

**CITY OF LATHRUP VILLAGE  
OAKLAND COUNTY, MICHIGAN**

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

**YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Lathrup Village, Michigan

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lathrup Village (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 of Lathrup Village'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lathrup Village, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lathrup Village 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.

### ***Change in Accounting Principle***

As discussed in Note 15 to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lathrup Village'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lathrup Village's basic financial statements. The other supplementary information, as listed in the table of contents, is 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maney Costeiran PC*

November 17, 2025

## **CITY OF LATHRUP VILLAGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of City of Lathrup Village's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2025. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Government-wide**

- Total net position was \$25,537,612 (excluding component units).
- Governmental activities net position was \$16,609,466.
- Business-type activity net position was \$8,928,146.
- Component unit net position was \$1,622,909.

#### **Fund Level**

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,700,537 with \$2,097,469 being nonspendable, restricted, committed, or assigned for specific purposes.
- The General Fund realized \$68,521 less in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$234,710 less than appropriated for expenditures and other financing uses.
- Overall, the General Fund balance increased by \$240,854 to \$986,456.

#### **Capital and Long-term Debt Activities**

- The total additions to the capital asset schedule for the primary government were \$1,735,597. Major additions were the Southfield Road resurfacing and the completed City-wide paving program.
- The total long-term obligations for the primary government were \$11,697,985, an increase of \$86,261 from the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), and 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds.

#### **Government-wide Financial Statements (Reporting the City as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned*, and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

## CITY OF LATHRUP VILLAGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Position (page 13) presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 14) presents information showing how the City's net position changed during 2024/2025. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, public safety, public works, community and economic development, recreation activities are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water and Sewer Fund and is an example of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. The Downtown Development Authority is considered a discretely presented component unit of the City.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 16 and 18 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements but are recorded as other financing sources on the fund financial statements.

## CITY OF LATHRUP VILLAGE MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Fund Financial Statements (Reporting the City's Major Funds)**

The fund financial statements, which begin on page 15, provide information on the City's significant (major) funds, and non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, total revenues or total expenditures/expenses that equal at least 10% of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds 5% of those categories for governmental and enterprise funds combined. The major funds for the City of Lathrup Village include the General Fund and the Site Improvement Bond Fund. The Major Streets Fund, Local Streets Fund, and Capital Acquisitions Fund are classified as non-major funds.

The City's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g., income tax, major street, local street, and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g., the Site Improvement Bond Fund), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g., the Capital Acquisition fund).
- ***Proprietary Funds*** - Services for which the City charges customers (whether outside the City structure or a City department) a fee is generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Water and Sewer Fund.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 25 of this report.

### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund as well as schedules of funding progress and schedules of employer contributions related to pension and other post-employment benefit plans.



**CITY OF LATHRUP VILLAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As previously stated, the City of Lathrup Village's combined net position was \$25,537,612 at the end of this fiscal year's operations. The net position of the governmental activities was \$16,609,466; the business-type activities were \$8,928,146.

**Net Position as of June 30, 2024 and 2025**

This table shows, in a condensed format, a comparative analysis of the net position, as of June 30, 2025 and June 30, 2024:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024*	2025	2024*	2025	2024*
<b>ASSETS</b>						
Current Assets	\$ 6,212,219	\$ 5,490,148	\$ 2,171,657	\$ 2,497,603	\$ 8,383,876	\$ 7,987,751
Capital Assets	21,471,570	22,537,662	15,680,973	14,531,464	37,152,543	37,069,126
<b>TOTAL ASSETS</b>	<b>\$ 27,683,789</b>	<b>\$ 28,027,810</b>	<b>\$ 17,852,630</b>	<b>\$ 17,029,067</b>	<b>\$ 45,536,419</b>	<b>\$ 45,056,877</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 401,546</b>	<b>\$ 452,627</b>	<b>\$ 54,756</b>	<b>\$ 61,722</b>	<b>\$ 456,302</b>	<b>\$ 514,349</b>
<b>LIABILITIES</b>						
Current Liabilities	\$ 1,100,439	\$ 1,428,798	\$ 1,183,634	\$ 1,243,266	\$ 2,284,073	\$ 2,672,064
Noncurrent Liabilities	7,521,241	8,430,014	7,793,656	7,246,293	15,314,897	15,676,307
<b>TOTAL LIABILITIES</b>	<b>\$ 8,621,680</b>	<b>\$ 9,858,812</b>	<b>\$ 8,977,290</b>	<b>\$ 8,489,559</b>	<b>\$ 17,598,970</b>	<b>\$ 18,348,371</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 2,854,189</b>	<b>\$ 2,258,196</b>	<b>\$ 1,950</b>	<b>\$ 390</b>	<b>\$ 2,856,139</b>	<b>\$ 2,258,586</b>
<b>NET POSITION</b>						
Net investment in Capital Assets	\$ 17,531,368	\$ 18,074,686	\$ 8,026,780	\$ 7,515,288	\$ 25,558,148	\$ 25,589,974
Restricted	1,814,225	1,401,770	-	-	1,814,225	1,401,770
Unrestricted	(2,736,127)	(3,113,027)	901,366	1,085,552	(1,834,761)	(2,027,475)
<b>TOTAL NET POSITION</b>	<b>\$ 16,609,466</b>	<b>\$ 16,363,429</b>	<b>\$ 8,928,146</b>	<b>\$ 8,600,840</b>	<b>\$ 25,537,612</b>	<b>\$ 24,964,269</b>

