



CITY OF REED CITY, MICHIGAN

FINANCIAL STATEMENTS and SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2025



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF REED CITY

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	22
Notes to Financial Statements	23-40
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Streets Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Local Streets Fund	43
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Related Ratios	44
Schedule of Employer Contributions	45
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Law Enforcement Training Fund	49
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Park Commission Fund	50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Rural Development Small Business Revolving Loan	51

CITY OF REED CITY

TABLE OF CONTENTS

	<u>PAGE</u>
Fiduciary Funds	
Combining Statement of Fiduciary Net Position - Fiduciary Funds	52
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds	53
SINGLE AUDIT SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	57-58
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs	61-62
Corrective Action Plan	63-64



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INDEPENDENT AUDITORS' REPORT

February 13, 2026

Honorable Mayor and Members of the City Council
City of Reed City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reed City, Michigan (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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, each major fund, and the aggregate remaining fund information of the City of, 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and budgetary information and pension schedules on pages 41 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2026, 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 City's internal control over financial reporting and compliance.

Orlando Haefner LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Reed City (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025.

Financial Highlights

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,607,509, of which \$1,752,620 is unassigned.
- The City issued long-term debt of \$3,237,129, and made scheduled payments totaling \$234,841 on outstanding debt.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,278,646 (government-wide net position). This is an increase of \$14,064,716 from the previous year.
- The General Fund increased its fund balance by \$152,554. This was mainly due to budgeted expenditures that did not occur or were delayed to future years.
- The City spent approximately \$32,600,000 on capital items, consisting primarily of construction on water and sewer infrastructure. In addition, capital spending included several new vehicles, a new fire truck, and several road projects.
- Thanks to grants from the Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF), the city has either started or completed many infrastructure projects including replacement of lead service lines, water main upgrades, and wastewater treatment plant upgrades
- The City had two collective bargaining agreements approved in 2025 as three year agreements. (FOP – Police, Teamsters – DPW and WWTP). This will provide certain budgeting requirements through June 30, 2028. We will begin negotiating new contract terms in early 2028. Staffing levels remain stable.
- We have had some turnover in our front office area but now feel we are appropriately staffed with highly qualified and talented individuals serving as the City Clerk and Deputy Clerk. We are thankful for resources from Michigan Municipal League, neighboring communities, and past employees with assisting where necessary.
- The City streamlined our financial software and accounting practices by acquiring and implementing all facets of BS&A Cloud services. This was a major investment that should serve the City well over the upcoming years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic 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 other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues, pension liability and earned but unused compensated absences).

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, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City consist of water and sewer operations.

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.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. 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.

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, major streets, and local streets funds which are considered major funds. Data is combined into a single aggregate presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriations budget for its general fund and all special revenue funds as required by state law. Budgetary comparison statements have been provided as required supplementary information for the general and major streets funds to demonstrate legal compliance.

Proprietary funds The City maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for its motor pool. Because it primarily benefits the City's governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide information for water and sewer operations, which are considered to be major funds of the City.

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 statement because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 required supplementary information. This includes this management discussion and analysis, major fund budget to actual schedules, and certain pension plan trend information.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Reed City, assets and deferred outflows exceeded liabilities by \$40,278,646 at the close of the most recent fiscal year. The following table illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$3,813,518	\$4,337,888	\$11,329,675	\$8,224,292	\$15,143,193	\$12,562,180
Capital assets	4,802,370	3,986,899	36,614,204	19,436,586	41,416,574	23,423,485
Total assets	8,615,888	8,324,787	47,943,879	27,660,878	56,559,767	35,985,665
Deferred outflows of resources	155,943	281,124	140,960	239,139	296,903	520,263
Liabilities						
Current liabilities	225,974	419,031	6,983,106	3,460,974	7,209,080	3,880,005
Long-term liabilities	2,380,092	2,539,595	6,966,746	3,872,398	9,346,838	6,411,993
Total liabilities	2,606,066	2,958,626	13,949,852	7,333,372	16,555,918	10,291,998
Deferred inflows of resources	11,611	-	10,495	-	22,106	-
Net position						
Net investment in capital assets						
assets	4,246,146	3,341,833	31,216,983	17,130,495	35,463,129	20,472,328
Restricted	853,631	1,328,630	338,829	332,343	1,192,460	1,660,973
Unrestricted	1,054,377	976,822	2,568,680	3,103,807	3,623,057	4,080,629
Total net position	\$6,154,154	\$5,647,285	\$34,124,492	\$20,566,645	\$40,278,646	\$26,213,930

Approximately 9% of the City's net position reflects unrestricted net position which is available for future operation while a significant portion (88%) of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2025, was \$20,672,302 while total cost of all programs and services was \$6,607,586. This results in an increase in net position of \$14,064,716. The business-type activities increased net position by \$13,924,447 and the governmental activities increased net position by \$140,269.

The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 267,199	\$ 260,674	\$ 2,441,672	\$ 2,458,838	\$ 2,708,871	\$ 2,719,512
Operating grants and contributions	564,291	521,036	-	-	564,291	521,036
Capital grants and contributions	360,845	24,129	15,102,556	8,925,592	15,463,401	8,949,721
Property taxes	1,139,549	1,135,864	-	-	1,139,549	1,135,864
State shared revenues	347,990	368,567	-	-	347,990	368,567
Other	215,196	172,019	233,004	201,149	448,200	373,168
Total revenues	2,895,070	2,482,289	17,777,232	11,585,579	20,672,302	14,067,868
Expenses						
General government	737,903	453,791	-	-	737,903	453,791
Public safety	1,034,453	667,065	-	-	1,034,453	667,065
Public works	820,862	708,247	-	-	820,862	708,247
Culture and recreation	134,513	90,528	-	-	134,513	90,528
Interest on long-term debt	27,070	28,297	-	-	27,070	28,297
Sewer	-	-	2,175,832	1,595,688	2,175,832	1,595,688
Water	-	-	1,676,953	782,322	1,676,953	782,322
Total expenses	2,754,801	1,947,928	3,852,785	2,378,010	6,607,586	4,325,938
Increase (decrease) in net position before transfers	140,269	534,361	13,924,447	9,207,569	14,064,716	9,741,930
Transfers in (out)	366,600	65,000	(366,600)	(65,000)	-	-
Increase (decrease) in net position	506,869	599,361	13,557,847	9,142,569	14,064,716	9,741,930
Net position – beginning	5,647,285	5,047,924	20,566,645	11,424,076	26,213,930	16,472,000
Net position – ending	\$6,154,154	\$5,647,285	\$34,124,492	\$20,566,645	\$40,278,646	\$26,213,930

Governmental Activities During the year, the City invested \$820,862 or 30% of governmental activities expenses in public works. Public safety, which includes the police and fire departments, amounted to \$1,034,453 or 37% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 33% of governmental activities expenses. The governmental activities represented above included the police department and fire department operations, department of public works, streets, and administrative functions.

Business-type Activities These activities consist of the Water and Sewer operations. Business-type activities increased the City's net position by \$13,557,847 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$9,142,569. The increase is due to grant funding received for various water and sewer infrastructure projects.

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. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,607,509, a decrease of \$320,724 in comparison to the prior year. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,752,620. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditure. Unassigned fund balance represents 75% of total general fund expenditures. The City Council's annual target is 25% of total general fund expenditures. The fund balance of the City's general fund increased by \$152,554 during the current fiscal year.

The Major Street Fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance decreased by \$562,919 during the current fiscal year.

The Local Street Fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on local streets by Act 51. The fund balance increased by \$38,072 during the current fiscal year.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operations consist of the water and sewer funds which provide services to most residents and businesses of the City.

Budgetary Highlights

The General Fund budget was amended throughout the year as needed. Most of the budget amendments were routine in nature. The larger amendments are as follows:

- The Equipment Pool Fund increased their budget by \$10,000 to cover the cost of the 2024 GMC $\frac{3}{4}$ Ton Pickup Truck.
- The Water Fund increased their budget by \$1,724,558, most of which was due to change orders in the grant projects.
- The DPW department increased their budget by \$71,000 for the City's General Fund portion of the 220th street project.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounted to \$41,416,574 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

The City's significant capital asset purchases during the year mainly included the continuation of the wastewater treatment project.

Additional information on the City's capital assets can be found in Note 4 to these financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,953,445. Of this amount, \$556,224 was for governmental activities while \$5,397,221 was for business-type activities.

The City's note and bonded debt decreased during the current fiscal year primarily as a result of scheduled debt service payments.

