



CITY OF BUCHANAN

FINANCIAL REPORT

June 30, 2025



**CITY OF BUCHANAN  
Berrien County, Michigan  
June 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
City of Buchanan, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buchanan, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 13 to the financial statements, in fiscal year 2025 the Downtown Development Authority's net position has been restated as of June 30, 2024, as a result of a correction of error. Our opinion is not modified with respects to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

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 and budgetary comparison information 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 nonmajor fund financial statements and 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 and individual nonmajor fund financial statements 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.

## INDEPENDENT AUDITOR'S REPORT, CONCLUDED

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 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.

Respectfully submitted,



Kruggel Lawton & Company, LLC

St. Joseph, Michigan  
January 6, 2026

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

### **Financial Highlights**

- The City received \$350,265 in marihuana excise tax revenue from the State of Michigan.
- The City paid \$3,530,404 in governmental fixed asset additions during the year.
- The City issued bonds in the amount of \$8,129,817, \$6,129,817 of this is related to the Water and Sewer Fund, and \$2,000,000 is related to the 2025 Capital Projects Fund for the USDA project, roads and other infrastructure needs.

### **Using This Annual Report**

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

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

### **The City's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 8,477,714	\$ 7,956,028	\$ 6,967,955	\$ 3,700,317	\$ 15,445,669	\$ 11,656,345
Noncurrent assets	76,721	117,809	746,030	633,124	822,751	750,933
Capital assets	11,121,996	8,029,767	19,922,753	13,530,443	31,044,749	21,560,210
<b>Total Assets</b>	<b>\$ 19,676,431</b>	<b>\$ 16,103,604</b>	<b>\$ 27,636,738</b>	<b>\$ 17,863,884</b>	<b>\$ 47,313,169</b>	<b>\$ 33,967,488</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 203,008</b>	<b>\$ 255,188</b>	<b>\$ 248,120</b>	<b>\$ 311,897</b>	<b>\$ 451,128</b>	<b>\$ 567,085</b>
Current liabilities	\$ 1,447,360	\$ 1,283,287	\$ 2,821,736	\$ 154,459	\$ 4,269,096	\$ 1,437,746
Long-term Liabilities	7,127,920	5,281,864	15,418,942	9,921,152	22,546,862	15,203,016
<b>Total Liabilities</b>	<b>\$ 8,575,280</b>	<b>\$ 6,565,151</b>	<b>\$ 18,240,678</b>	<b>\$ 10,075,611</b>	<b>\$ 26,815,958</b>	<b>\$ 16,640,762</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 55,564</b>	<b>\$ 12,876</b>	<b>\$ 67,911</b>	<b>\$ 15,738</b>	<b>\$ 123,475</b>	<b>\$ 28,614</b>
Net Position						
Net investment in capital assets	\$ 5,373,516	\$ 3,121,395	\$ 5,469,719	\$ 4,569,974	\$ 10,843,235	\$ 7,691,369
Restricted	3,007,035	2,671,694	-	-	3,007,035	2,671,694
Unrestricted	2,868,044	3,987,676	4,106,550	3,514,458	6,974,594	7,502,134
<b>Total Net Position</b>	<b>\$ 11,248,595</b>	<b>\$ 9,780,765</b>	<b>\$ 9,576,269</b>	<b>\$ 8,084,432</b>	<b>\$ 20,824,864</b>	<b>\$ 17,865,197</b>

The City's combined net position increased 16.6 percent from a year ago, increasing from \$17,865,197 to \$20,824,864.

As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net position increased by 15 percent, from \$9,780,765 to \$11,248,595, while business type activities net position increased by 18.5 percent, from \$8,084,432 to \$9,576,269.

### **The City's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	\$ 216,052	\$ 232,752	\$ 3,697,360	\$ 3,050,614	\$ 3,913,412	\$ 3,283,366
Operating Grants	812,094	725,260	535,563	-	1,347,657	725,260
Capital Grants	693,047	138,771	-	-	693,047	138,771
General Revenues:						
Property Taxes	2,530,553	2,417,872	-	-	2,530,553	2,417,872
Intergovernmental	794,845	786,605	-	-	794,845	786,605
Investment Earnings	292,703	414,723	186,046	158,364	478,749	573,087
Loss on Disposal of Assets	-	(15,554)	-	-	-	(15,554)
Other Revenue:						
Cable Franchise Fee	33,419	38,569	-	-	33,419	38,569
Other Miscellaneous Income	130,870	347,165	-	-	130,870	347,165
Total Revenues	<u>\$ 5,503,583</u>	<u>\$ 5,086,163</u>	<u>\$ 4,418,969</u>	<u>\$ 3,208,978</u>	<u>\$ 9,922,552</u>	<u>\$ 8,295,141</u>
Program Expenses:						
General Government	\$ 797,003	\$ 642,949	\$ -	\$ -	\$ 797,003	\$ 642,949
Public Safety	1,355,082	1,609,987	-	-	1,355,082	1,609,987
Public Works	1,841,897	1,752,458	-	-	1,841,897	1,752,458
Health and Wellness	-	82,388	-	-	-	82,388
Recreation and Culture	227,224	154,829	-	-	227,224	154,829
Debt Service	214,094	208,272	-	-	214,094	208,272
Water and Sewer	-	-	2,527,585	2,441,312	2,527,585	2,441,312
Total Expenses	<u>\$ 4,435,300</u>	<u>\$ 4,450,883</u>	<u>\$ 2,527,585</u>	<u>\$ 2,441,312</u>	<u>\$ 6,962,885</u>	<u>\$ 6,892,195</u>
Transfers	<u>\$ 399,547</u>	<u>\$ 154,936</u>	<u>\$ (399,547)</u>	<u>\$ (154,936)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	\$ 1,467,830	\$ 790,216	\$ 1,491,837	\$ 612,730	\$ 2,959,667	\$ 1,402,946
Net Position - Beginning of Year	<u>9,780,765</u>	<u>8,990,549</u>	<u>8,084,432</u>	<u>7,471,702</u>	<u>17,865,197</u>	<u>16,462,251</u>
Net Position - End of Year	<u>\$ 11,248,595</u>	<u>\$ 9,780,765</u>	<u>\$ 9,576,269</u>	<u>\$ 8,084,432</u>	<u>\$ 20,824,864</u>	<u>\$ 17,865,197</u>

### **Governmental Activities**

Compared to the prior fiscal year, governmental activities revenue increased from \$5,086,163 to \$5,503,583, an increase of 8.2 percent, primarily due to an increase in property taxes and capital grants. Governmental expenses decreased during the year from \$4,450,883 to \$4,435,300, a decrease of 0.4 percent, primarily related to public safety. Public safety expenses decreased from \$1,609,987 to \$1,355,082, a decrease of 15.8%, due primarily to decreased police expenses.



**Business-Type Activities**

Within business-type activities, charges for water, sewer, and ready-to-serve revenue increased compared to the prior year by \$646,746, increasing from \$3,050,614 to \$3,697,360. Business-type expenses increased by 3.5 percent, from \$2,441,312 to \$2,527,585, due primarily to increased depreciation expense. Investment interest earnings for Water and Sewer Fund increased from \$158,364 to \$186,046. Operating grants increased from \$0 to \$535,563.

The Water and Sewer Fund experienced an increase of \$1,491,837 in net position, primarily due to the increase in revenues. This resulted in a net position of \$9,576,269 at the end of year.

**Component Units**

Component units include the Downtown Development Authority (DDA) and Brownfield Redevelopment Authority. In 2020, the City of Buchanan City Commission believed it had taken action to disband the City of Buchanan Downtown Development Authority. Following this action, there were mixed opinions regarding whether the statutory process required under the applicable State of Michigan Public Act governing Downtown Development Authorities had been properly followed, and therefore whether the Downtown Development Authority had been legally dissolved.

Due to the uncertainty regarding the Downtown Development Authority's legal status, the City Treasurer placed a freeze on the Downtown Development Authority funds that had been accumulated through the tax capture process, pending final determination. During this period, the City's auditor included a note disclosure in the City's financial statements recognizing a potential liability related to these restricted funds in the event the City Commission's action was determined to have ended the DDA and ceased its operations requiring the tax increment financing amounts previously captured to be returned to the appropriate jurisdictions and taxing entities.

The matter remained unresolved through multiple administrative periods until 2025, when it was determined that the Downtown Development Authority had remained in existence. In 2025, the City Commission appointed a new Downtown Development Authority Board of Directors. Upon appointment of the Board and confirmation that the Downtown Development Authority had not been dissolved, the previously frozen funds were released for use by the Downtown Development Authority in accordance with applicable requirements, and the previously disclosed potential liability related to the possible return of tax capture funds was reversed, as there was no requirement to return such funds to the original taxing jurisdictions.

No new tax capture was implemented during the period of uncertainty. Tax capture activity resumed with the 2025 summer property tax levy and related collections.

**General Fund Budgetary Highlights**

The General Fund pays for most of the City's governmental services. The primary services provided include police and fire services, administrative services, public services, and parks and recreation.

As shown in the required supplemental information, the City originally budgeted operational expenditures and other financing uses of \$3,395,650 and revenues and other financing sources of \$3,680,067. During the course of the year, the City amended the expenditures and other financing uses budget to \$3,846,995 and revenues and other financing sources budget to \$3,757,342. The actual operating expenses and other financing uses were \$3,425,314, and actual revenue and other financing uses was \$3,719,720.