\*The 2024 numbers have not been updated for the adoption of GASB 101.

## CITY OF LATHRUP VILLAGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2024 and 2025.

	Governmental Activities		Business-type Activities		Total	
	2025	2024*	2025	2024*	2025	2024*
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 624,347	\$ 1,068,909	\$ 2,429,226	\$ 2,508,524	\$ 3,053,573	\$ 3,577,433
Grants and contributions	29,984	53,482	-	-	29,984	53,482
Capital grants and contributions	-	-	213,321	34,525		34,525
General revenues						
Property taxes	4,103,794	3,923,048	-	-	4,103,794	3,923,048
State shared revenue	1,153,000	1,141,350	-	-	1,153,000	1,141,350
Investment earnings	122,932	180,315	33,352	145,172	156,284	325,487
Miscellaneous	277,136	315,336	-	-	277,136	315,336
Gain on sale of assets	7,181	-	-	-	7,181	-
<b>TOTAL REVENUES</b>	<b>6,318,374</b>	<b>6,682,440</b>	<b>2,675,899</b>	<b>2,688,221</b>	<b>8,780,952</b>	<b>9,370,661</b>
<b>EXPENSES</b>						
General government	1,429,392	1,767,033	-	-	1,429,392	1,767,033
Public safety	2,464,328	2,328,123	-	-	2,464,328	2,328,123
Public works	1,661,490	1,394,717	-	-	1,661,490	1,394,717
Community development	323,428	-	-	-	323,428	-
Recreation and culture	8,663	2,300	-	-	8,663	2,300
Water and Sewer	-	-	2,348,593	2,417,226	2,348,593	2,417,226
Interest on long-term obligations	60,663	130,225	-	-	60,663	130,225
<b>TOTAL EXPENSES</b>	<b>5,947,964</b>	<b>5,622,398</b>	<b>2,348,593</b>	<b>2,417,226</b>	<b>8,296,557</b>	<b>8,039,624</b>
Change in net position	370,410	1,060,042	327,306	270,995	697,716	1,331,037
Net position - beginning, as restated	16,239,056	15,303,387	8,600,840	8,329,845	24,839,896	23,633,232
Net position - ending	<u>\$ 16,609,466</u>	<u>\$ 16,363,429</u>	<u>\$ 8,928,146</u>	<u>\$ 8,600,840</u>	<u>\$ 25,537,612</u>	<u>\$ 24,964,269</u>

\*The 2024 numbers have not been updated for the adoption of GASB 101.

### **Governmental Activities**

The result of 2024/2025 governmental activity was an increase of \$370,410 in net position to \$16,609,466. Of the total governmental activities net position, \$17,531,368 is invested in capital assets less related debt, \$1,814,225 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of (\$2,736,127) is listed as unrestricted, having no legal commitment.

### **Revenues**

The three largest revenue categories were property taxes at 65%, charges for services at 10%, and state shared revenue at 18%. The City levied a property tax millage for the year ended June 30, 2025, for general government operations at 17.3001 mills, 2.5948 mills for refuse, 3.9307 for debt service, and 1.8823 mills for the DDA. Charges for services, which reimburse the City for specific activities, examples include items such as building and trade permits, room rental fees, police fees, recreation fees and contributions, and administrative charges.