Additional information on the City's long-term debt can be found in Note 7 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- The General Fund and Capital Outlay include projects totaling \$4,016,759. We are utilizing reserves of \$644,680 along with grants and private donations to fund those scheduled projects/improvements. Major projects include Pocket Park with splash feature (MEDC grant and private donations), Sesquicentennial Celebration (private donations), and completing Waste Water Treatment and Water projects (CWSRF and DWSRF).
- Property tax revenues are expected to increase slightly due to an increase in property values. The City was not subject to a Headlee rollback. Our millage rate was set at 13.9741.
- The Sewer Fund continues to remain in a strong financial position thanks to grants that support the Wastewater Treatment Plant construction. The City received \$26 million in grants including a state budget appropriation of \$10 million, Clean Water State Revolving Fund grant from ARPA funds of \$14 million, and a Water Related Infrastructure (WRI) grant of \$2 million. The project is approximately 80% complete.
- The Water Fund also has a strong financial position due to grants from DWSRF assisting with projects. The City received a 100% grant for DWSRF 2023 projects including a new well, water main replacements, and lead service line replacements. DWSRF 2024 projects offered 50% forgiveness on the projects requiring the City to approve a loan through the DWSRF fund estimated to be \$4,975,000 upon completion of the project. These projects include an additional new well, LSLR, water mains, water tower maintenance, and new meters.
- City Council approved rate increases to both water and sewer users to support upcoming loan payments and operational costs of the system. These rates are built-in scheduled increases to continue to support current and future operations.
- Overall budgets for supplies and utilities have been increased due to high inflation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Reed City, 227 East Lincoln Avenue, Reed City, Michigan, 49677.

BASIC FINANCIAL STATEMENTS

CITY OF REED CITY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 3,616,566	\$ 8,162,433	\$ 11,778,999
Accounts receivable, net	24,387	275,897	300,284
Due from other governments	143,790	2,510,570	2,654,360
Prepaid items	20,081	2,264	22,345
Inventory	8,694	39,682	48,376
Restricted cash and pooled investments	-	338,829	338,829
Capital assets			
Land	124,051	87,360	211,411
Construction in progress	68,950	27,508,723	27,577,673
Depreciable capital assets, net	4,609,369	9,018,121	13,627,490
Total assets	<u>8,615,888</u>	<u>47,943,879</u>	<u>56,559,767</u>
Deferred outflows of resources			
Pension related	<u>155,943</u>	<u>140,960</u>	<u>296,903</u>
Liabilities			
Accounts payable	59,127	3,508,178	3,567,305
Accrued liabilities	54,620	47,514	102,134
Unearned revenue	18,876	3,280,414	3,299,290
Debt due within one year	93,351	147,000	240,351
Noncurrent liabilities			
Compensated absences	124,333	95,907	220,240
Net pension liability	1,792,886	1,620,618	3,413,504
Debt due in more than one year	462,873	5,250,221	5,713,094
Total liabilities	<u>2,606,066</u>	<u>13,949,852</u>	<u>16,555,918</u>
Deferred inflows of resources			
Pension related	<u>11,611</u>	<u>10,495</u>	<u>22,106</u>
Net position			
Net investment in capital assets	4,246,146	31,216,983	35,463,129
Restricted for			
Major and local streets	647,196	-	647,196
Capital projects	89,675	-	89,675
Public safety	11,198	-	11,198
Debt service	11,828	338,829	350,657
Recreation and culture	13,272	-	13,272
Permanent trusts			
Cemetery - expendable portion	24,045	-	24,045
Cemetery - corpus	56,417	-	56,417
Unrestricted	<u>1,054,377</u>	<u>2,568,680</u>	<u>3,623,057</u>
Total net position	<u>\$ 6,154,154</u>	<u>\$ 34,124,492</u>	<u>\$ 40,278,646</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 737,903	\$ 30,927	\$ 4,393	\$ -	\$ (702,583)
Public safety	1,034,453	174,649	7,089	-	(852,715)
Public works	820,862	61,623	497,340	267,000	5,101
Culture and recreation	134,513	-	55,469	93,845	14,801
Interest on long-term debt	27,070	-	-	-	(27,070)
Total governmental activities	<u>2,754,801</u>	<u>267,199</u>	<u>564,291</u>	<u>360,845</u>	<u>(1,562,466)</u>
Business-type activities					
Sewer	2,175,832	1,532,584	-	12,783,638	12,140,390
Water	1,676,953	909,088	-	2,318,918	1,551,053
Total business-type activities	<u>3,852,785</u>	<u>2,441,672</u>	<u>-</u>	<u>15,102,556</u>	<u>13,691,443</u>
Total primary government	<u>\$ 6,607,586</u>	<u>\$ 2,708,871</u>	<u>\$ 564,291</u>	<u>\$ 15,463,401</u>	<u>\$ 12,128,977</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (expense) revenue	\$ (1,562,466)	\$ 13,691,443	\$ 12,128,977
General revenues			
Property taxes	1,108,504	-	1,108,504
Property taxes - debt service	31,045	-	31,045
State shared revenues - unrestricted	347,990	-	347,990
Investment earnings	78,106	222,904	301,010
Other general revenues	137,090	-	137,090
Gain on sale of asset	-	10,100	10,100
Transfers - internal activities	366,600	(366,600)	-
Total general revenues and transfers	2,069,335	(133,596)	1,935,739
Change in net position	506,869	13,557,847	14,064,716
Net position, beginning of year	5,647,285	20,566,645	26,213,930
Net position, end of year	\$ 6,154,154	\$ 34,124,492	\$ 40,278,646

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,649,391	\$ 458,032	\$ 130,692	\$ 285,248	\$ 3,523,363
Accounts receivable	21,324	937	552	14,439	37,252
Prepaid items	19,801	-	-	200	20,001
Inventory	8,694	-	-	-	8,694
Due from other governments	77,510	49,796	16,484	-	143,790
Total assets	<u>\$ 2,776,720</u>	<u>\$ 508,765</u>	<u>\$ 147,728</u>	<u>\$ 299,887</u>	<u>\$ 3,733,100</u>
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accounts payable	\$ 27,573	\$ 5,583	\$ -	\$ 23,397	\$ 56,553
Accrued liabilities	33,190	3,303	411	-	36,904
Unearned revenue	18,266	-	-	610	18,876
Total liabilities	<u>79,029</u>	<u>8,886</u>	<u>411</u>	<u>24,007</u>	<u>112,333</u>
Deferred inflows					
Unavailable revenue	-	-	-	13,258	13,258
Fund balances					
Non-spendable					
Prepaid items	19,801	-	-	200	20,001
Inventory	8,694	-	-	-	8,694
Permanent fund nonspendable	-	-	-	56,417	56,417
Restricted					
Permanent fund spendable	-	-	-	24,045	24,045
Streets	-	499,879	147,317	-	647,196
Law enforcement	-	-	-	11,198	11,198
Parks	-	-	-	13,072	13,072
Debt service	-	-	-	11,828	11,828
Committed					
Revolving loans	-	-	-	56,187	56,187
Budget stabilization	232,405	-	-	-	232,405
Assigned					
Debt service and capital projects	-	-	-	89,675	89,675
Subsequent year expenditures	644,680	-	-	-	644,680
Veterans memorial park	36,282	-	-	-	36,282
Signage	710	-	-	-	710
Police department	1,200	-	-	-	1,200
Ice rink	1,299	-	-	-	1,299
Unassigned	1,752,620	-	-	-	1,752,620
Total fund balances	<u>2,697,691</u>	<u>499,879</u>	<u>147,317</u>	<u>262,622</u>	<u>3,607,509</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,776,720</u>	<u>\$ 508,765</u>	<u>\$ 147,728</u>	<u>\$ 299,887</u>	<u>\$ 3,733,100</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2025

Fund balances - total governmental funds	\$ 3,607,509
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Amounts reported for *governmental activities* in the statement of net position are different because

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

Add - land	124,051
Add - construction in progress	68,950
Add - capital assets (net of accumulated depreciation)	4,302,419

Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - deferred inflows	13,258
Deduct - allowance for uncollectible accounts	(13,258)

Pension contributions and deficit investment returns, changes in assumptions, differences in experiences are not reported in the funds.