**Capital Assets and Debt Administration**

Several capital assets were acquired during fiscal year including a parcel of land and various equipment. The City also incurred preliminary costs that were capitalized for a USDA bond project that is expected to occur during fiscal years 2025 and 2026. The capital improvement expenditures relating to the project includes significant investment in the City's water, sewer, and road infrastructures.

The City issued bonds during fiscal 2025, the spending of which will be for Downtown Infrastructure Improvement Projects utilizing USDA funds relating to water sewer and road upgrades, accounted for in the Water and Sewer Fund and 2025 Capital Projects Fund. The City continued making payments on revenue and general obligation bonds incurred to construct major capital projects related to water and sewer treatment infrastructure.

More detailed information about the City's capital assets and debt is presented in the notes to the basic financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The future of state revenue sharing, which represents a significant portion of the City's revenue, remains uncertain. Taxable values are anticipated to increase; however, due to limitations in Michigan tax law, the resulting growth in property tax revenue is expected to be modest and will not reflect corresponding increases in market sale values. As a result, the City will need to continue managing costs carefully while also pursuing cooperative efforts with neighboring municipalities to identify opportunities to share or reduce costs related to police, fire, and public works.

Going forward, it will be important to maintain disciplined cost control in key areas such as personnel, benefits, utilities, and retained services. Active management of the City's investment portfolio, within the parameters of the City's investment policy, will also remain critical to supporting revenue stability. The next fiscal year's budget reflects a slight increase in expenditures as management continues to operate in a fiscally prudent manner. A considerable decline in grant revenue is also anticipated in the upcoming fiscal year.

**Economic Factors and Next Year's Budgets and Rates, Concluded**

In addition, the City's capital improvement planning and asset management efforts are expected to identify needs that will require increased spending over time. As the City completes or updates its capital improvement and asset management plans, the resulting project prioritization will likely drive future investment in infrastructure, facilities, equipment, and other long-lived assets. These needs may create additional budget pressure and could impact future rate and fee considerations as the City evaluates how to fund required replacements, rehabilitation, and system improvements while maintaining service levels.

The City must also plan for costs associated with state and federal unfunded mandates. New or expanded compliance requirements, whether related to reporting, elections, labor and employment standards, public safety, utility operations, environmental regulations, cybersecurity, records retention, or other administrative obligations, can increase operating costs without providing corresponding funding. These mandates may require additional staffing time, professional services, training, technology upgrades, and/or capital improvements, further affecting the City's budget and long-term financial planning.

City Hall management and Finance personnel have invested significant time and effort to strengthen internal controls and improve business procedures and reporting functions, including cash handling, investment administration, segregation of duties, and bank reconciliation processes. These improvements, along with other sound municipal financial practices, should be reflected in the current year's financial reports and continue to support strong financial stewardship in future reporting periods.

In the next year, fiscal 2025-2026, the City will issue bonds through the United States Department of Agriculture, Rural Development, for the purpose of investing in road, sewer and water infrastructure in the Downtown area and the influent piping to the wastewater treatment plant.

**Requests for Further Information**

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

**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**June 30, 2025**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 7,890,694	\$ 6,271,346	\$ 14,162,040	\$ 485,359
Investments	358,327	-	358,327	-
Customer receivables	-	607,562	607,562	-
Lease receivable	52,000	-	52,000	-
Other receivables	39,479	15,571	55,050	11,422
Due from federal government	29,621	-	29,621	-
Due from state government	233,069	-	233,069	-
Internal balances	(73,476)	73,476	-	-
Prepaid expense and other assets	24,721	19,247	43,968	-
Restricted cash and cash equivalents	-	726,783	726,783	-
Capital assets being depreciated/amortized, net	8,978,537	12,085,396	21,063,933	-
Capital assets not being depreciated/amortized	2,143,459	7,837,357	9,980,816	-
Total Assets	<u>\$ 19,676,431</u>	<u>\$ 27,636,738</u>	<u>\$ 47,313,169</u>	<u>\$ 496,781</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pensions	\$ 203,008	\$ 248,120	\$ 451,128	\$ -
Total Deferred Outflows of Resources	<u>\$ 203,008</u>	<u>\$ 248,120</u>	<u>\$ 451,128</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,138,392	\$ 2,699,060	\$ 3,837,452	\$ -
Accrued liabilities and other	79,332	91,610	170,942	-
Unearned revenue	162,464	-	162,464	-
Customer deposits	-	31,066	31,066	-
Due to other governments	67,172	-	67,172	-
Noncurrent liabilities:				
Compensated absences - due within one year	84,743	16,056	100,799	-
Compensated absences - due in more than one year	55,308	17,618	72,926	-
Long-term debt - due within one year	121,599	847,000	968,599	-
Long-term debt - due in more than one year	6,698,174	14,332,817	21,030,991	-
Net pension liability	168,096	205,451	373,547	-
Total Liabilities	<u>\$ 8,575,280</u>	<u>\$ 18,240,678</u>	<u>\$ 26,815,958</u>	<u>\$ -</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to pensions	\$ 55,564	\$ 67,911	\$ 123,475	\$ -
Total Deferred Inflows of Resources	<u>\$ 55,564</u>	<u>\$ 67,911</u>	<u>\$ 123,475</u>	<u>\$ -</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 5,373,516	\$ 5,469,719	\$ 10,843,235	\$ -
Restricted for streets and highways	1,689,540	-	1,689,540	-
Restricted for capital projects	1,316,506	-	1,316,506	-
Restricted for housing grant	989	-	989	-
Restricted for economic development	-	-	-	496,781
Unrestricted	2,868,044	4,106,550	6,974,594	-
Total Net Position	<u>\$ 11,248,595</u>	<u>\$ 9,576,269</u>	<u>\$ 20,824,864</u>	<u>\$ 496,781</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<i>Governmental Activities</i>								
General Government	\$ 797,003	\$ 113,604	\$ -	\$ 630,158	\$ (53,241)		\$ (53,241)	
Public Safety	1,355,082	19,723	70,800	62,889	(1,201,670)		(1,201,670)	
Public Works	1,841,897	82,725	741,294	-	(1,017,878)		(1,017,878)	
Recreation and Culture	227,224	-	-	-	(227,224)		(227,224)	
Interest on Long-Term Debt	214,094	-	-	-	(214,094)		(214,094)	
Total Governmental Activities	<u>\$ 4,435,300</u>	<u>\$ 216,052</u>	<u>\$ 812,094</u>	<u>\$ 693,047</u>	<u>\$ (2,714,107)</u>		<u>\$ (2,714,107)</u>	
<i>Business-Type Activities</i>								
Water and Sewer	\$ 2,527,585	\$ 3,697,360	\$ 535,563	\$ -		\$ 1,705,338	\$ 1,705,338	
Total Business-Type Activities	<u>\$ 2,527,585</u>	<u>\$ 3,697,360</u>	<u>\$ 535,563</u>	<u>\$ -</u>		<u>\$ 1,705,338</u>	<u>\$ 1,705,338</u>	
Total Primary Government	<u>\$ 6,962,885</u>	<u>\$ 3,913,412</u>	<u>\$ 1,347,657</u>	<u>\$ 693,047</u>	<u>\$ (2,714,107)</u>	<u>\$ 1,705,338</u>	<u>\$ (1,008,769)</u>	
<b>Component Units</b>								
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -				\$ -
Brownfield Redevelopment Authority	-	-	-	-				-
Total Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ -</u>
<b>General Revenues</b>								
Property Taxes					\$ 2,530,553	\$ -	\$ 2,530,553	\$ -
State Shared Revenues					794,845	-	794,845	-
Unrestricted Investment Income					292,703	186,046	478,749	17,702
Cable Franchise Fees					33,419	-	33,419	-
Other Miscellaneous Income					130,870	-	130,870	-
Total General Revenues					<u>\$ 3,782,390</u>	<u>\$ 186,046</u>	<u>\$ 3,968,436</u>	<u>\$ 17,702</u>
Transfers					399,547	(399,547)	-	-
Change in Net Position					<u>\$ 1,467,830</u>	<u>\$ 1,491,837</u>	<u>\$ 2,959,667</u>	<u>\$ 17,702</u>
Net Position - Beginning of Year, as previously stated					\$ 9,780,765	\$ 8,084,432	\$ 17,865,197	\$ 284,897
Restatement (see Note 13)					-	-	-	194,182
Net Position - Beginning of Year, as restated					<u>9,780,765</u>	<u>8,084,432</u>	<u>17,865,197</u>	<u>479,079</u>
Net Position - Ending					<u>\$ 11,248,595</u>	<u>\$ 9,576,269</u>	<u>\$ 20,824,864</u>	<u>\$ 496,781</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2025**