### **Expenses**

Public Safety is the largest governmental activity, expending approximately 41% of the governmental activities total on law enforcement, fire protection, and code enforcement. Water & Sewer is the second largest governmental activity, expended 28% of the governmental activities total. General government is the third largest area, expending approximately 24% of the governmental activities total.

**CITY OF LATHRUP VILLAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-type Activities**

Net position in business-type activities increased by \$327,306 during fiscal year 2024/2025. Of the business-type activities net position, \$8,026,780 is invested in capital assets net of related debt. The balance of \$901,366 is listed as unrestricted, having no legal commitment.

**FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS**

As the City completed 2024/2025, its governmental funds reported *combined* fund balances of \$2,700,537. This is a net increase of \$647,391. The net changes are summarized in the following chart:

	General Fund	Street Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance June 30, 2024	\$ 745,602	\$ 74,367	\$ 1,233,177	\$ 2,053,146
Fund Balance June 30, 2025	\$ 986,456	\$ 167,428	\$ 1,546,653	\$ 2,700,537
Net Change	\$ 240,854	\$ 93,061	\$ 313,476	\$ 647,391

**General Fund**

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement, or Council policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2025, the General Fund reported a fund balance of \$986,456. This amount is a net increase of \$240,854 from the fund balance of \$745,602 reported as of June 30, 2024. The 2025/2026 original budget had called for a \$12,077 increase in fund balance.

The General Fund 2024/2025 revenues exceeded 2024/2025 expenditures by \$240,854 due to one-time special assessments (sidewalk/ditch/culvert) revenue and interest earnings.

**General Fund Budgetary Highlights**

The City of Lathrup Village's budget is a dynamic document. Although adopted in May (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$5,107,233, which is \$68,521 less than the final amended budget.

Actual City expenditures and other financing uses for 2024/2025 were \$234,710 less than the final budget. This was mainly due to staff vacancies throughout the fiscal year, leading to savings on wages and employee health insurance.

**CITY OF LATHRUP VILLAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Enterprise Funds**

As the City completed 2024/2025, its Water and Sewer fund reported *combined* net position of \$8,928,146. This is a net increase of \$327,306 resulting from current year operations. Of the entire net position, \$8,026,780 is invested in capital assets, net of related debt and \$901,366 is unrestricted. The net changes are summarized in the following chart.

	Water and Sewer
Net Position June 30, 2024	\$ 8,600,840
Net Position June 30, 2025	\$ 8,928,146
Net Change	\$ 327,306

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2024/2025, the City had invested \$36,976,164, net of accumulated depreciation, in a broad range of capital assets (see table below). Additional information related to capital assets is detailed in Note 7 of the Financial Statements.

	Governmental Activities	Business-type Activities	Totals
Land	\$ 299,678	\$ -	\$ 299,678
Construction in progress	84,246	3,105,951	3,190,197
Right of ways	12,402,720	-	12,402,720
Buildings, net	300,402	-	300,402
Utility system, net	-	12,215,353	12,215,353
Machinery and equipment, net	372,335	157,174	529,509
Vehicles, net	-	26,116	26,116
Infrastructure	8,012,189	-	8,012,189
Capital assets, net	<u>\$ 21,471,570</u>	<u>\$ 15,504,594</u>	<u>\$ 36,976,164</u>

Long-term Obligations - As of June 30, 2025, the City had \$11,697,985 in long-term obligations outstanding for the primary government. This level of net obligation is \$86,261 more than the obligation recorded as of June 30, 2024.

**CITY OF LATHRUP VILLAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OUTSTANDING DEBT AS OF JUNE 30, 2024**

	Restated Balance <u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2025</u>
Primary Government				
Governmental activities				
Other debt	\$ 4,446,904	\$ -	\$ (517,415)	\$ 3,929,489
Direct borrowings and direct placements	16,072	-	(5,359)	10,713
Compensated absences	273,566	-	(2,261)	271,305
Business-type activities				
Other debt	5,543,331	-	(304,352)	5,238,979
Direct borrowings and direct placements	1,326,222	947,613	(35,000)	2,238,835
Compensated absences	5,629	3,035	-	8,664
	<u>\$ 11,611,724</u>	<u>\$ 950,648</u>	<u>\$ (864,387)</u>	<u>\$ 11,697,985</u>
Total Primary Government				

A more detailed discussion of the City's long-term debt obligations is presented in Note 8 to the financial statements.