Add - deferred outflows	148,486
Deduct - deferred inflows	(11,056)

An internal service fund is used by management to charge the costs of centralized services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service fund	282,553
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(118,958)
Deduct - debt payable	(526,000)
Deduct - accrued interest on debt payable	(16,639)
Deduct - net pension liability	<u>(1,707,161)</u>

Net position of governmental activities	<u>\$ 6,154,154</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 1,108,504	\$ -	\$ -	\$ 31,045	\$ 1,139,549
Intergovernmental revenues					
Federal	7,658	-	-	-	7,658
State	351,990	359,182	116,449	799	828,420
Licenses and permits	23,461	-	-	-	23,461
Charges for services	228,251	-	-	-	228,251
Fines	11,987	-	-	-	11,987
Special assessment	267,000	-	-	-	267,000
Donations	89,187	-	-	8,760	97,947
Interest income	72,648	18,607	2,670	2,946	96,871
Other	177,933	247	185	13,911	192,276
Total revenues	<u>2,338,619</u>	<u>378,036</u>	<u>119,304</u>	<u>57,461</u>	<u>2,893,420</u>
Expenditures					
Current					
City Council	67,307	-	-	-	67,307
General government	395,328	-	-	95	395,423
Public safety	1,104,799	-	-	-	1,104,799
Public works	411,554	1,217,955	71,232	-	1,700,741
Culture and recreation	78,649	-	-	11,278	89,927
Other governmental functions	92,540	-	-	-	92,540
Debt service					
Principal	43,000	-	-	25,000	68,000
Interest	14,488	-	-	11,285	25,773
Capital outlay	-	-	-	26,234	26,234
Total expenditures	<u>2,207,665</u>	<u>1,217,955</u>	<u>71,232</u>	<u>73,892</u>	<u>3,570,744</u>
Revenues over (under) expenditures	<u>130,954</u>	<u>(839,919)</u>	<u>48,072</u>	<u>(16,431)</u>	<u>(677,324)</u>
Other financing sources (uses)					
Transfers in	60,000	277,000	-	68,000	405,000
Transfers out	(38,400)	-	(10,000)	-	(48,400)
Total other financing sources (uses)	<u>21,600</u>	<u>277,000</u>	<u>(10,000)</u>	<u>68,000</u>	<u>356,600</u>
Net changes in fund balances	152,554	(562,919)	38,072	51,569	(320,724)
Fund balances, beginning of year	<u>2,545,137</u>	<u>1,062,798</u>	<u>109,245</u>	<u>211,053</u>	<u>3,928,233</u>
Fund balances, end of year	<u>\$ 2,697,691</u>	<u>\$ 499,879</u>	<u>\$ 147,317</u>	<u>\$ 262,622</u>	<u>\$ 3,607,509</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Net changes in fund balances - total governmental funds	\$ (320,724)
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,667,815
Deduct - depreciation expense	(844,657)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	68,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(40,420)
Add - decrease in net pension liability	118,918
Deduct - increase in deferred inflows	(11,056)
Deduct - decrease in deferred outflows	(121,497)
Deduct - increase in accrued interest	(270)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.

Deduct - loss from governmental activities in the internal service fund	<u>(9,240)</u>
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Change in net position of governmental activities	<u>\$ 506,869</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2025

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Assets				
Current assets				
Cash and pooled investments	6,526,320	1,636,113	\$ 8,162,433	\$ 93,203
Accounts receivable, net	177,833	98,064	275,897	393
Prepaid items	1,275	989	2,264	80
Inventory	4,042	35,640	39,682	-
Due from other governments	1,330,747	1,179,823	2,510,570	-
Total current assets	8,040,217	2,950,629	10,990,846	93,676
Long-term assets				
Restricted cash and pooled investments	192,382	146,447	338,829	-
Capital assets:				
Land	30,305	57,055	87,360	-
Construction in progress	21,639,552	5,869,171	27,508,723	-
Being depreciated, net	6,968,978	2,049,143	9,018,121	306,950
Total long-term assets	28,831,217	8,121,816	36,953,033	306,950
Total assets	36,871,434	11,072,445	47,943,879	400,626
Deferred outflows of resources				
Pension related	86,458	54,502	140,960	7,457
Liabilities				
Current liabilities				
Accounts payable	2,270,044	1,238,134	3,508,178	2,574
Accrued liabilities	22,373	25,141	47,514	1,077
Unearned revenue	3,280,414	-	3,280,414	-
Current portion of long-term debt	46,000	101,000	147,000	-
Total current liabilities	5,618,831	1,364,275	6,983,106	3,651
Long-term liabilities				
Compensated absences	60,657	35,250	95,907	5,375
Net pension liability	994,006	626,612	1,620,618	85,725
Long-term debt, net of current portion	1,614,000	3,636,221	5,250,221	30,224
Total long-term liabilities	2,668,663	4,298,083	6,966,746	121,324
Total liabilities	8,287,494	5,662,358	13,949,852	124,975
Deferred inflows of resources				
Pension related	6,437	4,058	10,495	555
Net position				
Net investment in capital assets	26,978,835	4,238,148	31,216,983	276,726
Restricted for debt service	192,382	146,447	338,829	-
Unrestricted	1,492,744	1,075,936	2,568,680	5,827
Total net position	\$ 28,663,961	\$ 5,460,531	\$ 34,124,492	\$ 282,553

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating revenue				
Charges for services	\$ 1,499,233	\$ 892,438	\$ 2,391,671	\$ 158,013
Other	33,351	16,650	50,001	433
Total operating revenue	<u>1,532,584</u>	<u>909,088</u>	<u>2,441,672</u>	<u>158,446</u>
Operating expense				
Personnel services	590,031	382,087	972,118	48,738
Contractual services	647,631	956,224	1,603,855	17,085
Materials and supplies	103,630	19,640	123,270	19,037
Utilities	301,775	67,761	369,536	8,808
Repairs and maintenance	90,817	50,156	140,973	30,089
Equipment rentals	9,242	37,384	46,626	-
Depreciation	382,516	130,332	512,848	54,552
Miscellaneous	16,315	4,875	21,190	-
Total operating expense	<u>2,141,957</u>	<u>1,648,459</u>	<u>3,790,416</u>	<u>178,309</u>
Operating income (loss)	<u>(609,373)</u>	<u>(739,371)</u>	<u>(1,348,744)</u>	<u>(19,863)</u>
Non-operating revenue (expense)				
Gain (loss) on sale of capital assets	10,100	-	10,100	-
Interest income	185,789	37,115	222,904	1,650
Interest expense	(33,875)	(28,494)	(62,369)	(1,027)
Total non-operating revenue (expense)	<u>162,014</u>	<u>8,621</u>	<u>170,635</u>	<u>623</u>
Income (loss) before transfers and capital contributions	<u>(447,359)</u>	<u>(730,750)</u>	<u>(1,178,109)</u>	<u>(19,240)</u>
Transfers				
Transfers in	-	-	-	10,000
Transfers out	(59,800)	(306,800)	(366,600)	-
Total transfers	<u>(59,800)</u>	<u>(306,800)</u>	<u>(366,600)</u>	<u>10,000</u>
Capital contributions				
Federal grants	10,650,448	2,318,918	12,969,366	-
State grants	2,133,190	-	2,133,190	-
Total capital contributions	<u>12,783,638</u>	<u>2,318,918</u>	<u>15,102,556</u>	<u>-</u>
Changes in net position	<u>12,276,479</u>	<u>1,281,368</u>	<u>13,557,847</u>	<u>(9,240)</u>
Net position, beginning of year	<u>16,387,482</u>	<u>4,179,163</u>	<u>20,566,645</u>	<u>291,793</u>
Net position, end of year	<u>\$ 28,663,961</u>	<u>\$ 5,460,531</u>	<u>\$ 34,124,492</u>	<u>\$ 282,553</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 158,732
Receipts from customers and users	4,482,668	958,191	5,440,859	-
Payments to employees	(528,334)	(330,892)	(859,226)	(32,707)
Payments to suppliers	(1,913,478)	(502,781)	(2,416,259)	(86,898)
Net cash provided by (used in) operating activities	<u>2,040,856</u>	<u>124,518</u>	<u>2,165,374</u>	<u>39,127</u>
Cash flows from non-capital financing activities				
Transfers in	-	-	-	10,000
Transfers out	(59,800)	(306,800)	(366,600)	-
Net cash provided by (used in) non-capital financing activities	<u>(59,800)</u>	<u>(306,800)</u>	<u>(366,600)</u>	<u>10,000</u>
Cash flows from capital and related financing activities				
Interest paid	(32,415)	(14,429)	(46,844)	(1,138)
Capital grants received	12,783,638	2,167,983	14,951,621	-
Principal payments on bonds and notes	(45,000)	3,136,130	3,091,130	(20,841)
Proceeds from sale of capital assets	10,100	-	10,100	-
Acquisitions of capital assets	(13,125,916)	(4,564,550)	(17,690,466)	(46,865)
Net cash provided by (used in) capital and related financing activities	<u>(409,593)</u>	<u>725,134</u>	<u>315,541</u>	<u>(68,844)</u>
Cash flows from investing activities				
Interest income	<u>185,789</u>	<u>37,115</u>	<u>222,904</u>	<u>1,650</u>
Net increase (decrease) in cash and pooled investments	1,757,252	579,967	2,337,219	(18,067)
Cash and pooled investments, beginning of year	<u>4,961,450</u>	<u>1,202,593</u>	<u>6,164,043</u>	<u>111,270</u>
Cash and pooled investments, end of year	<u>\$ 6,718,702</u>	<u>\$ 1,782,560</u>	<u>\$ 8,501,262</u>	<u>\$ 93,203</u>
Cash flows from operating activities				
Operating income (loss)	\$ (609,373)	\$ (739,371)	\$ (1,348,744)	\$ (19,863)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	382,516	130,332	512,848	54,552
Deferred outflows of resources	60,274	37,905	98,179	3,684
Deferred inflows of resources	6,437	4,058	10,495	555
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	83,274	49,103	132,377	286
Prepaid items	8,242	6,379	14,621	1,063
Inventory	7,291	(6,667)	624	-
Due from other governments	(764,851)	-	(764,851)	-
Accounts payable	5,250	633,547	638,797	(13,497)
Compensated absences	(6,578)	7,633	1,055	1,981
Unearned revenue	2,866,810	-	2,866,810	-
Net pension liability	1,564	1,599	3,163	10,366
Net cash provided by (used in) operating activities	<u>\$ 2,040,856</u>	<u>\$ 124,518</u>	<u>\$ 2,165,374</u>	<u>\$ 39,127</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Custodial Funds
Assets	
Cash and pooled investments	\$ 51,860
Accounts receivable	<u>212</u>
Total assets	<u>52,072</u>
Liabilities	
Accounts payable	495
Due to other governments	<u>1,764</u>
Total liabilities	<u>2,259</u>
Net position	
Restricted	<u>\$ 49,813</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2025