	Major Governmental Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Building Authority Construction Fund	2025 Capital Projects Fund		
<b>Assets</b>							
Cash and cash equivalents	\$ 1,860,502	\$ 1,252,465	\$ 797,526	\$ 403,774	\$ 1,849,999	\$ 1,726,428	\$ 7,890,694
Investments	358,327	-	-	-	-	-	358,327
Leases receivable	52,000	-	-	-	-	-	52,000
Receivables	11,928	-	-	-	-	-	11,928
Interest receivable	5,689	7,987	4,508	-	-	9,367	27,551
Due from federal government	29,621	-	-	-	-	-	29,621
Due from state government	119,570	-	84,982	-	-	28,517	233,069
Due from other funds	400	-	-	-	-	77,224	77,624
Prepays	22,921	-	950	-	-	850	24,721
Total Assets	<u>\$ 2,460,958</u>	<u>\$ 1,260,452</u>	<u>\$ 887,966</u>	<u>\$ 403,774</u>	<u>\$ 1,849,999</u>	<u>\$ 1,842,386</u>	<u>\$ 8,705,535</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 67,996	\$ -	\$ 150,553	\$ 158,561	\$ 644,605	\$ 116,677	\$ 1,138,392
Due to other funds	16,999	-	-	-	134,101	-	151,100
Due to other units of government	67,172	-	-	-	-	-	67,172
Accrued wages payable	62,028	-	9,411	-	-	7,893	79,332
Unearned revenue	24,125	115,000	-	-	-	23,339	162,464
Total Liabilities	<u>\$ 238,320</u>	<u>\$ 115,000</u>	<u>\$ 159,964</u>	<u>\$ 158,561</u>	<u>\$ 778,706</u>	<u>\$ 147,909</u>	<u>\$ 1,598,460</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	\$ 52,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,000
Total Deferred Inflows of Resources	<u>\$ 52,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,000</u>
<b>Fund Balances</b>							
Non-spendable - prepaids	\$ 22,921	\$ -	\$ 950	\$ -	\$ -	\$ 850	\$ 24,721
Restricted for major streets	-	-	727,052	-	-	-	727,052
Restricted for local streets	-	-	-	-	-	962,488	962,488
Restricted for capital projects	-	-	-	245,213	1,071,293	-	1,316,506
Restricted for housing grant	-	-	-	-	-	989	989
Committed for street repair	-	-	-	-	-	351,200	351,200
Committed for Oak Ridge Cemetery	-	-	-	-	-	378,950	378,950
Assigned for capital projects	-	1,145,452	-	-	-	-	1,145,452
Unassigned	2,147,717	-	-	-	-	-	2,147,717
Total Fund Balances	<u>\$ 2,170,638</u>	<u>\$ 1,145,452</u>	<u>\$ 728,002</u>	<u>\$ 245,213</u>	<u>\$ 1,071,293</u>	<u>\$ 1,694,477</u>	<u>\$ 7,055,075</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,460,958</u>	<u>\$ 1,260,452</u>	<u>\$ 887,966</u>	<u>\$ 403,774</u>	<u>\$ 1,849,999</u>	<u>\$ 1,842,386</u>	<u>\$ 8,705,535</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
June 30, 2025**

**Total Fund Balances - Governmental Funds** \$ 7,055,075

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

Net capital assets used in governmental activities are not financial resources and are not reported in the funds	11,121,996
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue	52,000
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Net pension liability	(168,096)
Bonds payable	(6,755,000)
Unamortized premium on bonds payable	(166,674)
Unamortized discount on bonds payable	101,901
Employee compensated absences	(140,051)
Deferred outflows of resources related to pension plan	203,008
Deferred inflows of resources related to pension plan	<u>(55,564)</u>

**Total Net Position - Governmental Activities** \$ 11,248,595

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**Year Ended June 30, 2025**

	Major Governmental Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Building Authority Construction Fund	2025 Capital Projects Fund		
<b>Revenues</b>							
Taxes							
Property taxes	\$ 2,013,063	\$ -	\$ -	\$ -	\$ -	\$ 114,236	\$ 2,127,299
Marijuana taxes	350,265	-	-	-	-	-	350,265
Property tax administration fees	52,989	-	-	-	-	-	52,989
Federal grants	29,621	-	-	-	-	-	29,621
State grants							
State revenue sharing	794,845	-	539,221	-	-	202,073	1,536,139
Other State grants	70,800	663,426	-	-	-	-	734,226
Charges for services	82,725	-	-	-	-	-	82,725
Licenses and permits	166,746	-	-	-	-	-	166,746
Interest and rentals							
Interest	79,292	47,602	42,478	33,992	1,122	72,601	277,087
Dividends	15,616	-	-	-	-	-	15,616
Other revenues							
Contributions and donations	-	10,467	-	-	-	-	10,467
Other	55,091	-	-	60,594	-	4,718	120,403
<b>Total Revenues</b>	<b>\$ 3,711,053</b>	<b>\$ 721,495</b>	<b>\$ 581,699</b>	<b>\$ 94,586</b>	<b>\$ 1,122</b>	<b>\$ 393,628</b>	<b>\$ 5,503,583</b>
<b>Expenditures</b>							
General government	\$ 798,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 798,771
Public safety	1,217,658	3,990	-	-	-	-	1,221,648
Public works	369,066	-	335,609	265,850	182,487	381,660	1,534,672
Recreation and culture	194,187	7,830	-	-	-	-	202,017
Debt service							
Principal	-	-	-	-	-	85,000	85,000
Interest	-	-	-	-	-	214,094	214,094
Capital outlay	40,941	779,477	1,064,553	898,091	747,342	-	3,530,404
<b>Total Expenditures</b>	<b>\$ 2,620,623</b>	<b>\$ 791,297</b>	<b>\$ 1,400,162</b>	<b>\$ 1,163,941</b>	<b>\$ 929,829</b>	<b>\$ 680,754</b>	<b>\$ 7,586,606</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 1,090,430</b>	<b>\$ (69,802)</b>	<b>\$ (818,463)</b>	<b>\$ (1,069,355)</b>	<b>\$ (928,707)</b>	<b>\$ (287,126)</b>	<b>\$ (2,083,023)</b>
<b>Other Financing Sources (Uses)</b>							
Interfund transfers in	\$ -	\$ 58,500	\$ 500,000	\$ 500,000	\$ -	\$ 829,112	\$ 1,887,612
Interfund transfers out	(804,691)	-	-	-	-	(683,374)	(1,488,065)
Sale of capital assets	8,667	-	-	-	-	-	8,667
Proceeds from sale of bonds	-	-	-	-	2,000,000	-	2,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (796,024)</b>	<b>\$ 58,500</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 2,000,000</b>	<b>\$ 145,738</b>	<b>\$ 2,408,214</b>
<b>Net Change in Fund Balances</b>	<b>\$ 294,406</b>	<b>\$ (11,302)</b>	<b>\$ (318,463)</b>	<b>\$ (569,355)</b>	<b>\$ 1,071,293</b>	<b>\$ (141,388)</b>	<b>\$ 325,191</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,876,232</b>	<b>1,156,754</b>	<b>1,046,465</b>	<b>814,568</b>	<b>-</b>	<b>1,835,865</b>	<b>6,729,884</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,170,638</b>	<b>\$ 1,145,452</b>	<b>\$ 728,002</b>	<b>\$ 245,213</b>	<b>\$ 1,071,293</b>	<b>\$ 1,694,477</b>	<b>\$ 7,055,075</b>

*The Notes to the Financial Statements are an integral part of this statement.*



**CITY OF BUCHANAN****RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2025**

**Net Change in Fund Balances - Total Governmental Funds** \$ 325,191

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation/amortization.

Depreciation/amortization expense	(438,175)
Capital outlay	3,530,404

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	(2,000,000)
Debt principal payments	85,000
Change in bond issuance premiums	9,260
Change in bond issuance discounts	(5,661)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(8,667)
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Change in compensated absences	(28,441)
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Change in net pension expense related to the pension plan, including deferred inflows and outflows	(1,081)
--	---------

**Change in Net Position of Governmental Activities** \$ 1,467,830

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	<u>Water and Sewer Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,271,346
Receivables	607,562
Due from other funds	73,476
Interest receivables	15,571
Prepays	19,247
Noncurrent Assets:	
Restricted cash and cash equivalents	726,783
Capital assets being depreciated, net	12,085,396
Capital assets not being depreciated	7,837,357
Total Assets	<u>\$ 27,636,738</u>
<b>Deferred Outflows of Resources</b>	
Deferred charges related to pension	<u>\$ 248,120</u>
<b>Liabilities</b>	
Accounts payable	\$ 2,699,060
Accrued wages payable	29,073
Accrued interest payable	62,537
Customer deposits	31,066
Noncurrent Liabilities:	
Compensated absences, current portion	16,056
Compensated absences, less current portion	17,618
Long-term debt, current portion	847,000
Long-debt debt, less current portion	14,332,817
Net pension liability	205,451
Total Liabilities	<u>\$ 18,240,678</u>
<b>Deferred Inflows of Resources</b>	
Deferred charges related to pension	<u>\$ 67,911</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 5,469,719
Unrestricted	4,106,550
Total Net Position	<u><u>\$ 9,576,269</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2025**

	<u>Water and Sewer Fund</u>
<b>Operating Revenues</b>	
Charges for services	
Sale of water	\$ 760,419
Sewage disposal services	1,111,915
Ready to serve	1,365,751
Interest and rentals - penalties	76,410
Other revenue	382,865
Total Operating Revenues	<u>\$ 3,697,360</u>
<b>Operating Expenses</b>	
Cost of water	\$ 625,600
Cost of sewage treatment	839,398
Depreciation	780,018
Total Operating Expenses	<u>\$ 2,245,016</u>
Operating Income	<u>\$ 1,452,344</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 186,046
Interest expense	(282,569)
Federal grants	48,213
State grants	487,350
Transfers out	(399,547)
Total Nonoperating Revenues (Expenses)	<u>\$ 39,493</u>
Change in Net Position	\$ 1,491,837
Net Position - Beginning of Year	8,084,432
Net Position - Ending	<u><u>\$ 9,576,269</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2025**