**CITY OF LATHRUP VILLAGE'S GOVERNMENT ECONOMIC OUTLOOK**

The City's budget for next year will require tough decisions by the City Council and the citizens of Lathrup Village, being mindful of our long-term obligations. There are several economic factors that will challenge the City. The challenges include inflation, potential cuts to personal property tax, reduction in State Shared Revenue health insurance increases, pension and OPEB costs, overall millage rate, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment (Headlee) and Proposal A passed in 1993 both limit growth to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation, and Proposal A limits increases in individual property tax assessments to the rate of inflation. Previously, city residents approved a Headlee rollback in May 2010; however, the rollback expired, and the continued shortfalls in revenue have required the City to rely on its fund balances in previous years. This practice is not financially or fiscally responsible. It is noted that a Headless rollback ballot initiative has been placed on the November 2025 Lathrup Village ballot for consideration by the residents.

**CONTACTING THE CITY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Lathrup Village's Finance Director at (248) 557-2600, ext. 227.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LATHRUP VILLAGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Current assets				
Cash, cash equivalents, and investments	\$ 2,359,098	\$ 818,313	\$ 3,177,411	\$ 808,547
Cash, cash equivalents, and investments - restricted	308,302	707,084	1,015,386	-
Receivables, net	264,637	627,713	892,350	9,697
Leases receivable	2,931,264	-	2,931,264	-
Internal balances	(11,642)	11,642	-	-
Due from other governmental units	118,004	-	118,004	-
Prepays	242,556	6,905	249,461	1,315
Total current assets	6,212,219	2,171,657	8,383,876	819,559
Noncurrent assets				
Cash on hand at the county	-	176,379	176,379	-
Capital assets not being depreciated	12,786,644	3,105,951	15,892,595	73,631
Capital assets being depreciated, net	8,684,926	12,398,643	21,083,569	814,696
Total noncurrent assets	21,471,570	15,680,973	37,152,543	888,327
<b>TOTAL ASSETS</b>	<b>27,683,789</b>	<b>17,852,630</b>	<b>45,536,419</b>	<b>1,707,886</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	401,546	54,756	456,302	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	319,888	245,239	565,127	77,830
Accrued liabilities	161,313	51,243	212,556	7,147
Due to other governmental units	-	43,488	43,488	-
Unearned revenue	20,776	500,000	520,776	-
Accrued interest	40,688	-	40,688	-
Current portion of compensated absences	-	8,664	8,664	-
Current portion of long-term obligations	557,774	335,000	892,774	-
Total current liabilities	1,100,439	1,183,634	2,284,073	84,977
Noncurrent liabilities				
Noncurrent portion of compensated absences	271,305	-	271,305	-
Noncurrent portion of long-term obligations	3,382,428	7,142,814	10,525,242	-
Net pension liability	2,200,481	300,065	2,500,546	-
Net OPEB liability	1,667,027	350,777	2,017,804	-
Total noncurrent liabilities	7,521,241	7,793,656	15,314,897	-
<b>TOTAL LIABILITIES</b>	<b>8,621,680</b>	<b>8,977,290</b>	<b>17,598,970</b>	<b>84,977</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Lease related	2,842,012	-	2,842,012	-
Deferred inflows related to OPEB	12,177	1,950	14,127	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,854,189</b>	<b>1,950</b>	<b>2,856,139</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	17,531,368	8,026,780	25,558,148	888,327
Restricted for:				
Roads and street improvements	1,546,611	-	1,546,611	-
Rubbish	140,874	-	140,874	-
Debt service	126,740	-	126,740	-
Unrestricted	(2,736,127)	901,366	(1,834,761)	734,582
<b>TOTAL NET POSITION</b>	<b>\$ 16,609,466</b>	<b>\$ 8,928,146</b>	<b>\$ 25,537,612</b>	<b>\$ 1,622,909</b>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,429,392	\$ 574,074	\$ 27,418	\$ -	\$ (827,900)	\$ -	\$ (827,900)	\$ -
Public safety	2,464,328	25,683	-	-	(2,438,645)	-	(2,438,645)	-
Public works	1,661,490	15,524	2,566	-	(1,643,400)	-	(1,643,400)	-
Community and economic development	323,428	9,066	-	-	(314,362)	-	(314,362)	-
Recreation and culture	8,663	-	-	-	(8,663)	-	(8,663)	-
Interest on long-term obligations	60,663	-	-	-	(60,663)	-	(60,663)	-
Total governmental activities	5,947,964	624,347	29,984	-	(5,293,633)	-	(5,293,633)	-
Business-type activities								
Water and Sewer	2,348,593	2,429,226	-	213,321	-	293,954	293,954	-
Total primary government	\$ 8,296,557	\$ 3,053,573	\$ 29,984	\$ 213,321	(5,293,633)	293,954	(4,999,679)	-
Component unit								
Downtown Development Authority	\$ 360,386	\$ 31,223	\$ -	\$ -	-	-	-	(329,163)
		General revenues						
		Property taxes			4,103,794	-	4,103,794	468,157
		Intergovernmental			1,153,000	-	1,153,000	500
		Investment earnings			122,932	33,352	156,284	39,580
		Miscellaneous			277,136	-	277,136	6,100
		Gain on sale of assets			7,181	-	7,181	-
		Total general revenues			5,664,043	33,352	5,697,395	514,337
		Change in net position			370,410	327,306	697,716	185,174
		Net position, beginning of the year, as previously presented			16,363,429	8,600,840	24,964,269	1,437,735
		Adjustments to beginning net position			(124,373)	-	(124,373)	-
		Net position, beginning of the year, as restated			16,239,056	8,600,840	24,839,896	1,437,735
		Net position, end of the year			\$ 16,609,466	\$ 8,928,146	\$ 25,537,612	\$ 1,622,909