	Custodial Funds
Additions	
Property taxes collected for other governments	\$ 1,872,969
Interest income	<u>1,559</u>
Total additions	1,874,528
Deductions	
Property taxes distributed to other governments	1,872,969
Amounts used for trails	<u>23,304</u>
Total deductions	<u>1,896,273</u>
Net increase	(21,745)
Net position, beginning of year	<u>71,558</u>
Net position, end of year	<u>\$ 49,813</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Reed City, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Reed City. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units (if any). For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *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 demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability, and claims and judgments are recorded only when payment is due. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 fund are charges for services. The principal operating revenues of the City's internal service fund is charges to City departments for shared costs and equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51.

The *Local Streets Fund* is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on local streets by Act 51.

The City reports the following major proprietary funds:

The *Sewer and Water Enterprise Funds* are used to account for the operations of the City's sewer and water services. The City provides these services to most of its residents on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of specific capital projects within the City.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Internal Service Fund* is used to account for shared services and vehicle and equipment purchases and usage provided to the City departments and funds on a cost reimbursement basis.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The *Custodial Funds* are used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments, and funds held on behalf of outside organizations.

Budgets and Budgetary Accounting

Comparisons to budget are presented for general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revision that alters the total expenditures of any activity must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

State statutes and City policy authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements 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 qualified financial institution.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Restricted Assets

Certain resources set aside for repayment of bonds and to meet bond covenants are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Inventories

Inventory consisting of materials and supplies is stated at the lower of cost, determined by the moving average method, or market. Inventory of system components is stated at cost utilizing the last-in first-out (LIFO) method. Inventory is accounted for following the consumption method of accounting.

Prepaid Items

The City incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the City records an asset to reflect the investment in future services following the consumption method of accounting.

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2003.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-50
Machinery and equipment	5-30
Infrastructure	10-35

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the funds were as follows:

Governmental funds	
Unearned grant funds	\$ 18,876
Unearned rental and other fees	3,873
Proprietary funds	
Unearned grant funds	3,280,414

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as another financing use. Issuance costs are reported as expenditures or expenses regardless of activity or fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the net pension liability which is discussed in Note 6.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, reported in the governmental funds balance sheet and is related to the outstanding loans receivable through small business loan programs. These amounts to be received in the future are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City has items that qualify for reporting in this category related to the net pension liability which is discussed in Note 6.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation paid time off (PTO) upon termination, and for accumulated sick leave upon retirement under formulas and conditions specified in the contracts. 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. The liability for compensated absences is recognized in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes and taxes billed on behalf of other taxing units within the City limits. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year. The City's 2024 taxable value was \$54,950,940 on which they levied 13.9741 mills for general fund operations and 0.5800 mills for debt service.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Fund Equity

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund balance can only be committed by resolution of the City Council. The City Council has delegated the authority to assign fund balance to the Finance Director/Treasurer.

City policy requires the general fund budget to be prepared and activities managed to result in an ending unassigned fund balance of at least 25% of general fund revenues. The City's unassigned fund balance exceeded 25% of general fund revenues for the current year ended.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2025, the City incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
General government			
City council	\$ 66,210	\$ 67,307	\$ 1,097
Other governmental functions	88,140	92,540	4,400
Major Streets Fund			
Public works	1,081,974	1,217,955	135,981

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$3,616,566	\$8,162,433	\$51,860	\$11,830,859
Restricted cash and pooled investments	-	338,829	-	338,829
Total	\$3,616,566	\$8,501,262	\$51,860	\$12,169,688

Cash and pooled investments captions consist of the following at June 30, 2025:

Checking and savings accounts	\$ 8,744,328
Petty cash	300
Investments	<u>3,425,060</u>
Total	<u>\$12,169,688</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$8,506,832 of the City's bank balance of \$9,301,730 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Investments

The City chooses to disclose its investments by type. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Invesco Gov't. Portfolio	N/A	\$3,305,661	S&P AAAm
State Street US Gov't.	N/A	<u>119,399</u>	S&P AAAm
		<u>\$3,425,060</u>	

Restricted cash and cash equivalents represent amounts set aside in accordance with various bond requirements. The following amounts are restricted at June 30, 2025:

	<u>Sewer Fund</u>	<u>Water Fund</u>
USDA bond and interest redemption	\$ 64,619	\$ 28,022
USDA bond reserve	<u>127,763</u>	<u>118,425</u>
	<u>\$192,382</u>	<u>\$146,447</u>

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 124,051	\$ -	\$ -	\$ 124,051
Construction in progress	221,906	56,950	209,906	68,950
Total capital assets, not being depreciated	<u>345,957</u>	<u>56,950</u>	<u>209,906</u>	<u>193,001</u>
Capital assets, being depreciated				
Land improvements	342,368	-	-	342,368
Buildings and improvements	2,951,175	-	-	2,951,175
Machinery and equipment	3,175,435	689,539	-	3,864,974
Infrastructure	1,395,915	1,178,097	-	2,574,012
Total capital assets, being depreciated	<u>7,864,893</u>	<u>1,867,636</u>	<u>-</u>	<u>9,732,529</u>
Less accumulated depreciation for				
Land improvements	209,194	9,792	-	218,986
Buildings and improvements	953,986	51,700	-	1,005,686
Machinery and equipment	2,347,588	771,782	-	3,119,370
Infrastructure	713,183	65,935	-	779,118
Total accumulated depreciation	<u>4,223,951</u>	<u>899,209</u>	<u>-</u>	<u>5,123,160</u>
Net capital assets, being depreciated	<u>3,640,942</u>	<u>968,427</u>	<u>-</u>	<u>4,609,369</u>
Governmental Activities capital assets, net	<u>\$3,986,899</u>	<u>\$1,025,377</u>	<u>\$209,906</u>	<u>\$4,802,370</u>

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

	Balance July 1, <u>2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2025</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 87,360	\$ -	\$ -	\$ 87,360
Construction in progress	9,818,257	17,690,466	-	27,508,723
Total capital assets, not being depreciated	9,905,617	17,690,466	-	27,596,083
Capital assets being depreciated				
Land improvements	70,031	-	-	70,031
Buildings	61,504	-	-	61,504
Equipment	534,579	-	16,319	518,260
Water system	4,561,622	-	-	4,561,622
Sewer system	17,070,171	-	-	17,070,171
Total capital assets, being depreciated	22,297,907	-	16,319	22,281,588
Less accumulated depreciation for				
Land improvements	48,227	980	-	49,207
Buildings	43,112	763	-	43,875
Equipment	415,600	17,907	16,319	417,188
Water system	2,443,971	126,174	-	2,570,145
Sewer system	9,816,028	367,024	-	10,183,052
Total accumulated depreciation	12,766,938	512,848	16,319	13,263,467
Net capital assets, being depreciated	9,530,969	(512,848)	-	9,018,121
Business-type Activities capital assets, net	\$19,436,586	\$17,177,618	\$ -	\$36,614,204