	Water and Sewer Fund
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 3,217,675
Payments to suppliers	2,037,902
Payments to employees	(832,839)
Intercompany activity	(117,789)
Net cash flows from operating activities	<u>\$ 4,304,949</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to other funds	\$ (399,547)
Net cash flows from noncapital financing activities	<u>\$ (399,547)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchase of capital assets	\$ (7,172,328)
Cash received from grants	535,563
Issuance of bonds	6,129,817
Principal and interest paid on capital debt	(807,569)
Net cash flows from capital and related financing activities	<u>\$ (1,314,517)</u>
<b>Cash Flow From Investing Activities</b>	
Interest received	\$ 241,458
Net cash flows from investing activities	<u>\$ 241,458</u>
<b>Net change in cash, restricted cash, and cash equivalents</b>	\$ 2,832,343
<b>Cash, restricted cash, and cash equivalents - beginning</b>	<u>4,165,786</u>
<b>Cash, restricted cash, and cash equivalents - ending</b>	<u><u>\$ 6,998,129</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 1,452,344
Adjustment to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	780,018
Change in Assets and Liabilities	
Receivables	(479,685)
Prepays	(654)
Accounts payable	2,663,560
Accrued wages payable	7,155
Due to/from other funds	(117,789)
Net cash flows from operating activities	<u><u>\$ 4,304,949</u></u>
<b>Reconciliation to the Statement of Net Position:</b>	
Cash and cash equivalents	\$ 6,271,346
Restricted cash and cash equivalents	726,783
Total	<u><u>\$ 6,998,129</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	Custodial Funds		
	Trust & Agency Fund	Property Tax Collection Fund	Total Custodial Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 102,456	\$ 65,044	\$ 167,500
<b>Liabilities</b>			
Other accruals	\$ 102,456	\$ 65,044	\$ 167,500
<b>Net Position</b>			
Unrestricted	\$ -	\$ -	\$ -

*The Notes to the Financial Statements are an integral part of this statement.*

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**Year Ended June 30, 2025**

	Custodial Funds		Total
	Trust & Agency Fund	Property Tax Collection Fund	Custodial Funds
<b>Additions</b>			
Taxes for other governments	\$ 490,847	\$ 5,433,508	\$ 5,924,355
<b>Deductions</b>			
Payments of tax to other governments	490,847	5,433,508	5,924,355
Changes in net position	\$ -	\$ -	\$ -
Net position - Beginning of year	-	-	-
Net position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 201,652	\$ 283,707	\$ 485,359
Receivables	8,502	-	8,502
Interest receivable	1,255	1,665	2,920
Total Assets	<u>\$ 211,409</u>	<u>\$ 285,372</u>	<u>\$ 496,781</u>
<b>Liabilities</b>			
Due to other units of government	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position</b>			
Restricted	\$ 211,409	\$ 285,372	\$ 496,781
Total Net Position	<u>\$ 211,409</u>	<u>\$ 285,372</u>	<u>\$ 496,781</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**COMPONENT UNITS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>General Revenues</b>							
Interest					\$ 8,190	\$ 9,512	\$ 17,702
Total General Revenues					8,190	9,512	17,702
Change in Net Position					\$ 8,190	\$ 9,512	\$ 17,702
Net Position - Beginning of Year, as previously stated					\$ 9,037	\$ 275,860	284,897
Restatement (see Note 13)					194,182	-	194,182
Net Position - Beginning of Year, as restated					203,219	275,860	479,079
Net Position - Ending					\$ 211,409	\$ 285,372	\$ 496,781

*The Notes to the Financial Statements are an integral part of this statement.*



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Blended Component Units** — The City of Buchanan Building Authority is legally separate from the City. However, because its debt will be repaid entirely with resources from the City, it is considered a blended component unit and is reported in the City's funds as the Building Authority Fund.

**Discretely Presented Component Units** — The following component units are reported within the "component unit" column in the government-wide financial statements. The discretely presented component units are entities that are legally separate from the City, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

**Downtown Development Authority** — The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission. The DDA does not issue separate financial statements.

**Brownfield Redevelopment Authority** — The Brownfield Redevelopment Authority (BRA) was created to clean up the State of Michigan-designated brownfield sites within the City of Buchanan, Michigan and prepare these sites for new development. The BRA's governing body, which consists of five individuals, is selected by the City Commission. In addition, the BRA's budget is subject to approval by the City Commission. The BRA does not issue separate financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****A. Reporting Entity, Concluded**

**Jointly Governed Organizations** — The Southeast Berrien County Landfill Authority (the "Authority") is a joint venture of the cities of Buchanan, Michigan and Niles, Michigan and the townships of Bertrand, Buchanan, and Niles. The Authority was created pursuant to the Michigan Public Act 233 of 1955. The Authority's allowed purpose is to acquire and operate a solid waste disposal facility. The Authority provides solid waste disposal services to the participating municipalities in Berrien County, Michigan and to companies in northern Indiana. The City does not have an equity interest in the Authority.

**B. 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Taxes and other items not properly included among program revenues are reported instead as general revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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 revenue.

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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Property Taxes** – Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on December 1 of the following year. The taxes are due on August 10, with a final collection date of February 28 before they are added to the county tax rolls.

The City's 2024 property tax revenue was levied and collectible on July 1, 2024 and is recognized as revenue in the year ended June 30, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the City totaled \$122.3 million, on which ad valorem taxes levied which consisted of 17.5091 mills for the City's operating purposes, 16.5353 for operating purposes and 0.9738 mills for the Dial-A-Ride Fund. These amounts are recognized in the respective General Fund and Dial-A-Ride Fund financial statements as property tax revenue.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

The City reports the following major governmental funds:

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

The **Capital Projects Fund** accounts for assets being accumulated for future capital expenditures and other large projects.

The **Major Streets Fund** is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

The **Building Authority Construction Fund** is a capital projects fund that accounts for certain public works capital project activities.

The **2025 Capital Projects Fund** is a capital projects fund that accounts for certain public works capital project activities.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** account for the activities of the water distribution system and sewage collection system.

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

Bank Deposits and Investments – Cash and cash equivalents are comprised of cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired, and certificates of deposit, regardless of maturity. Investments are stated at fair value and consist of holdings with Michigan CLASS.

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

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

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. In addition, the Water and Sewer Fund reported restricted assets related to unspent bond proceeds.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued**

Capital Assets – Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with GASB Statement No. 34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Right-of-use assets of the City are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives.

Property and equipment are depreciated/amortized using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Roads and sidewalks	20
Water and sewer distribution systems	15 - 100
Buildings and improvements	10 - 50
Machinery and equipment	5 - 25
Vehicles	3 - 25
Office furnishings and equipment	3 - 10
Right-of-use assets	3 - 10

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued**

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports one item that qualifies for reporting in this category, deferred outflows of resources related to the defined benefit pension plan, which is reported in the government-wide financial statements and the Water and Sewer Fund.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City reports two types of deferred inflows. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from accounts receivable to be received outside of the revenue recognition period. These receivables are deferred and recognized as an inflow of resources in the period that the amounts become available. A second item, property taxes received in advance of the period levied, is reported as deferred inflows of resources in the government-wide statement of net position and governmental funds balance sheet. Lastly, the government-wide statements and the Water and Sewer Fund report deferred inflows as resources related to the defined benefit pension plan.

Compensated Absences (Vacation and Sick Leave) – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Liabilities for these are reported in the government-wide and proprietary fund financial statements. A leave liability is recognized for leave attributable to services already rendered, for leave that accumulates, and when it is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in the governmental funds only for employee terminations as of year-end.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued**

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

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

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

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the city treasurer to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Proprietary Funds Operating Classification – Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Estimates – The process of preparing financial statements in conformity with GAAP requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Concluded**

Leases and Subscription-Based IT Arrangements (“SBITAs”) – The City recognizes a lease/SBITA liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease/SBITA liabilities with an initial, individual value of \$25,000 or more.

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

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

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

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

Right-to-use assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

Cumulative shortfall at beginning of year	\$ (531,074)
Current year building permit revenue	33,419
Related expenses - direct costs	(51,064)
Cumulative shortfall at end of year	<u><u>\$ (548,719)</u></u>

**NOTE 3. DEPOSITS AND INVESTMENTS**

As of June 30, 2025, the City had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2025, \$10,973,677 of the City’s bank balance of \$11,973,677 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$15,374,182.

Custodial Credit Risk - Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
Michigan CLASS Investment Pool	\$ 358,327	0.2329
Total Fair Value	<u><u>\$ 358,327</u></u>	
Portfolio weighted average maturity		<u><u>0.2329</u></u>

1 day maturity equals approximately .0027 years.

**NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED**

Concentration of Credit Risk - The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Michigan CLASS Investment Pool	\$ 358,327	AAAm	Standard & Poor's
Total	<u>\$ 358,327</u>		

Foreign Currency Risk – The City is not authorized to invest in investments that have this type of risk.

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

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

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

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

The City has \$358,327 of Level 1 assets with recurring fair value measurements at year-end, comprised of holdings at Michigan CLASS.