See accompanying notes to financial statements.



**CITY OF LATHRUP VILLAGE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2025**

	General Fund	Street Improvement Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 855,830	\$ -	\$ 1,503,268	\$ 2,359,098
Cash, cash equivalents, and investments - restricted	140,874	167,428	-	308,302
Receivables				
Property taxes	5,256	-	-	5,256
Special assessments	117,631	-	50,062	167,693
Accounts	23,606	-	68,082	91,688
Leases receivable	2,931,264	-	-	2,931,264
Due from other governmental units	86,168	-	31,836	118,004
Prepaid expenditures	242,514	-	42	242,556
<b>TOTAL ASSETS</b>	<b>\$ 4,403,143</b>	<b>\$ 167,428</b>	<b>\$ 1,653,290</b>	<b>\$ 6,223,861</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 263,839	\$ -	\$ 56,049	\$ 319,888
Accrued liabilities	160,787	-	526	161,313
Due to other funds	11,642	-	-	11,642
Unearned revenue	20,776	-	-	20,776
<b>TOTAL LIABILITIES</b>	<b>457,044</b>	<b>-</b>	<b>56,575</b>	<b>513,619</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Lease related	2,842,012	-	-	2,842,012
Unavailable revenue - special assessments	117,631	-	50,062	167,693
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,959,643</b>	<b>-</b>	<b>50,062</b>	<b>3,009,705</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	242,514	-	42	242,556
Restricted				
Roads and street improvements	-	-	1,546,611	1,546,611
Rubbish	140,874	-	-	140,874
Debt service	-	167,428	-	167,428
Unassigned	603,068	-	-	603,068
<b>TOTAL FUND BALANCES</b>	<b>986,456</b>	<b>167,428</b>	<b>1,546,653</b>	<b>2,700,537</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,403,143</b>	<b>\$ 167,428</b>	<b>\$ 1,653,290</b>	<b>\$ 6,223,861</b>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2025**

**Total fund balances - governmental funds** **\$ 2,700,537**

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

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

The cost of capital assets is	\$ 32,977,357	
Accumulated depreciation is	<u>(11,505,787)</u>	
Capital assets, net		21,471,570

Long-term receivables are not available to pay for current period expenditures and are therefore deferred inflows of resources in the funds.		167,693
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Governmental funds report actual pension and OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability and net OPEB liability as of the measurement date. Resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	401,546	
Deferred inflows of resources related to OPEB	<u>(12,177)</u>	
		389,369

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Accrued interest payable	(40,688)	
Net other post-employment benefits (OPEB) liability	(1,667,027)	
Compensated absences	(271,305)	
Net pension liability	(2,200,481)	
Long-term obligations	<u>(3,940,202)</u>	
		<u>(8,119,703)</u>

<b>Net position of governmental activities</b>		<b><u>\$ 16,609,466</u></b>
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**CITY OF LATHRUP VILLAGE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2025**

