>470,349</u>	-	<u>1,226,931</u>
Total noncurrent liabilities	<u>775,073</u>	<u>480,803</u>	-	<u>1,255,876</u>
TOTAL LIABILITIES	<u>1,329,527</u>	<u>577,934</u>	-	<u>1,907,461</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	69,562	47,085	-	116,647
Deferred inflows of resources related to OPEB	<u>62,972</u>	<u>32,728</u>	-	<u>95,700</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>132,534</u>	<u>79,813</u>	-	<u>212,347</u>
NET POSITION				
Net investment in capital assets	4,591,582	1,444	-	4,593,026
Restricted for pension asset	34,792	26,070	-	60,862
Unrestricted	<u>(558,426)</u>	<u>489,001</u>	-	<u>(69,425)</u>
TOTAL NET POSITION	<u>\$ 4,067,948</u>	<u>\$ 516,515</u>	<u>\$ -</u>	<u>\$ 4,584,463</u>

**CITY OF MOUNT CLEMENS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025**

	Automobile Parking System	Sanitation Department	Ice Arena	Total
OPERATING REVENUES				
Customer billings	\$ 565,066	\$ 978,056	\$ 708,249	\$ 2,251,371
Other	31,350	34,048	-	65,398
TOTAL OPERATING REVENUES	596,416	1,012,104	708,249	2,316,769
OPERATING EXPENSES				
Cost of materials	6,660	2,169	9,510	18,339
Maintenance and operations	279,164	1,072,590	606,666	1,958,420
General and administrative	-	25,000	13,028	38,028
OPEB cost (recovery)	(28,378)	(96,879)	-	(125,257)
Depreciation	62,037	262	139,777	202,076
TOTAL OPERATING EXPENSES	319,483	1,003,142	768,981	2,091,606
OPERATING INCOME (LOSS)	276,933	8,962	(60,732)	225,163
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	133,786	-	133,786
Investment earnings	54,512	68,440	-	122,952
(Loss) on sale of capital assets	-	-	(84,112)	(84,112)
TOTAL NONOPERATING REVENUES (EXPENSES)	54,512	202,226	(84,112)	172,626
INCOME (LOSS) BEFORE TRANSFERS	331,445	211,188	(144,844)	397,789
Transfers out	-	-	(3,993,850)	(3,993,850)
CHANGE IN NET POSITION	331,445	211,188	(4,138,694)	(3,596,061)
Net position, beginning of year, as previously reported	<u>3,736,503</u>	<u>305,327</u>	<u>-</u>	<u>4,041,830</u>
Change within financial reporting entity (major to nonmajor fund)	-	-	4,138,694	4,138,694
Net position, beginning of year, as restated	<u>3,736,503</u>	<u>305,327</u>	<u>4,138,694</u>	<u>8,180,524</u>
Net position, end of year	\$ 4,067,948	\$ 516,515	\$ -	\$ 4,584,463

CITY OF MOUNT CLEMENS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Automobile Parking System	Sanitation Department	Ice Arena	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 577,379	\$ 1,010,677	\$ 708,249	\$ 2,296,305
Cash paid to suppliers	393,284	(1,006,862)	(495,182)	(1,108,760)
Cash paid to/for employees	<u>(153,208)</u>	<u>(101,112)</u>	<u>(316,223)</u>	<u>(570,543)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	817,455	(97,297)	(103,156)	617,002
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes not restricted for capital activities	-	133,786	-	133,786
Transfer to other funds	-	-	(3,993,850)	(3,993,850)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	133,786	(3,993,850)	(3,860,064)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset acquisitions/disposals	<u>(916,916)</u>	-	3,774,071	2,857,155
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchase) of investments	(23,670)	(210,007)	-	(233,677)
Interest received	54,512	68,440	-	122,952
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	30,842	(141,567)	-	(110,725)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,619)	(105,078)	(322,935)	(496,632)
Cash and cash equivalents, beginning of year, as previously reported	360,530	115,937	-	476,467
Change within financial reporting entity (major to nonmajor)	-	-	322,935	322,935
Cash and cash equivalents, beginning of year, as restated	360,530	115,937	322,935	799,402
Cash and cash equivalents, end of year	<u>\$ 291,911</u>	<u>\$ 10,859</u>	<u>\$ -</u>	<u>\$ 302,770</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 276,933	\$ 8,962	\$ (60,732)	\$ 225,163
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	62,037	262	139,777	202,076
(Increase) decrease in:				
Accounts receivable	(19,037)	(1,427)	-	(20,464)
Prepays	29	23	-	52
Deferred outflows of resources	18,492	16,120	-	34,612
Net pension asset	(34,792)	(26,070)	-	(60,862)
Increase (decrease) in:				
Accounts payable	538,108	1,233	(117,815)	421,526
Accrued liabilities	(298)	2,201	(64,386)	(62,483)
Compensated absences	12,042	4,243	-	16,285
Net pension liability	(21,327)	(11,794)	-	(33,121)
Net OPEB liability	(11,190)	(80,180)	-	(91,370)
Deferred inflows of resources	<u>(3,542)</u>	<u>(10,870)</u>	<u>-</u>	<u>(14,412)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 817,455	\$ (97,297)	\$ (103,156)	\$ 617,002