The City has \$7,997,537 of Level 2 assets with recurring fair value measurements at year-end, comprised of certificates of deposit.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**

Investments in Entities that Calculate Net Asset Value per Share - The City holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

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

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency, if Eligible</b>	<b>Redemption Notice Period</b>
Michigan CLASS Investment Pool	\$ 358,327	\$ -	No restrictions	None
Total	<u>\$ 358,327</u>	<u>\$ -</u>		

The following summarizes the deposits and investments as of June 30, 2025:

	<b>Primary Government</b>	<b>Fiduciary Funds</b>	<b>Component Units</b>	<b>Total</b>
Cash on hand	\$ 325	\$ -	\$ -	\$ 325
Bank deposits	6,572,016	167,500	77,521	6,817,037
Certificates of deposit	7,589,699	-	407,838	7,997,537
Michigan CLASS Investment Pool	358,327	-	-	358,327
Restricted cash and cash equivalents	726,783	-	-	726,783
Total	<u>\$ 15,247,150</u>	<u>\$ 167,500</u>	<u>\$ 485,359</u>	<u>\$ 15,900,009</u>

**NOTE 4. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated/ amortized				
Land	\$ 530,222	\$ -	\$ -	\$ 530,222
Construction in progress	4,168,629	1,519,408	(4,074,800)	1,613,237
Subtotal	<u>\$ 4,698,851</u>	<u>\$ 1,519,408</u>	<u>\$ (4,074,800)</u>	<u>\$ 2,143,459</u>
Capital assets being depreciated/ amortized				
Roads and sidewalks	\$ 12,829,866	\$ -	\$ -	\$ 12,829,866
Buildings and improvements	2,461,360	6,085,796	-	8,547,156
Furniture and equipment	2,226,310	-	-	2,226,310
Vehicles	1,425,421	-	-	1,425,421
Other furnishings	128,241	-	-	128,241
Subtotal	<u>\$ 19,071,198</u>	<u>\$ 6,085,796</u>	<u>\$ -</u>	<u>\$ 25,156,994</u>
Accumulated depreciation/ amortization				
Roads and sidewalks	\$ (11,409,478)	\$ (211,456)	\$ -	\$ (11,620,934)
Buildings and improvements	(1,363,896)	(104,928)	-	(1,468,824)
Furniture and equipment	(1,515,042)	(84,079)	-	(1,599,121)
Vehicles	(1,352,242)	(28,214)	-	(1,380,456)
Other furnishings	(99,624)	(9,498)	-	(109,122)
Subtotal	<u>\$ (15,740,282)</u>	<u>\$ (438,175)</u>	<u>\$ -</u>	<u>\$ (16,178,457)</u>
Net capital assets being depreciated/ amortized	<u>\$ 3,330,916</u>			<u>\$ 8,978,537</u>
Net capital assets	<u>\$ 8,029,767</u>			<u>\$ 11,121,996</u>

**NOTE 4. CAPITAL ASSETS, CONCLUDED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Business-Type Activities</i></b>				
Capital assets not being depreciated/ amortized				
Land	\$ 40,776	\$ -	\$ -	\$ 40,776
Construction in progress	1,079,689	6,716,892	-	7,796,581
Subtotal	<u>\$ 1,120,465</u>	<u>\$ 6,716,892</u>	<u>\$ -</u>	<u>\$ 7,837,357</u>
Capital assets being depreciated/ amortized				
Buildings and improvements	\$ 17,001,749	\$ -	\$ -	\$ 17,001,749
Furniture and equipment	2,363,671	455,436	-	2,819,107
Other improvements	7,309,584	-	-	7,309,584
Subtotal	<u>\$ 26,675,004</u>	<u>\$ 455,436</u>	<u>\$ -</u>	<u>\$ 27,130,440</u>
Accumulated depreciation/amortization				
Buildings and improvements	\$ (8,856,714)	\$ (550,732)	\$ -	\$ (9,407,446)
Furniture and equipment	(1,811,974)	(76,857)	-	(1,888,831)
Other improvements	(3,596,338)	(152,429)	-	(3,748,767)
Subtotal	<u>\$ (14,265,026)</u>	<u>\$ (780,018)</u>	<u>\$ -</u>	<u>\$ (15,045,044)</u>
Net capital assets being depreciated/ amortized	<u>\$ 12,409,978</u>			<u>\$ 12,085,396</u>
Net capital assets	<u>\$ 13,530,443</u>			<u>\$ 19,922,753</u>

Depreciation/amortization expense was allocation between functions as follows:

Governmental activities:	
Governmental government	\$ 9,498
Public safety	104,928
Public works	295,535
Recreation and culture	28,214
	<u>\$ 438,175</u>
Business-type activities	<u>\$ 780,018</u>

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The City has the following amounts due between funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	2025 Capital Projects Fund	\$ 400
Street Repair and Maintenance Fund	2025 Capital Projects Fund	60,225
Water and Sewer Fund	2025 Capital Projects Fund	73,476
Cemetery Fund	General Fund	16,999
		<u>\$ 151,100</u>

The 2025 Capital Projects Fund owes the General Fund, Street Repair and Maintenance Fund, and the Water and Sewer Fund for current year operations. The General Fund owes the Cemetery Fund for current year operations.

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Building Authority Construction Fund	General Fund	\$ 250,000
	Water and Sewer Fund	250,000
	Total General Fund	<u>\$ 500,000</u>
Building Authority Debt Fund	General Fund	\$ 149,547
	Water and Sewer Fund	149,547
		<u>\$ 299,094</u>
Capital Projects Fund	General Fund	58,500
Street Repair and Maintenance Fund	General Fund	346,644
Major Street Fund	Street Repair and Maintenance Fund	500,000
Local Streets Fund	Street Repair and Maintenance Fund	183,374
	Total	<u>\$ 1,887,612</u>

The General Fund and Water and Sewer Fund transferred funds to the Building Authority Construction Fund to finance future operational expenditures.

The General Fund and Water and Sewer Fund transferred funds to the Building Authority Construction Fund to assist with operational expenditures.

The General Fund transferred funds to the Capital Projects Fund to assist with operational expenditures.



**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, CONCLUDED**

The General Fund transferred funds to the Street Repair and Maintenance Fund to assist with street repair.

The Street Repair and Maintenance Fund transferred funds to the Local Streets Fund and Major Street Fund to assist with street repair.

**NOTE 6. LONG TERM DEBT**

Long-term debt activity for the year ended June 30<sup>th</sup> can be summarized as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Direct borrowing and direct placements:						
General Obligation Bonds:						
<i>Limited Tax</i>						
Series 2023 limited tax building authority bonds	4.25%-5.00%	\$ 4,840,000	\$ -	\$ (85,000)	\$ 4,755,000	\$ 85,000
Series 2025 limited tax building authority bonds	4.50%	-	2,000,000	-	2,000,000	33,000
Unamortized bond premiums		175,934	-	(9,260)	166,674	9,260
Unamortized bond discounts		(107,562)	5,661	-	(101,901)	(5,661)
Total bonds payable		\$ 4,908,372	\$ 2,005,661	\$ (94,260)	\$ 6,819,773	\$ 121,599
Compensated absences*		111,610	-	28,441	140,051	84,743
<b>Total governmental activities</b>		<b>\$ 5,019,982</b>	<b>\$ 2,005,661</b>	<b>\$ (65,819)</b>	<b>\$ 6,959,824</b>	<b>\$ 206,342</b>

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

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>						
Direct placements:						
General Obligation Bonds						
<i>Revenue Bonds</i>						
Series 2009A water supply and sewage disposal system	2.50%	\$ 630,000	\$ -	\$ (100,000)	\$ 530,000	\$ 100,000
Series 2010 DWRP bond	2.50%	660,000	-	(105,000)	555,000	105,000
Series 2020 water supply and sewage disposal system	2.80%	8,285,000	-	(320,000)	7,965,000	330,000
Series 2024A water supply and sewage disposal system	1.38%	-	2,412,301	-	2,412,301	141,000
Series 2024B water supply and sewage disposal system	1.38%	-	3,659,516	-	3,659,516	114,000
Series 2024C water supply and sewage disposal system	1.38%	-	58,000	-	58,000	57,000
Total bonds payable		\$ 9,575,000	6,129,817	\$ (525,000)	\$ 15,179,817	\$ 847,000
Compensated absences*		26,073	-	7,601	33,674	16,056
<b>Total business-type activities</b>		<b>\$ 9,601,073</b>	<b>\$ 6,129,817</b>	<b>\$ (517,399)</b>	<b>\$ 15,213,491</b>	<b>\$ 863,056</b>

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

**Revenue Bonds** - Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds listed below. The bonds are payable solely from the net revenue from the water and sewer system.

**NOTE 6. LONG TERM DEBT, CONCLUDED**

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

Year Ended June 30,	Direct Placements			Direct Placements		
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 123,000	\$ 209,844	\$ 332,844	\$ 847,000	\$ 246,585	\$ 1,093,585
2027	157,000	205,344	362,344	810,000	236,840	1,046,840
2028	171,000	200,844	371,844	822,000	226,838	1,048,838
2029	173,000	195,844	368,844	845,000	202,150	1,047,150
2030	187,000	190,844	377,844	864,000	186,453	1,050,453
2031-2035	1,066,000	866,720	1,932,720	4,301,000	693,770	4,994,770
2036-2040	1,301,000	702,520	2,003,520	4,831,000	261,870	5,092,870
2041-2045	1,607,000	534,920	2,141,920	796,301	-	796,301
2046-2050	1,150,000	325,128	1,475,128	765,000	-	765,000
2051-2053	820,000	70,754	890,754	298,516	-	298,516
Bond premiums	166,674	-	166,674	-	-	-
Bond discounts	(101,901)	-	(101,901)	-	-	-
Total	\$ 6,819,773	\$ 3,502,762	\$ 44,791,181	\$ 15,179,817	\$ 2,054,506	\$ -

**NOTE 7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League shared risk program for claims relating to workers' compensation and property liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; members premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 8. PENSION PLAN**

Plan Description - The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. 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](http://www.mersofmich.com).

**NOTE 8. PENSION PLAN, CONTINUED**Benefits Provided

For junior officers, retirement benefits are calculated as 2.5 percent of the employee's final three-year average salary. For senior officers, retirement benefits are calculated as 2.5 percent of the employee's final five-year average salary. For all other employees, retirement benefits are calculated as 2.0 percent of the employee's final five-year average salary.