	General Fund	(Formerly Major) Major Street Fund	(Formerly Major) Local Street Fund	Street Improvement Bond Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 3,578,312			\$ 676,812	\$ -	\$ 4,255,124
Special assessments	95,949			-	-	95,949
Licenses and permits	187,049			-	-	187,049
Intergovernmental	553,570			-	629,414	1,182,984
Charges for services	210,828			-	-	210,828
Fines and forfeitures	58,326			-	-	58,326
Interest and rents	218,346			4,748	6,380	229,474
Other	179,999			-	22,332	202,331
<b>TOTAL REVENUES</b>	<b>5,082,379</b>			<b>681,560</b>	<b>658,126</b>	<b>6,422,065</b>
<b>EXPENDITURES</b>						
Current						
General government	1,749,570			-	-	1,749,570
Public safety	2,517,173			-	-	2,517,173
Public works	594,220			-	323,428	917,648
Recreation and culture	5,416			-	-	5,416
Debt service	-			588,499	-	588,499
Capital outlay	-			-	3,549	3,549
<b>TOTAL EXPENDITURES</b>	<b>4,866,379</b>			<b>588,499</b>	<b>326,977</b>	<b>5,781,855</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>216,000</b>			<b>93,061</b>	<b>331,149</b>	<b>640,210</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of asset	7,181			-	-	7,181
Transfers in	17,673			-	102,500	120,173
Transfers out	-			-	(120,173)	(120,173)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>24,854</b>			<b>-</b>	<b>(17,673)</b>	<b>7,181</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>240,854</b>			<b>93,061</b>	<b>313,476</b>	<b>647,391</b>
<b>FUND BALANCES</b>						
Beginning of year, as previously presented	745,602	894,492	321,392	74,367	17,293	2,053,146
Adjustments to beginning fund balances	-	(894,492)	(321,392)	-	1,215,884	-
Beginning of the year, as restated	745,602	-	-	74,367	1,233,177	2,053,146
End of year	\$ 986,456	\$ -	\$ -	\$ 167,428	\$ 1,546,653	\$ 2,700,537

See accompanying notes to financial statements.

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

**Net change in fund balances - total governmental funds** **\$ 647,391**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	199,385
Depreciation expense		<u>(1,265,477)</u>

Excess of depreciation expense over capital outlay	(1,066,092)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(110,872)
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Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Principal retirement	410,359
Amortization of bond premium	112,415

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

Change in accrued interest payable	5,062	
Change in other post-employment benefits liability	326,698	
Change in deferred inflows related to OPEB	(9,984)	
Change in net pension liability	104,253	
Change in deferred outflows related to pensions	(51,081)	
Change in accrued compensated absences	<u>2,261</u>	

377,209

<b>Change in net position of governmental activities</b>	<b><u>\$ 370,410</u></b>
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**CITY OF LATHRUP VILLAGE  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2025**

	Business-type Activities Water and Sewer
<b>ASSETS</b>	
Current assets	
Cash, cash equivalents, and investments	\$ 818,313
Cash, cash equivalents, and investments - restricted	707,084
Accounts receivable	627,713
Due from other funds	11,642
Prepays	6,905
Total current assets	<u>2,171,657</u>
Noncurrent assets	
Cash on hand at the county	176,379
Capital assets not being depreciated	3,105,951
Capital assets being depreciated, net	<u>12,398,643</u>
Total noncurrent assets	<u>15,680,973</u>
<b>TOTAL ASSETS</b>	<u><u>17,852,630</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>54,756</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	245,239
Due to other governmental units	43,488
Accrued liabilities	51,243
Unearned revenue	500,000
Current portion of compensated absences	8,664
Current portion of long-term obligations	<u>335,000</u>
Total current liabilities	<u>1,183,634</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations	7,142,814
Net pension liability	300,065
Net OPEB liability	<u>350,777</u>
Total noncurrent liabilities	<u>7,793,656</u>
<b>TOTAL LIABILITIES</b>	<u><u>8,977,290</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to OPEB	<u>1,950</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,026,780
Unrestricted	<u>901,366</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 8,928,146</u></u>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2025**