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

Governmental Activities	
General government	\$228,542
Public safety	320,389
Recreation and culture	41,661
Public works	254,065
Capital assets held by the internal service fund is charged to the various functions based on their usage of the assets	54,552
Total depreciation expense - governmental activities	\$899,209
Business-type Activities	
Wastewater	\$382,516
Water	130,332
Total depreciation expense - business- type activities	\$512,848

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2025 are as follows:

	Transfers in				Total
	General fund	Major streets fund	Nonmajor governmental funds	Internal Service fund	
Transfers out					
General fund	\$ -	\$ -	\$28,400	\$10,000	\$ 38,400
Local street fund	-	10,000	-	-	10,000
Sewer fund	40,000	-	19,800	-	59,800
Water fund	20,000	267,000	19,800	-	306,800
Total	\$60,000	\$277,000	\$68,000	\$10,000	\$415,000

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

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

Benefits Provided

Benefits provided include a multiplier of 2.00 to 2.25 times final average compensation with a vesting period of 10 years. Normal retirement age is 60 with early retirement at 55 with 15 or 25 years of service. Benefits are calculated using final average compensation of 5 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2024):

Active plan members	22
Inactive employees entitled but not yet receiving benefits	6
Inactive employees or beneficiaries currently receiving benefits	33
Total	61

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was approximately \$35,000 per month. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

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

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.0%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
MERS dedicated gains adjustment			(0.07%)
Inflation			2.50%
Administrative fee			0.25%
Discount rate			7.18%

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2022	\$9,611,861	\$5,354,277	4,257,584
Changes for the Year:			
Service cost	125,990	-	125,990
Interest	673,981	-	673,981
Change in benefits	-	-	-
Differences between expected and actual experience	(133,126)	-	(133,126)
Change in assumptions	(28,630)	-	(28,630)
Contributions: employer	-	427,812	(427,812)
Contributions: employee	-	-	-
Net investment income	-	397,629	(397,629)
Benefit payments, including refunds	(575,855)	(575,855)	-
Administrative expense	-	(11,802)	11,802
Other changes	-	-	-
Net changes	62,360	237,784	(175,424)
Balance at December 31, 2023	\$9,674,221	\$5,592,061	4,082,160
Amount applicable to Reed City Housing Commission			668,656
City net pension liability			\$3,413,504

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

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

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	\$10,766,080	\$9,674,221	\$8,752,026
Fiduciary net position	5,592,061	5,592,061	5,592,061
Net pension liability	\$ 5,174,019	\$4,082,160	\$3,159,965

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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

For the year ended June 30, 2025 the employer recognized pension expense of \$500,969. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 22,106
Differences in assumptions	2,894	-
Excess deficit investment returns	138,521	-
Contributions subsequent to the measurement date*	155,488	-
Total	<u>\$296,903</u>	<u>\$ 22,106</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2026.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (excluding contributions subsequent to the measurement date) as follows:

2026	\$ 85,393
2027	72,327
2028	(35,245)
2029	<u>(3,166)</u>
Total	<u>\$119,309</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Governmental Activities					
\$575,000 Fire Station General Obligation Bonds of 2002 due in annual installments of \$12,000 to \$37,000 through May 2032; plus interest at 4.625%	\$244,000	\$ -	\$25,000	\$219,000	\$27,000
\$114,000 Equipment installment notes due in annual installments of \$12,992 through May 2026; including interest at 2.45%	25,059	-	12,378	12,681	12,681
\$79,851 Equipment installment notes due in annual installments of \$12,992 through May 2026; including interest at 2.45%	26,006	-	8,463	17,543	8,670

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
\$350,000 installment note due in annual installments of \$57,488 to \$60,825 through July 2030; including interest at	\$350,000	\$ -	\$43,000	\$307,000	\$45,000
Total debt	645,065	-	88,841	556,224	93,351
Compensated absences *	81,932	42,401	-	124,333	-
Total Governmental Activities	\$726,997	\$42,401	\$88,841	\$680,557	\$93,351
Business-type Activities					
\$1,605,000 Drinking Water Revolving Fund Bonds of 2006 due in annual installments of \$65,000 to \$95,000 through April 2027; plus interest at 2.13%	\$ 250,092	\$ -	\$ 85,000	\$ 165,092	\$ 85,000
Wastewater Treatment System Revenue Bonds USDA, Series 2012. Payments due in annual installments of \$36,000 to \$80,000 through April 1, 2052; plus interest at 2.0%	1,705,000	-	45,000	1,660,000	46,000
\$5,887,080 Drinking Water Revolving Fund Bonds of 2024 due in annual installments of \$242,080 to \$355,000 through October 1, 2046; plus interest at 2.0%	-	3,237,129	-	3,237,129	-
Water Supply System Revenue Bonds USDA, Series 2012. Payments due in annual installments of \$12,000 to \$23,000 through April 1, 2042; plus interest at 2.0%	351,000	-	16,000	335,000	16,000
Total debt	2,306,092	3,237,129	146,000	5,397,221	147,000
Compensated absences *	94,852	1,055	-	95,907	-
Total Business-type Activities	\$2,400,944	\$3,238,184	\$146,000	\$5,493,128	\$147,000

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

All outstanding debt of the City is direct placement or direct borrowing debt. The debt documents contain various provisions that in the event of default, the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

The Drinking Water Revolving Fund Bonds are issued through a State Revolving Fund program which provides for bond proceeds to be received as the related construction project progresses to a maximum amount of \$5,887,080. The future minimum payment schedule includes only debt outstanding at June 30, 2025. The Township has construction commitments for the related construction projects in an amount not exceeding the maximum bond proceeds.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences) as of June 30, 2025 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 93,351	\$25,820	\$ 147,000	\$ 108,151
2027	83,873	21,858	143,092	105,104
2028	79,000	18,056	307,080	99,722
2029	83,000	14,279	311,000	93,551
2030	88,000	10,313	318,000	87,281
2031-2035	129,000	7,821	1,704,000	337,205
2036-2040	-	-	1,568,049	161,323
2041-2045	-	-	376,000	73,760
2046-2050	-	-	365,000	38,020
2051-2052	-	-	158,000	4,760
Total	\$556,224	\$98,147	\$5,397,221	\$1,108,877

The City has pledged future sewer fund revenues to repay \$1,660,000 in remaining sewer system revenue bonds issued in 2012. Proceeds from the bonds provided financing for sewer system improvements. The bonds are payable solely from sewer fund revenues and are payable through 2052. Current year principal and interest payments on the bonds totaled \$79,100 which amounted to approximately 5.3% of pledged revenues in 2025. Future pledged revenues are expected to exceed debt service requires with a specific coverage percentage being inestimable. The total principal and interest remaining to be paid on the bonds is \$2,166,780. Current year pledged revenues were approximately \$1,499,000.

The City has pledged future water fund revenues to repay \$500,092 in remaining water system revenue bonds issued in 2006 and 2012. Proceeds from the bonds provided financing for water system improvements. The bonds are payable solely from water fund revenues and are payable through 2042. Current year principal and interest payments on the bonds totaled \$113,334 which amounted to approximately 12.7% of pledged revenues in 2025. Future pledged revenues are expected to exceed debt service requires with a specific coverage percentage being inestimable. The total principal and interest remaining to be paid on the bonds is \$569,521. Current year pledged revenues were approximately \$892,000.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. The City carries commercial insurance to cover all these risks. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

9. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Commercial Redevelopment Act, (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, affords a tax incentive for the redevelopment of commercial property for the primary purpose and use of a commercial business enterprise. The property must be located within an established Commercial Redevelopment District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government and the taxable value is frozen for the duration of the certificate. For restored facilities, the property taxes are based upon the previous year's (prior to restoration) taxable value and 100% of the mills levied. For new or replacement facilities, the property taxes are based upon the current year's taxable value and 50% of the mills levied. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation.

For the year ended June 30, 2025 the City abated property tax revenues of approximately \$5,800.

The City entered into property tax abatements agreements with local businesses under the Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2025 the City abated property tax revenues of approximately \$7,900.