The vesting period is 10 years for all employee divisions.

Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Final average compensation is calculated based on 3 or 5 years based on employee division. Member contributions are 5%.

Employees Covered by Benefit Terms – At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving benefits	30
Active employees	26
	<u>92</u>

Contributions – The City is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions ranged from 5.08% to 12.60% based on employee divisions.

Net Pension Liability – The City'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.

**NOTE 8. PENSION PLAN, CONTINUED**

Actuarial assumptions – 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 3% plus merit and longevity: 3% in the long-term
- Investment rate of return of 7.00% net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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 or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	7.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
	<u>100.0%</u>		<u>7.00%</u>		<u>4.50%</u>

**NOTE 8. PENSION PLAN, CONTINUED**

**Discount rate** – The discount rate used to measure the total pension liability is 7.18%. The current rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas, for funding purposes, it is net of administrative expenses. 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 plans 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Beginning Balance at 12-31-23</b>	\$ 9,709,107	\$ 9,127,145	\$ 581,962
<b>Changes for the Year</b>			
Service cost	203,032	-	203,032
Interest on the total pension liability	678,166	-	678,166
Difference between expected and actual experience	(192,319)	-	(192,319)
Changes in assumptions	(12,092)	-	(12,092)
Employer contributions	-	140,857	(140,857)
Employee contributions	-	89,787	(89,787)
Net investment income	-	674,473	(674,473)
Benefit payments, including employee refunds	(730,824)	(730,824)	-
Administrative expense	-	(19,914)	19,914
Other changes	1	-	1
<b>Net changes</b>	<u>\$ (54,036)</u>	<u>\$ 154,379</u>	<u>\$ (208,415)</u>
<b>Ending Balance at 12-31-24</b>	<u><u>\$ 9,655,071</u></u>	<u><u>\$ 9,281,524</u></u>	<u><u>\$ 373,547</u></u>

**NOTE 8. PENSION PLAN, CONCLUDED**

Sensitivity of the net pension liability/asset to changes in the discount rate – The following presents the net pension liability/asset of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability/asset would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% decrease (6.18%)	Current discount rate (7.18%)	1% increase (8.18%)
Net Pension (Asset) Liability		\$ 373,547	
Change in Net Pension (Asset)			
Liability (NPA/NPL)	1,065,205	-	(889,768)
Calculated NPL	<u>\$ 1,438,752</u>	<u>\$ 373,547</u>	<u>\$ (516,221)</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2025, the City recognized pension expense of \$150,951. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 123,475
Changes in assumptions	15,186	-
Net difference between projected and actual earnings on pension plan investments	358,277	-
Employer contributions to the plan subsequent to the measurement date*	77,665	-
Total	<u>\$ 451,128</u>	<u>\$ 123,475</u>

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

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

Year Ending	Amount
2025	\$ 122,037
2026	209,086
2027	(73,573)
2028	(7,562)
Total	<u>\$ 249,988</u>

**NOTE 9. CONTINGENT LIABILITIES**

**Grants** – In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 10. UPCOMING PRONOUNCEMENTS**

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

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

**NOTE 10. UPCOMING PRONOUNCEMENTS, CONCLUDED**

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

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

**NOTE 11. CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS**

As of June 30, 2025, the calculation of the City's net investment in capital assets in the Statement of Net Position is as follows:

	Governmental Activities	Business-Type Activities
Capital assets being depreciated/amortized, net	\$ 8,978,537	\$ 12,085,396
Capital assets not being depreciated/amortized	2,143,459	7,837,357
Restricted cash and cash equivalents related to debt issuance	-	726,783
Unspent bond proceeds	1,849,999	-
Less:		
Liabilities incurred for capital asset acquisition	(778,706)	-
Long-term debt - due within one year	(121,599)	(847,000)
Long-term debt - due in more than one year	(6,698,174)	(14,332,817)
Net investment in capital assets	<u>\$ 5,373,516</u>	<u>\$ 5,469,719</u>



**NOTE 12. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

As of June 30, 2025, the calculation of the City's unearned revenues and deferred inflows of resources in the Governmental Funds Balance Sheet consist of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Funds</u>
Unearned revenue			
Unspent other grant funding	\$ 24,125	\$ 115,000	\$ 23,339
Deferred inflows of resources			
Unavailable revenue from leases	\$ 52,000	\$ -	\$ -

**NOTE 13. ADJUSTMENTS TO COMPONENT UNITS NET POSITION**

The City has restated its previously issued June 30, 2024, financial statements for the due to other units of government in the Downtown Development Authority. This was incorrectly recorded since it was previously thought that the Downtown Development Authority was going to be dissolved. The accompanying financial statements June 30, 2025, have been restated to reflect this correction. At June 30, 2025, net position increased by \$194,182, and due to other units of government decreased in the Downtown Development Authority. The net position restatement for June 30, 2025, is as follows:

	<u>Downtown Development Authority</u>	<u>Net Position Total Component Units</u>
Net position, as previously stated	\$ 9,037	\$ 284,897
Correction of error	194,182	194,182
Net position, restated	<u>\$ 203,219</u>	<u>\$ 479,079</u>

**NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, the City implemented the following new pronouncement: GASB Statement No. 101, *Compensated Absences*.

**Summary:**

GASB Statement No. 101, *Compensated Absences*, was issued in June 2023. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

**NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE, CONCLUDED**

There was no material impact on the City's financial statement after the adoption of GASB Statement 101.

**NOTE 15. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through January 6, 2026, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition of disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,992,000	\$ 1,998,500	\$ 2,013,063	\$ 14,563
Marijuana taxes	300,000	300,000	350,265	50,265
Property tax administration fees	55,000	55,000	52,989	(2,011)
Federal grants	-	-	29,621	29,621
State grants				
State revenue sharing	803,000	799,000	794,845	(4,155)
Public safety	5,000	81,975	70,800	(11,175)
Charges for services	68,400	80,900	82,725	1,825
Licenses and permits	175,000	177,700	166,746	(10,954)
Interest and rentals				
Interest	50,000	50,000	79,292	29,292
Dividends	7,000	16,000	15,616	(384)
Other revenues				
Other	101,000	74,600	55,091	(19,509)
<b>Total Revenues</b>	<u>\$ 3,556,400</u>	<u>\$ 3,633,675</u>	<u>\$ 3,711,053</u>	<u>\$ 77,378</u>
<b>Expenditures</b>				
General government				
Legislative - Governing body	\$ 303,500	\$ 107,200	\$ 87,844	\$ 19,356
Chief executive - City manager	261,500	173,700	162,882	10,818
Financial and tax administration				
Treasurer	150,100	155,420	142,296	13,124
Assessing equalization	35,500	34,000	32,691	1,309
Clerk	136,200	129,200	118,374	10,826
Other				
Building & grounds	230,500	277,350	217,961	59,389
Elections	73,200	49,700	42,416	7,284
Property rentals	11,500	4,000	3,063	937
Other	4,000	4,000	2,564	1,436
Public safety				
Police	1,262,600	1,100,725	1,055,229	45,496
Fire department	125,150	99,650	84,880	14,770
Traffic and safety program	35,500	28,200	26,485	1,715
Building inspections	85,500	55,100	51,064	4,036
Public works				
Roads, streets, bridges (not Act 51)	379,000	320,200	257,006	63,194
Cemetery	165,800	132,075	112,060	20,015
Health and welfare				
Ambulance	-	30,000	-	30,000
Recreation and culture - Parks and recreation department	129,600	236,425	223,808	12,617
<b>Total Expenditures</b>	<u>\$ 3,389,150</u>	<u>\$ 2,936,945</u>	<u>\$ 2,620,623</u>	<u>\$ 316,322</u>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	\$ 115,000	\$ 115,000	\$ -	\$ (115,000)
Interfund transfers out	(6,500)	(910,050)	(804,691)	105,359
Sale of capital assets	8,667	8,667	8,667	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 117,167</u>	<u>\$ (786,383)</u>	<u>\$ (796,024)</u>	<u>\$ (9,641)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 284,417</u>	<u>\$ (89,653)</u>	<u>\$ 294,406</u>	<u>\$ 384,059</u>
<b>Beginning of Year Fund Balance</b>	<u>1,876,232</u>	<u>1,876,232</u>	<u>1,876,232</u>	
<b>End of Year Fund Balance</b>	<u>\$ 2,160,649</u>	<u>\$ 1,786,579</u>	<u>\$ 2,170,638</u>	

*See notes to required supplemental information.*

**BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS FUND**  
**Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
State grants - State revenue sharing	\$ 525,000	\$ 525,000	\$ 539,221	\$ 14,221
Interest and rentals - Interest	35,000	35,000	42,478	7,478
Total Revenues	<u>\$ 560,000</u>	<u>\$ 560,000</u>	<u>\$ 581,699</u>	<u>\$ 21,699</u>
<b>Expenditures</b>				
Public works				
Road commision/street department (Act 51)	\$ 432,000	\$ 342,300	\$ 307,651	\$ 34,649
Drains (public benefit)	39,500	30,500	27,958	2,542
Capital outlay	-	1,200,000	1,064,553	135,447
Total Expenditures	<u>\$ 471,500</u>	<u>\$ 1,572,800</u>	<u>\$ 1,400,162</u>	<u>\$ 172,638</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ -	\$ 500,000	\$ 500,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	\$ 88,500	\$ (512,800)	\$ (318,463)	<u>\$ 194,337</u>
<b>Beginning of Year Fund Balance</b>	<u>1,046,465</u>	<u>1,046,465</u>	<u>1,046,465</u>	
<b>End of Year Fund Balance</b>	<u><u>\$ 1,134,965</u></u>	<u><u>\$ 533,665</u></u>	<u><u>\$ 728,002</u></u>	