**CITY OF MOUNT CLEMENS
TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Trust Funds			Total	
	Pension and Other Employee Benefits	Retiree Health Care Trust	Total		
ASSETS					
Cash and cash equivalents	\$ 562,228	\$ 159,857	\$ 722,085		
Investments					
Common stock	25,793,170	-	25,793,170		
Closely held equities	8,841,207	-	8,841,207		
Mutual funds	17,149,486	2,384,630	19,534,116		
Corporate bonds	3,962,523	-	3,962,523		
Corporate asset backed securities	531,575	-	531,575		
Corporate collateralized mortgage obligations	876,946	-	876,946		
U.S. government mortgage backed securities	1,727,619	-	1,727,619		
U.S. government notes and bonds	7,417,976	-	7,417,976		
Foreign bonds	471,532	-	471,532		
Foreign stock	515,730	-	515,730		
Short-term investments	708,100	3,601	711,701		
Interest receivable	<u>147,778</u>	<u>3,637</u>	<u>151,415</u>		
 TOTAL ASSETS	 <u>68,705,870</u>	 <u>2,551,725</u>	 <u>71,257,595</u>		
LIABILITIES					
Accrued liabilities	<u>209,177</u>	<u>-</u>	<u>209,177</u>		
NET POSITION					
Restricted					
Pension	68,496,693	-	68,496,693		
Postemployment benefits other than pension	<u>-</u>	<u>2,551,725</u>	<u>2,551,725</u>		
 TOTAL NET POSITION	 <u>\$ 68,496,693</u>	 <u>\$ 2,551,725</u>	 <u>\$ 71,048,418</u>		

**CITY OF MOUNT CLEMENS
TRUST FUNDS**
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

	Trust Funds		
	Pension and Other Employee Benefits	Retiree Health Care Trust	Total
ADDITIONS			
Investment income			
Interest and dividends	\$ 1,168,935	\$ 71,854	\$ 1,240,789
Net increase in fair value of investments	6,603,930	167,335	6,771,265
Investment-related expenses	<u>(165,632)</u>	<u>(2,406)</u>	<u>(168,038)</u>
Net investment income	<u>7,607,233</u>	<u>236,783</u>	<u>7,844,016</u>
Contributions			
Employer	1,368,749	1,632,876	3,001,625
Employee	<u>260,832</u>	<u>-</u>	<u>260,832</u>
Total contributions	<u>1,629,581</u>	<u>1,632,876</u>	<u>3,262,457</u>
Other	72	-	72
TOTAL ADDITIONS	9,236,886	1,869,659	11,106,545
DEDUCTIONS			
Benefit payments	4,932,345	1,451,676	6,384,021
Refunds of contributions	217,332	-	217,332
Administrative expenses	59,743	4,000	63,743
Other	<u>-</u>	<u>6,902</u>	<u>6,902</u>
TOTAL DEDUCTIONS	5,209,420	1,462,578	6,671,998
CHANGE IN NET POSITION	4,027,466	407,081	4,434,547
Net position, beginning of year	<u>64,469,227</u>	<u>2,144,644</u>	<u>66,613,871</u>
Net position, end of year	<u>\$ 68,496,693</u>	<u>\$ 2,551,725</u>	<u>\$ 71,048,418</u>

**CITY OF MOUNT CLEMENS
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Custodial Funds		
	Tax Collections - Personal	Tax Collections - Real	Total
	\$	\$	\$
ASSETS			
Cash and cash equivalents	-	-	-
LIABILITIES	-	-	-
NET POSITION	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

**CITY OF MOUNT CLEMENS
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Custodial Funds		
	Tax Collections - Personal	Tax Collections - Real	Total
ADDITIONS			
Interest and dividends	\$ 79	\$ 50,331	\$ 50,410
Collections for other governmental units	<u>1,040,878</u>	<u>16,447,866</u>	<u>17,488,744</u>
TOTAL ADDITIONS	<u>1,040,957</u>	<u>16,498,197</u>	<u>17,539,154</u>
DEDUCTIONS			
Distributions to other governmental units	<u>1,040,957</u>	<u>16,498,197</u>	<u>17,539,154</u>
CHANGE IN NET POSITION			
Net position, beginning of year	-	-	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Commission
City of Mount Clemens, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 City of Mount Clemens (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerman PC

December 5, 2025



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

December 5, 2025

To the Honorable Mayor and City Commission
City of Mount Clemens, Michigan

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 Mount Clemens, Michigan (the City), for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 18 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*, during the year ended June 30, 2025. The implementation of GASB Statements No. 101 and No. 102 did not have a material impact on the City's financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the alternative investment value is based on reporting provided by the City's investment manager and investment custodian.

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

Management's calculation of the net pension asset and related deferrals are calculated based on actuarial studies which utilized certain actuarial assumptions.

Management's calculation of the net OPEB liability and related deferrals are calculated based on actuarial studies which utilized certain actuarial assumptions.

Management's estimate of the environmental remediation liability, including monitoring and maintenance costs, is based on communication with the Michigan Department of Environmental Quality and legal counsel advising management in the matter.

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks while the current and noncurrent portions of compensated absences were based on an estimate of the percentage of employees' use of compensated absences.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and other required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Commission and management of the City of Mount Clemens and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerian PC