10. CONCENTRATIONS

The City has a significant economic dependence on a local corporation that is a major employer, taxpayer, and user of water and sewer services. The percentages of taxes and utilities paid by the corporation during the year are as follows:

	<u>Amount</u>	<u>Percent of Total</u>
Property taxes	\$ 60,139	8%
Water and sewer charges	1,554,608	64%
Water and sewer accounts receivable	134,270	56%

11. CONTINGENT LIABILITIES

Grants

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the City.

CITY OF REED CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Wastewater Treatment Plant

The City owns a parcel of land that is used for its wastewater treatment plant. The parcel was previously owned by Koppers Company which operated a creosote plant treating poles and railroad ties. The Department of Natural Resources claims that the City may be a possible responsible party because it presently owns the property and must be involved in the study and remedial action. Creosote leaking into a river is being purged and treated in the City's wastewater treatment plant. Total costs of the clean-up of the property could be substantial. The City of Reed City and Beazer East, Inc. (the successor to Koppers) have entered into an agreement regarding certain cost sharing which requires, among other things, that the City is required to treat water from the purge wells. There has not been a determination of responsible parties, the cost of the project, or whether the costs will be covered by insurance. Based on these factors, no provision for the contingency is included in the financial statements.

Landfill

From September 17, 1968 until March 8, 1985, the City operated a landfill, which is now privately owned and operated. The City, Richmond Sanitary Landfill, Inc. and the Department of Natural Resources entered into a Consent Agreement which outlines certain obligations of the parties regarding the capping of the landfill. The majority of the City's requirements under the Consent Agreement have been completed. It is impossible to determine the financial obligation that the City of Reed City may ultimately have regarding the landfill until further studies and tests are done. If there are contamination problems at the landfill and the City is held liable, the cost to the City could be significant.

12. COMMITMENTS

The City has construction contract commitments of approximately \$14,100,000 as of June 30, 2025. Of this amount, \$10,000,000 is for upgrades to their water system and \$4,100,000 is for the construction of a new wastewater treatment plant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REED CITY

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 940,990	\$ 962,570	\$ 1,108,504	\$ 145,934
Intergovernmental revenues				
Federal	-	-	7,658	7,658
State	335,000	335,000	351,990	16,990
Licenses and permits	26,350	26,350	23,461	(2,889)
Charges for services	222,850	222,850	228,251	5,401
Fines	10,475	10,475	11,987	1,512
Special assessment	-	-	267,000	267,000
Donations	-	-	89,187	89,187
Interest income	30,000	30,000	72,648	42,648
Other	107,150	278,045	177,933	(100,112)
Total revenues	<u>1,672,815</u>	<u>1,865,290</u>	<u>2,338,619</u>	<u>473,329</u>
Expenditures				
Current				
City Council	58,210	66,210	67,307	(1,097)
General government	412,340	495,065	395,328	99,737
Public safety	1,119,743	1,132,493	1,104,799	27,694
Public works	463,895	534,895	411,554	123,341
Culture and recreation	99,505	99,505	78,649	20,856
Other governmental functions	80,140	88,140	92,540	(4,400)
Debt service				
Principal	43,000	43,000	43,000	-
Interest and fiscal charges	16,500	16,500	14,488	2,012
Total expenditures	<u>2,293,333</u>	<u>2,475,808</u>	<u>2,207,665</u>	<u>268,143</u>
Revenues over (under) expenditures	<u>(620,518)</u>	<u>(610,518)</u>	<u>130,954</u>	<u>741,472</u>
Other financing sources (uses)				
Issuance of installment note	350,000	350,000	-	(350,000)
Transfers in	61,000	61,000	60,000	(1,000)
Transfers out	(28,400)	(38,400)	(38,400)	-
Total other financing sources (uses)	<u>382,600</u>	<u>372,600</u>	<u>21,600</u>	<u>(351,000)</u>
Net changes in fund balance	<u>(237,918)</u>	<u>(237,918)</u>	<u>152,554</u>	<u>390,472</u>
Fund balance, beginning of year	<u>2,545,137</u>	<u>2,545,137</u>	<u>2,545,137</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,307,219</u>	<u>\$ 2,307,219</u>	<u>\$ 2,697,691</u>	<u>\$ 390,472</u>

CITY OF REED CITY

MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
State	\$ 362,046	\$ 362,046	\$ 359,182	\$ (2,864)
Interest income	4,000	4,000	18,607	14,607
Other	-	-	247	247
Total revenues	366,046	366,046	378,036	11,990
Expenditures				
Current				
Public works	<u>1,081,974</u>	<u>1,081,974</u>	<u>1,217,955</u>	<u>(135,981)</u>
Revenues over (under) expenditures	(715,928)	(715,928)	(839,919)	(123,991)
Other financing sources (uses)				
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>277,000</u>	<u>267,000</u>
Net changes in fund balance	(705,928)	(705,928)	(562,919)	143,009
Fund balance, beginning of year	<u>1,062,798</u>	<u>1,062,798</u>	<u>1,062,798</u>	-
Fund balance, end of year	<u>\$ 356,870</u>	<u>\$ 356,870</u>	<u>\$ 499,879</u>	<u>\$ 143,009</u>

CITY OF REED CITY

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
State	\$ 113,000	\$ 113,000	\$ 116,449	\$ 3,449
Interest income	1,000	1,000	2,670	1,670
Other	<u>-</u>	<u>-</u>	<u>185</u>	<u>185</u>
Total revenues	114,000	114,000	119,304	5,304
Expenditures				
Current				
Public works	<u>104,000</u>	<u>104,000</u>	<u>71,232</u>	<u>32,768</u>
Revenues over (under) expenditures	10,000	10,000	48,072	38,072
Other financing sources (uses)				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net changes in fund balance	-	-	38,072	38,072
Fund balance, beginning of year	<u>109,245</u>	<u>109,245</u>	<u>109,245</u>	<u>-</u>
Fund balance, end of year	<u>\$ 109,245</u>	<u>\$ 109,245</u>	<u>\$ 147,317</u>	<u>\$ 38,072</u>

CITY OF REED CITY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED JUNE 30, 2025

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 104,685	\$ 106,519	\$ 101,641	\$ 100,348	\$ 94,002	\$ 98,653	\$ 104,878	\$ 109,573	\$ 113,688	\$ 125,990
Interest	471,831	513,258	531,997	554,096	560,406	572,529	617,310	629,663	647,528	673,981
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(106,867)	(27,306)	17,822	(180,225)	30,131	73,996	(8,660)	24,276	186,947	(133,126)
Changes in assumptions	364,067	-	-	-	257,390	292,321	318,513	-	69,673	(28,630)
Benefit payments including employee refunds	(312,133)	(350,928)	(360,662)	(388,504)	(395,851)	(436,238)	(466,541)	(477,207)	(561,111)	(575,855)
Other	14,744	1	-	-	-	-	-	1	-	-
Net change in total pension liability	536,327	241,544	290,798	85,715	546,078	601,261	565,500	286,306	456,725	62,360
Total pension liability, beginning of year	6,001,607	6,537,934	6,779,478	7,070,276	7,155,991	7,702,069	8,303,330	8,868,830	9,155,136	9,611,861
Total pension liability, ending of year	\$ 6,537,934	\$ 6,779,478	\$ 7,070,276	\$ 7,155,991	\$ 7,702,069	\$ 8,303,330	\$ 8,868,830	\$ 9,155,136	\$ 9,611,861	\$ 9,674,221
Plan Fiduciary Net Position										
Contributions-employer	\$ 217,971	\$ 221,868	\$ 232,562	\$ 261,442	\$ 285,556	\$ 299,738	\$ 323,189	\$ 361,465	\$ 399,951	\$ 427,812
Contributions-employee	-	-	-	-	-	-	-	-	-	-
Net investment income	(59,682)	433,101	542,030	(175,351)	570,908	590,938	715,937	(587,388)	546,635	397,629
Benefit payments including employee refunds	(312,133)	(350,928)	(360,662)	(388,504)	(395,851)	(436,238)	(466,541)	(477,207)	(561,111)	(575,855)
Administrative expense	(8,727)	(8,551)	(8,586)	(8,735)	(9,841)	(9,359)	(8,212)	(10,439)	(11,607)	(11,802)
Net change in plan fiduciary net position	(162,571)	295,490	405,344	(311,148)	450,772	445,079	564,373	(713,569)	373,868	237,784
Plan fiduciary net position, beginning of year	4,006,639	3,844,068	4,139,558	4,544,902	4,233,754	4,684,526	5,129,605	5,693,978	4,980,409	5,354,277
Plan fiduciary net position, ending of year	\$ 3,844,068	\$ 4,139,558	\$ 4,544,902	\$ 4,233,754	\$ 4,684,526	\$ 5,129,605	\$ 5,693,978	\$ 4,980,409	\$ 5,354,277	\$ 5,592,061
Total net pension liability	\$ 2,693,866	\$ 2,639,920	\$ 2,525,374	\$ 2,922,237	\$ 3,017,543	\$ 3,173,725	\$ 3,174,852	\$ 4,174,727	\$ 4,257,584	\$ 4,082,160
Reed City Housing Commission portion	484,896	475,239	454,615	481,877	526,260	523,983	572,108	736,004	738,691	668,656
City net pension liability	\$ 2,208,970	\$ 2,164,681	\$ 2,070,759	\$ 2,440,360	\$ 2,491,283	\$ 2,649,742	\$ 2,602,744	\$ 3,438,723	\$ 3,518,893	\$ 3,413,504
Plan fiduciary net position as a percentage of the total pension liability	58.8%	61.1%	64.3%	59.2%	60.8%	61.8%	64.2%	54.4%	55.7%	57.8%
Covered employee payroll	\$ 864,967	\$ 868,742	\$ 848,227	\$ 830,231	\$ 871,045	\$ 941,264	\$ 975,751	\$ 955,205	\$ 1,043,377	\$ 1,174,567
Employer's net pension liability as a percentage of covered employee payroll	255.4%	249.2%	244.1%	293.9%	286.0%	281.5%	266.7%	360.0%	337.3%	290.6%