*See notes to required supplemental information.*

**SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Plan Year Ended December 31<sup>st</sup>**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>										
Service cost	\$ 203,032	\$ 221,833	\$ 229,577	\$ 194,211	\$ 173,629	\$ 154,062	\$ 149,614	\$ 148,776	\$ 145,371	\$ 134,606
Interest	678,166	665,536	656,642	614,393	601,309	606,163	583,740	572,661	562,901	544,130
Difference between expected and actual experience	(192,319)	14,212	(114,267)	13,130	99,383	(171,753)	(496)	(149,856)	(164,861)	(197,584)
Changes of assumptions	(12,092)	69,741	-	315,314	230,812	236,263	-	-	-	388,836
Benefit payments including employee refunds	(730,824)	(662,210)	(628,587)	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)
Other	1	1	(1)	29,660	-	75	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>\$ (54,036)</b>	<b>\$ 309,113</b>	<b>\$ 143,364</b>	<b>\$ 591,991</b>	<b>\$ 573,841</b>	<b>\$ 354,944</b>	<b>\$ 294,962</b>	<b>\$ 142,474</b>	<b>\$ 126,301</b>	<b>\$ 417,823</b>
<b>Total Pension Liability - Beginning</b>	<b>\$ 9,709,107</b>	<b>\$ 9,399,994</b>	<b>\$ 9,256,630</b>	<b>\$ 8,664,639</b>	<b>\$ 8,090,798</b>	<b>\$ 7,735,854</b>	<b>\$ 7,440,892</b>	<b>\$ 7,298,418</b>	<b>\$ 7,172,117</b>	<b>\$ 6,754,294</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 9,655,071</b>	<b>\$ 9,709,107</b>	<b>\$ 9,399,994</b>	<b>\$ 9,256,630</b>	<b>\$ 8,664,639</b>	<b>\$ 8,090,798</b>	<b>\$ 7,735,854</b>	<b>\$ 7,440,892</b>	<b>\$ 7,298,418</b>	<b>\$ 7,172,117</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 140,857	\$ 157,404	\$ 137,444	\$ 166,189	\$ 190,600	\$ 162,642	\$ 160,866	\$ 156,042	\$ 148,611	\$ 130,854
Contributions - employee	89,787	103,713	102,292	92,620	85,328	78,515	78,176	74,738	72,878	70,465
Net Investment income (loss)	674,473	938,954	(1,111,311)	1,232,081	1,160,736	1,020,890	(314,508)	964,855	765,979	(105,298)
Benefit payments including employee refunds	(730,824)	(662,210)	(628,587)	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)
Administrative expense	(19,914)	(19,939)	(18,307)	(14,614)	(16,672)	(17,585)	(15,635)	(15,279)	(15,125)	(15,513)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 154,379</b>	<b>\$ 517,922</b>	<b>\$ (1,518,469)</b>	<b>\$ 901,559</b>	<b>\$ 888,700</b>	<b>\$ 774,596</b>	<b>\$ (528,997)</b>	<b>\$ 751,249</b>	<b>\$ 555,233</b>	<b>\$ (371,657)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 9,127,145</b>	<b>\$ 8,609,223</b>	<b>\$ 10,127,692</b>	<b>\$ 9,226,133</b>	<b>\$ 8,337,433</b>	<b>\$ 7,562,837</b>	<b>\$ 8,091,834</b>	<b>\$ 7,340,585</b>	<b>\$ 6,785,352</b>	<b>\$ 7,157,009</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 9,281,524</b>	<b>\$ 9,127,145</b>	<b>\$ 8,609,223</b>	<b>\$ 10,127,692</b>	<b>\$ 9,226,133</b>	<b>\$ 8,337,433</b>	<b>\$ 7,562,837</b>	<b>\$ 8,091,834</b>	<b>\$ 7,340,585</b>	<b>\$ 6,785,352</b>
<b>Employer Net Pension Liability (Asset)</b>	<b>\$ 373,547</b>	<b>\$ 581,962</b>	<b>\$ 790,771</b>	<b>\$ (871,062)</b>	<b>\$ (561,494)</b>	<b>\$ (246,635)</b>	<b>\$ 173,017</b>	<b>\$ (650,942)</b>	<b>\$ (42,167)</b>	<b>\$ 386,765</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)</b>	96%	94%	92%	109%	106%	103%	98%	109%	101%	95%
<b>Covered Employee Payroll</b>	<b>\$ 1,667,755</b>	<b>\$ 1,846,902</b>	<b>\$ 1,926,808</b>	<b>\$ 1,744,576</b>	<b>\$ 1,668,490</b>	<b>\$ 1,521,344</b>	<b>\$ 1,491,015</b>	<b>\$ 1,471,336</b>	<b>\$ 1,429,260</b>	<b>\$ 1,390,319</b>
<b>Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll</b>	22%	32%	41%	-50%	-34%	-16%	12%	-44%	-3%	28%

*See notes to required supplemental information.*

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**  
**Years Ended June 30<sup>th</sup>**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 140,856	\$ 157,403	\$ 137,444	\$ 166,189	\$ 190,600	\$ 166,975	\$ 162,498	\$ 157,913	\$ 159,475	\$ 136,659
Contributions in relation to the actuarially determined contribution	140,856	157,403	137,444	166,189	190,600	166,975	162,498	157,913	159,475	136,659
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,667,755	\$ 1,846,902	\$ 1,926,808	\$ 1,744,576	\$ 1,718,688	\$ 1,572,389	\$ 1,547,564	\$ 1,518,474	\$ 1,518,321	\$ 1,411,015
Contributions as a percentage of covered employee payroll	8.4%	8.5%	7.1%	9.5%	11.1%	10.6%	10.5%	10.4%	10.5%	9.7%

**Notes to Schedule:**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	16 years
Asset valuation method	5 year smoothed market beginning in 2016; 10-year smoothed market prior to 2016
Inflation	2.5%
Salary increases	3% plus merit and longevity: 3% in the long-term
Investment rate of return	7.00%
Retirement age	60 years old
Mortality	Pub-2010 and fully generational MP-2019

Above dates are based on fiscal year, not necessarily the measurement date.

*See notes to required supplemental information.*

**Pension Information**

Changes in Assumptions – None

**Stewardship, Compliance and Accountability****Budgetary Information**

The annual budget is prepared by the City's management and adopted by the City Commission; subsequent amendments are approved by the City Commission. The budgets are prepared on a basis consistent with GAAP, except that operating transfers have been included in the expenditures categories, rather than as other financing uses. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budgets were amended in a legally permissible manner.

The budget documents present information by fund, function, department, and line item. The legal level of budgetary control adopted by the governing body is the department level.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

See previous Budgetary Comparison Schedules for budget variances as they apply to the City.



## **OTHER SUPPLEMENTARY INFORMATION**

**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2025**

	Special Revenue Funds				Capital Projects Fund	Debt Service Fund	
	Local Streets Fund	Dial-A-Ride Fund	Housing Grant Fund	Cemetery Fund	Street Repair and Maintenance Fund	Building Authority Debt Fund	Total Non-Major Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 935,980	\$ 116,520	\$ 24,328	\$ 359,564	\$ 290,036	\$ -	\$ 1,726,428
Interest receivable	6,041	-	-	2,387	939	-	9,367
Due from state	28,517	-	-	-	-	-	28,517
Due from other funds	-	-	-	16,999	60,225	-	77,224
Prepaid expenses	850	-	-	-	-	-	850
Total Assets	<u>\$ 971,388</u>	<u>\$ 116,520</u>	<u>\$ 24,328</u>	<u>\$ 378,950</u>	<u>\$ 351,200</u>	<u>\$ -</u>	<u>\$ 1,842,386</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 157	\$ 116,520	\$ -	\$ -	\$ -	\$ -	\$ 116,677
Accrued wages payable	7,893	-	-	-	-	-	7,893
Unearned revenue	-	-	23,339	-	-	-	23,339
Total Liabilities	<u>\$ 8,050</u>	<u>\$ 116,520</u>	<u>\$ 23,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,909</u>
<b>Fund Balances</b>							
Nonspendable	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850
Restricted	962,488	-	989	-	-	-	963,477
Committed	-	-	-	378,950	351,200	-	730,150
Total Fund Balances	<u>\$ 963,338</u>	<u>\$ -</u>	<u>\$ 989</u>	<u>\$ 378,950</u>	<u>\$ 351,200</u>	<u>\$ -</u>	<u>\$ 1,694,477</u>
Total Liabilities and Fund Balances	<u>\$ 971,388</u>	<u>\$ 116,520</u>	<u>\$ 24,328</u>	<u>\$ 378,950</u>	<u>\$ 351,200</u>	<u>\$ -</u>	<u>\$ 1,842,386</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2025**