Notes to schedule:

Above data is based on a December 31 measurement date.

CITY OF REED CITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contributions	\$ 219,783	\$ 223,678	\$ 242,935	\$ 278,818	\$ 293,588	\$ 303,737	\$ 342,441	\$ 388,724	\$ 406,788	\$ 503,304
Contributions in relation to the actuarially determined contribution	<u>219,783</u>	<u>223,678</u>	<u>242,935</u>	<u>278,818</u>	<u>293,588</u>	<u>303,737</u>	<u>342,441</u>	<u>388,724</u>	<u>406,788</u>	<u>503,304</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 864,967	\$ 868,742	\$ 848,227	\$ 830,231	\$ 871,045	\$ 941,264	\$ 975,751	\$ 955,205	\$ 1,043,377	\$ 1,174,567
Contributions as a percentage of covered employee payroll	25%	26%	29%	34%	34%	32%	35%	41%	39%	43%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.25% (7.35% for 2020 and 2021; 7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF REED CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2025

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	
	<u>Law Enforcement Training</u>	<u>Park Commission</u>	<u>Rural Development Small Business Revolving Loan</u>	<u>Fire Station</u>	<u>Equipment and Replacement</u>	<u>Fire Equipment Replacement</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Assets								
Cash and pooled investments	\$ 11,151	\$ 14,642	\$ 55,951	\$ 11,801	\$ 70,067	\$ 41,512	\$ 80,124	\$ 285,248
Accounts receivable	47	62	13,494	27	296	175	338	14,439
Prepaid items	-	200	-	-	-	-	-	200
Total assets	<u>\$ 11,198</u>	<u>\$ 14,904</u>	<u>\$ 69,445</u>	<u>\$ 11,828</u>	<u>\$ 70,363</u>	<u>\$ 41,687</u>	<u>\$ 80,462</u>	<u>\$ 299,887</u>
Liabilities and fund balances								
Liabilities								
Accounts payable	\$ -	\$ 1,022	\$ -	\$ -	\$ 22,375	\$ -	\$ -	\$ 23,397
Unearned revenue	-	610	-	-	-	-	-	610
Total liabilities	<u>-</u>	<u>1,632</u>	<u>-</u>	<u>-</u>	<u>22,375</u>	<u>-</u>	<u>-</u>	<u>24,007</u>
Deferred inflows								
Unavailable revenue	-	-	13,258	-	-	-	-	13,258
Fund balances								
Non-spendable								
Prepays	-	200	-	-	-	-	-	200
Permanent fund nonspendable	-	-	-	-	-	-	56,417	56,417
Restricted								
Permanent fund spendable	-	-	-	-	-	-	24,045	24,045
Law enforcement	11,198	-	-	-	-	-	-	11,198
Parks	-	13,072	-	-	-	-	-	13,072
Debt service	-	-	-	11,828	-	-	-	11,828
Committed								
Revolving loans	-	-	56,187	-	-	-	-	56,187
Assigned	-	-	-	-	47,988	41,687	-	89,675
Total fund balances	<u>11,198</u>	<u>13,272</u>	<u>56,187</u>	<u>11,828</u>	<u>47,988</u>	<u>41,687</u>	<u>80,462</u>	<u>262,622</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,198</u>	<u>\$ 14,904</u>	<u>\$ 69,445</u>	<u>\$ 11,828</u>	<u>\$ 70,363</u>	<u>\$ 41,687</u>	<u>\$ 80,462</u>	<u>\$ 299,887</u>

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

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	
	<u>Law Enforcement Training</u>	<u>Park Commission</u>	<u>Rural Development Small Business Revolving Loan</u>	<u>Fire Station</u>	<u>Equipment and Replacement</u>	<u>Fire Equipment Replacement</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ 31,045	\$ -	\$ -	\$ -	\$ 31,045
Intergovernmental revenues								
State	799	-	-	-	-	-	-	799
Donations	-	8,500	-	-	-	260	-	8,760
Interest income	115	134	489	302	492	998	416	2,946
Other	6,000	1,500	1,800	-	-	-	4,611	13,911
Total revenues	<u>6,914</u>	<u>10,134</u>	<u>2,289</u>	<u>31,347</u>	<u>492</u>	<u>1,258</u>	<u>5,027</u>	<u>57,461</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	95	95
Culture and recreation	-	11,278	-	-	-	-	-	11,278
Debt Service								
Principal	-	-	-	25,000	-	-	-	25,000
Interest	-	-	-	11,285	-	-	-	11,285
Capital outlay	-	-	-	-	26,234	-	-	26,234
Total expenditures	<u>-</u>	<u>11,278</u>	<u>-</u>	<u>36,285</u>	<u>26,234</u>	<u>-</u>	<u>95</u>	<u>73,892</u>
Revenues over (under) expenditures	<u>6,914</u>	<u>(1,144)</u>	<u>2,289</u>	<u>(4,938)</u>	<u>(25,742)</u>	<u>1,258</u>	<u>4,932</u>	<u>(16,431)</u>
Other financing sources (uses)								
Transfers in	-	3,000	-	-	60,000	5,000	-	68,000
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>5,000</u>	<u>-</u>	<u>68,000</u>
Net changes in fund balances	6,914	1,856	2,289	(4,938)	34,258	6,258	4,932	51,569
Fund balances, beginning of year	<u>4,284</u>	<u>11,416</u>	<u>53,898</u>	<u>16,766</u>	<u>13,730</u>	<u>35,429</u>	<u>75,530</u>	<u>211,053</u>
Fund balances, end of year	<u>\$ 11,198</u>	<u>\$ 13,272</u>	<u>\$ 56,187</u>	<u>\$ 11,828</u>	<u>\$ 47,988</u>	<u>\$ 41,687</u>	<u>\$ 80,462</u>	<u>\$ 262,622</u>

CITY OF REED CITY

LAW ENFORCEMENT TRAINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
State	\$ 800	\$ 800	\$ 799	\$ (1)
Interest income	35	35	115	80
Other	<u>165</u>	<u>165</u>	<u>6,000</u>	<u>5,835</u>
Total revenues	1,000	1,000	6,914	5,914
Other financing sources (uses)				
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>1,000</u>
Net changes in fund balance	-	-	6,914	6,914
Fund balance, beginning of year	<u>4,284</u>	<u>4,284</u>	<u>4,284</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,284</u>	<u>\$ 4,284</u>	<u>\$ 11,198</u>	<u>\$ 6,914</u>

CITY OF REED CITY

PARK COMMISSION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Donations	\$ 7,500	\$ 7,500	\$ 8,500	\$ 1,000
Interest income	-	-	134	134
Other	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total revenues	9,000	9,000	10,134	1,134
Expenditures				
Current				
Culture and recreation	<u>12,000</u>	<u>12,000</u>	<u>11,278</u>	<u>722</u>
Revenues over (under) expenditures	(3,000)	(3,000)	(1,144)	1,856
Other financing sources (uses)				
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net changes in fund balance	-	-	1,856	1,856
Fund balance, beginning of year	<u>11,416</u>	<u>11,416</u>	<u>11,416</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,416</u>	<u>\$ 11,416</u>	<u>\$ 13,272</u>	<u>\$ 1,856</u>

CITY OF REED CITY

RURAL DEVELOPMENT SMALL BUSINESS REVOLVING LOAN SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest income	\$ 50	\$ 50	\$ 489	\$ 439
Other	<u>1,070</u>	<u>1,070</u>	<u>1,800</u>	<u>730</u>
Total Revenues	1,120	1,120	2,289	1,169
Expenditures				
Current				
Culture and recreation	<u>50,120</u>	<u>50,120</u>	<u>-</u>	<u>50,120</u>
Net changes in fund balance	(49,000)	(49,000)	2,289	51,289
Fund balance, beginning of year	<u>53,898</u>	<u>53,898</u>	<u>53,898</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,898</u>	<u>\$ 4,898</u>	<u>\$ 56,187</u>	<u>\$ 51,289</u>

CITY OF REED CITY
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	<u>Custodial Funds</u>			
	<u>Tax Collection</u>	<u>Rails to Trails</u>	<u>Osceola Foundation</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,764	\$ 40,719	\$ 9,377	\$ 51,860
Accounts receivable	<u>-</u>	<u>172</u>	<u>40</u>	<u>212</u>
Total assets	<u>1,764</u>	<u>40,891</u>	<u>9,417</u>	<u>52,072</u>
Liabilities				
Accounts payable	-	495	-	495
Due to other governments	<u>1,764</u>	<u>-</u>	<u>-</u>	<u>1,764</u>
Total liabilities	<u>1,764</u>	<u>495</u>	<u>-</u>	<u>2,259</u>
Net position				
Restricted	<u>\$ -</u>	<u>\$ 40,396</u>	<u>\$ 9,417</u>	<u>\$ 49,813</u>

CITY OF REED CITY
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Custodial Funds</u>			
	<u>Tax Collection</u>	<u>Rails to Trails</u>	<u>Osceola Foundation</u>	<u>Total</u>
Additions				
Property taxes collected for other governments	\$ 1,872,969	\$ -	\$ -	\$ 1,872,969
Interest income	<u>-</u>	<u>1,326</u>	<u>233</u>	<u>1,559</u>
Total additions	1,872,969	1,326	233	1,874,528
Deductions				
Property taxes distributed to other governments	1,872,969	-	-	1,872,969
Supplies	<u>-</u>	<u>23,304</u>	<u>-</u>	<u>23,304</u>
Total deductions	<u>1,872,969</u>	<u>23,304</u>	<u>-</u>	<u>1,896,273</u>
Net increase	-	(21,978)	233	(21,745)
Net position, beginning of year	<u>-</u>	<u>62,374</u>	<u>9,184</u>	<u>71,558</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 40,396</u>	<u>\$ 9,417</u>	<u>\$ 49,813</u>

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SINGLE AUDIT SECTION



Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' 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

February 13, 2026

Honorable Mayor and Members of the City Council
City of Reed City, 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, each major fund, and the aggregate remaining fund information of the City of Reed City, Michigan, (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2026.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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*.

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Uradexeld Haefner LLC



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

February 13, 2026

Honorable Mayor and Members of the City Council
City of Reed City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Reed City, Michigan's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect

material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uroderold Haefner LLC

CITY OF REED CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Pass-Through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2024	Current Year Receipts (Cash Basis)	Expenditures	Accrued (Deferred) Revenue 6/30/2025
U.S. Department of Treasury							
Passed through Michigan Department of Environment, Great Lakes, and Energy (EGLE)							
WWTP and Collection System Improvements	21.027	CW-5770A	\$ 14,000,000	\$ 318,458	\$ 8,479,567	\$ 9,372,214	\$ 1,211,105
Watermain/LSLR and Well Construction	21.027	DW-7669A	3,505,000	286,215	2,070,866	1,946,635	161,984
Water System Improvements grant	21.027	A7664-01	3,787,920	742,673	803,029	372,283	311,927
Water System Improvements loan	66.468	DW-7664-01	5,887,080	-	2,531,218	3,237,129	705,911
Total U.S. Department of Treasury				<u>1,347,346</u>	<u>13,884,680</u>	<u>14,928,261</u>	<u>2,390,927</u>
U.S. Department of Housing and Urban Development							
Passed through Michigan Strategic Fund							
Community Development Block Grant	14.228	MSC 222006-WRI	2,030,900	247,438	1,406,030	1,278,234	119,642
Community Development Block Grant	14.228	MSC 223009-PGS	1,500,000	-	7,658	7,658	-
Total U.S. Department of Housing and Urban Development				<u>247,438</u>	<u>1,413,688</u>	<u>1,285,892</u>	<u>119,642</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 1,594,784</u>	<u>\$ 15,298,368</u>	<u>\$ 16,214,153</u>	<u>\$ 2,510,569</u>

See notes to schedule of expenditures of federal awards.

CITY OF REED CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

-
1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the accrual basis of accounting.
 2. Revenues from federal sources per proprietary funds financial statements and expenditures per the Schedule of Expenditures of Federal Awards differ as follows:

Revenues from federal sources per June 30, 2025 financial statements	
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 7,658
Proprietary Funds Statement of Activities	12,969,366
Proprietary Fund increase in outstanding DWSRF loan amount	<u>3,237,129</u>
Total Federal revenue and loan draws per financial statements	<u>\$ 16,214,153</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 16,214,153</u>

3. The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

CITY OF REED CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	American Rescue Plan Act
66.468	Drinking Water State Revolving Fund
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

2025-001

Condition: Various audit adjustments were necessary during the course of the audit to compile year-end financial statements, in accordance with generally accepted accounting principles (GAAP), from the City's general ledger balances.

Criteria: Generally Accepted Auditing Standards require the City to have the ability to prepare financial statements in accordance with GAAP.

Cause: The audit process identified several significant journal entries which were necessary to present financial statements in accordance with generally accepted accounting principles.

Effect: Auditing Standards require that this control deficiency be reported as a material weakness.

Recommendation: The City should develop and implement procedures to review and reconcile general ledger account balances for consistency with GAAP in order for the financial statements and related disclosures to be presented in accordance with GAAP.

Management Response: The District will implement procedures to record and verify year-end balances as required by auditing standards.

2025-002

Condition: The City did not complete bank reconciliations on a timely basis at various times during the year.

Criteria: Effective internal control over cash requires that bank reconciliations be completed promptly after month-end to ensure that all transactions are properly recorded and that any discrepancies are identified and resolved in a timely manner.

CITY OF REED CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Cause: The delay in completing reconciliations was due to the transition to a new accounting system during the year.

Effect: Untimely reconciliations increase the risk that errors, irregularities, or unauthorized transactions may not be detected and corrected promptly.

Recommendation: The City should establish and enforce procedures to ensure that all bank reconciliations are completed and reviewed within a set period after month-end, such as within 30 days.

Management Response: The City will implement procedures to ensure bank reconciliations are completed and reviewed monthly on a timely basis.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

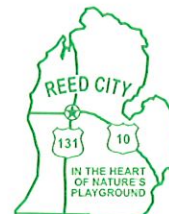
SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted



City of Reed City

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CORRECTIVE ACTION PLAN

February 10, 2026

To Whom it may concern:

The City of Reed City agrees with the finding identified and respectfully submits the following corrective action plan for the year ended June 30, 2025.

Finding 2025-001

Various audit adjustments were necessary during the course of the audit to compile year-end financial statements, in accordance with generally accepted accounting principles (GAAP), from the City's general ledger balances.

Implementing and monitoring

The City will implement procedures to ensure that its accounting records are properly reconciled and adjusted in accordance with GAAP prior to the annual audit. These procedures will include:

- Performing timely monthly and year-end reconciliations of all bank statements and balance sheet accounts.
- Utilizing year-end closing checklists to ensure completeness and accuracy of financial reporting.
- Obtaining additional training for accounting staff on GAAP requirements applicable to governmental entities.
- Consulting with the City's external auditors or qualified accounting professionals, as needed, for technical guidance.

The person responsible for the corrective action is Kadee Kidd, Treasurer/Finance Director.

Finding 2025-002

The City did not complete bank reconciliations on a timely basis at various times during the year.

Implementing and monitoring

The City will implement procedures to ensure bank reconciliations are completed and reviewed monthly on a timely basis. The City has a new policy that addresses ensuring bank reconciliations are completed and reviewed monthly. The new policy was adopted March 9, 2026.

The person responsible for the corrective action is Kadee Kidd, Treasurer/Finance Director.

Sincerely,

A handwritten signature in blue ink that reads "Kadee Kidd". The signature is fluid and cursive, with the first name "Kadee" and last name "Kidd" clearly distinguishable.

Kadee Kidd
Treasurer/Finance Director