	Special Revenue Funds				Capital Projects Fund	Debt Service Fund	Total Non-Major Governmental Funds
	Local Streets Fund	Dial-A-Ride Fund	Housing Grant Fund	Cemetery Fund	Street Repair and Maintenance Fund	Building Authority Debt Fund	
<b>Revenues</b>							
Taxes - Property taxes	\$ -	\$ 114,236	\$ -	\$ -	\$ -	\$ -	114,236
State grants - State revenue sharing	202,073	-	-	-	-	-	202,073
Interest and rentals - Interest	34,201	-	872	13,638	23,890	-	72,601
Other revenues	-	-	-	4,718	-	-	4,718
Total Revenues	<u>\$ 236,274</u>	<u>\$ 114,236</u>	<u>\$ 872</u>	<u>\$ 18,356</u>	<u>\$ 23,890</u>	<u>\$ -</u>	<u>\$ 393,628</u>
<b>Expenditures</b>							
Public works							
Road commission/street department (Act 51)	\$ 243,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,509
Drains (public benefit)	23,345	-	-	-	-	-	23,345
Department of public works	-	114,236	-	-	570	-	114,806
Debt service							
Principal	-	-	-	-	-	85,000	85,000
Interest	-	-	-	-	-	214,094	214,094
Total expenditures	<u>\$ 266,854</u>	<u>\$ 114,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 299,094</u>	<u>\$ 680,754</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (30,580)</u>	<u>\$ -</u>	<u>\$ 872</u>	<u>\$ 18,356</u>	<u>\$ 23,320</u>	<u>\$ (299,094)</u>	<u>\$ (287,126)</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	\$ 183,374	\$ -	\$ -	\$ -	\$ 346,644	\$ 299,094	\$ 829,112
Operating transfers out	-	-	-	-	(683,374)	-	(683,374)
Total Other Financing Sources (Uses)	<u>\$ 183,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (336,730)</u>	<u>\$ 299,094</u>	<u>\$ 145,738</u>
<b>Net Change in Fund Balance</b>	<u>\$ 152,794</u>	<u>\$ -</u>	<u>\$ 872</u>	<u>\$ 18,356</u>	<u>\$ (313,410)</u>	<u>\$ -</u>	<u>\$ (141,388)</u>
<b>Fund Balance - Beginning of Year</b>	<u>810,544</u>	<u>-</u>	<u>117</u>	<u>360,594</u>	<u>664,610</u>	<u>-</u>	<u>1,835,865</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 963,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 989</u></u>	<u><u>\$ 378,950</u></u>	<u><u>\$ 351,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,694,477</u></u>

## **SINGLE AUDIT INFORMATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2025**

Federal Grantor / Pass-Through Agency / Program Title	Federal Assistance Listing Number	Federal Awards Expended
<u>U.S. Department of Agriculture</u>		
Direct Program		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 6,129,817
Rural Business Development Grant	10.351	29,621
Total U.S. Department of Agriculture		<u>\$ 6,159,438</u>
<u>U.S. Department of Treasury</u>		
Direct Program		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 48,213
Total U.S. Department of Treasury		<u>\$ 48,213</u>
Total Federal Financial Assistance		<u><u>\$ 6,207,651</u></u>

*See Notes to Schedule of Expenditures of Federal Awards.*

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2025**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Buchanan (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City has elected to not use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Note 3. Balance of Federal Loan Program**

Authorized:

Series 2024A bonds	\$ 7,459,000
Series 2024B bonds	6,000,000
Series 2024C bonds	3,000,000
Total authorized	<u>\$ 16,459,000</u>

Loan Balances at June 30, 2025:

Series 2024A bonds	\$ 2,412,301
Series 2024B bonds	3,659,516
Series 2024C bonds	58,000
Total loan balances at June 30, 2025:	<u>\$ 6,129,817</u>

2024-2025 Activity:

Proceeds	\$ 6,129,817
Expenditures - Capital outlay	6,129,817

**Note 4. Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs**

Nonoperating Revenues from Federal Sources - Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 29,621
Nonoperating Revenues from Federal Sources - Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Funds	48,213
Federal Loan Program Proceeds	6,129,817
Total	<u>\$ 6,207,651</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 6,207,651</u>

**Note 5. Pass-through Subrecipients**

The City did not pass through any federal award dollars to any subrecipient.

## SECTION I – SUMMARY OF AUDITOR’S RESULTS

*Financial Statements*

Type of auditors report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?

☒ Yes☐ No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ Yes☒ none reported

Noncompliance material to financial statements noted?

☐ Yes☒ No*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?

☐ Yes☒ No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ Yes☒ 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 CRF 200.516 (a)?

☐ Yes☒ No

Identification of major programs:

Federal  
Assistance  
Listing

Number(s)      Name of Federal Program or Cluster

10.760      Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes☒ No

SECTION II – STATUS OF PRIOR YEAR FINDINGS

**Finding 2024 – 001**

Bank Reconciliations – Material Weakness

*Criteria:* Management is responsible for performing monthly bank reconciliations in a timely manner. Such reconciliations are a key part of the City’s internal controls, and they must be completed timely so that the City can provide accurate financial information throughout the year, and for purposes of the annual financial statements.

*Condition:* During the course of the audit, we noted the City’s bank reconciliations had not been performed in a timely manner.

*Cause:* Various matters contributed to this condition, including issues with importing payroll details, turnover at the City, and transferring funds between accounts for the purpose of obtaining greater interest income.

*Effect:* These reconciliations not being completed accurately caused misstatements in the City’s general ledger accounts.

*Recommendation:* The City has caught up on performing its bank reconciliations. We recommend to stay current in this process each month, and implement consistent detailed review of the completed reconciliations.

*Management Response:* The City agrees with the above recommendation. We are on track and completing timely bank reconciliations each month and have implemented a review process for accountability and accuracy.

*Status of Finding:* This finding has been remedied and is not repeated for the current year.



SECTION II – STATUS OF PRIOR YEAR FINDINGS, CONTINUED

**Finding 2024 – 002**

Material Audit Adjustments – Material Weakness

*Criteria:* The City is responsible for reporting complete and accurate financial data in accordance with GAAP.

*Condition:* During the audit, it was discovered that there were material adjustments required to reflect accurate ending balances in the City’s general ledger.

*Cause:* The City did not record all entries needed to adjust ending balances due largely to turnover at the City.

*Effect:* Without the proposed audit adjustments, the financial statements would have been materially misstated.

*Recommendation:* The City has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is necessary. We acknowledge City management has increasingly taken responsibility for recording all needed entries prior to the audit.

*Management Response:* The City management understands the accounting treatments for areas that were misstated and will try to record such entries prior to the audit in the future. We believe we have made progress in this area and will continue to do so.

*Status of Finding:* See Financial Statements Finding 2025-001.

## SECTION II – STATUS OF PRIOR YEAR FINDINGS, CONCLUDED

## Finding 2024 – 003

Financial Statements Preparation – Material Weakness

*Criteria:* All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

*Condition:* As is the case with many smaller and medium-sized governmental entities, the City relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's financial statements preparation in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

*Cause:* Management has determined that it was more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

*Effect:* As a result of this condition, the City lacked internal controls over the preparation of financial statements in accordance with GAAP, and instead relied, in part, on its external auditors for assistance with this task.

*Recommendation:* While there are no easy answers to the challenge of balancing the costs and benefits of financial statement expertise we would nevertheless encourage management to increase the level of participation in preparation of the financial statements.

*Management Response:* The City has evaluated the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and considered the personnel who would be involved in this process. For future years, the City will make a concerted effort to have increased involvement in preparation of the financial statements.

*Status of Finding:* See Financial Statements Finding number 2025-002.

SECTION III – CURRENT YEAR FINANCIAL STATEMENT FINDINGS

**Finding 2025 – 001**

Material Audit Adjustments – Material Weakness

*Criteria:* The City is responsible for reporting complete and accurate financial data in accordance with GAAP.

*Condition:* During the audit, it was discovered that there were material adjustments required to reflect accurate ending balances in the City's general ledger.

*Cause:* The City did not record all entries needed to adjust ending balances due largely to turnover at the City.

*Effect:* Without the proposed audit adjustments, the financial statements would have been materially misstated.

*Recommendation:* The City has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is necessary. We acknowledge City management has increasingly taken responsibility for recording all needed entries prior to the audit.

*Management Response:* The City management understands the accounting treatments for areas that were misstated and will try to record such entries prior to the audit in the future. We believe we have made progress in this area and will continue to do so.

**SECTION III – CURRENT YEAR FINANCIAL STATEMENT FINDINGS, CONCLUDED****Finding 2025 – 002**Financial Statements Preparation – Material Weakness

*Criteria:* All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

*Condition:* As is the case with many smaller and medium-sized governmental entities, the City relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's financial statements preparation in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

*Cause:* Management has determined that it was more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

*Effect:* As a result of this condition, the City lacked internal controls over the preparation of financial statements in accordance with GAAP, and instead relied, in part, on its external auditors for assistance with this task.

*Recommendation:* While there are no easy answers to the challenge of balancing the costs and benefits of financial statement expertise we would nevertheless encourage management to increase the level of participation in preparation of the financial statements.

*Management Response:* The City has evaluated the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and considered the personnel who would be involved in this process. For future years, the City will make a concerted effort to have increased involvement in preparation of the financial statements.

**SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings and questioned costs.

## **MANAGEMENT COMPLIANCE LETTERS**



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

To the City Board  
City of Buchanan  
Buchanan, 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, each major fund, and the remaining fund information of the City of Buchanan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Buchanan's basic financial statements and have issued our report thereon dated January 6, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Buchanan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Buchanan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Buchanan'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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Buchanan'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 entity'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.

Respectively submitted,

A handwritten signature in blue ink that reads "Kruegel, Lantieri & Company, LLC". The signature is stylized and cursive.

Certified Public Accountants

St. Joseph, Michigan  
January 6, 2026



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

To the City Board  
City of Buchanan  
Buchanan, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Buchanan'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.



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

### ***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.

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THE UNIFORM GUIDANCE, CONCLUDED**

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.

Respectively submitted,



Certified Public Accountants

St. Joseph, Michigan  
January 6, 2026