	Business-type Activities <u>Water and Sewer</u>
OPERATING REVENUES	
Sale of water	\$ 695,738
Sewage disposal charges	1,309,279
Meter charge revenue	69,406
Industrial surcharge	29,502
Penalties and fees	76,841
Other	<u>19,936</u>
 TOTAL OPERATING REVENUES	 <u>2,200,702</u>
OPERATING EXPENSES	
Cost of water	272,201
Cost of sewage	949,181
Industrial surcharge	16,187
Other operating and maintenance costs	256,666
General and administrative	285,918
Depreciation	<u>416,459</u>
 TOTAL OPERATING EXPENSES	 <u>2,196,612</u>
 OPERATING INCOME	 <u>4,090</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	213,321
Investment earnings	33,352
Interest expense and fees	(151,981)
CIP debt service surcharge	<u>228,524</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>323,216</u>
 CHANGE IN NET POSITION	 327,306
Net position, beginning of year	<u>8,600,840</u>
Net position, end of the year	<u><u>\$ 8,928,146</u></u>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2025**

	Business-type Activities <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 2,291,935
Cash paid to/for employees	(335,023)
Cash paid to suppliers/vendors	<u>(2,027,678)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(70,766)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Receipt of interfund balances	<u>293,841</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	947,613
Intergovernmental	713,321
Capital asset acquisitions	(1,536,212)
Principal paid on long-term debt	(320,000)
Interest and fees paid on long-term debt	(171,333)
CIP debt service charge	<u>228,524</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(138,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,596</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND INVESTMENTS	88,584
Cash, cash equivalents, and investments, end of year	<u>1,613,192</u>
Cash, cash equivalents, and investments, end of year	<u><u>\$ 1,701,776</u></u>
Classification of cash and cash equivalents	
Cash, cash equivalents, and investments	\$ 818,313
Cash, cash equivalents, and investments - restricted	707,084
Restricted assets - cash on hand at the county	<u>176,379</u>
	<u><u>\$ 1,701,776</u></u>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS (continued)  
YEAR ENDED JUNE 30, 2025**

	Business-type Activities <u>Water and Sewer</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 4,090
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	416,459
(Increase) decrease in:	
Accounts receivable	91,233
Cash on hand at the County	29,756
Deferred outflows related to pensions	6,966
Prepays	(300)
Increase (decrease) in:	
Accounts payable	75,765
Accrued liabilities	4,584
Due to other governmental units	(638,664)
Net pension liability	(14,216)
Other post-employment benefits liability	(51,034)
Compensated absences	3,035
Deferred inflows related to OPEB	<u>1,560</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u><u>\$ (70,766)</u></u>

See accompanying notes to financial statements.



**CITY OF LATHRUP VILLAGE  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2025**

	<u>OPEB Trust Fund</u>	<u>Custodial Fund Current Tax Collection</u>
ASSETS		
Investments	\$     601,640	\$               -
NET POSITION		
Restricted for other postemployment benefits	<u>\$     601,640</u>	<u>\$               -</u>

See accompanying notes to financial statements.

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

	OPEB Trust Fund	<u>Custodial Fund</u> Current Tax Collection
ADDITIONS		
Net investment income	\$ 50,323	\$ -
Employee contributions	228,199	-
Collection of taxes for other governments	<u>-</u>	<u>10,910,833</u>
TOTAL ADDITIONS	<u>278,522</u>	<u>10,910,833</u>
DEDUCTIONS		
Administrative expenses	1,108	-
Benefit payments including employee refunds	178,199	-
Payment of taxes collected for other governments	<u>-</u>	<u>10,910,833</u>
TOTAL DEDUCTIONS	<u>179,307</u>	<u>10,910,833</u>
NET CHANGE IN FIDUCIARY NET POSITION	99,215	-
Net position, beginning of year	<u>502,425</u>	<u>-</u>
Net position, end of year	<u><u>\$ 601,640</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity

The City is governed by an elected five-member council. As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of the City of Lathrup Village (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended components, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Unit

The Lathrup Village Building Authority is governed by a commission appointed by the City Council. Although it is legally separate from the City, the Lathrup Village Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Unit

These component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between these entities and the City is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component unit:

Downtown Development Authority - The Downtown Development Authority (DDA) is reported within the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the mayor with the City Council's approval. In addition, the Authority's budget is subject to approval by the City Council. The DDA does not issue separate financial statements.

Fiduciary Component Unit

The City of Lathrup Village OPEB plan is governed by the City Council. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the board, and the plan imposes a financial burden to the City.

Joint Ventures

The City is a part of two joint ventures. The government-wide financial statements do not reflect any financial interest in either entity as there is not a definable interest to recognize at this time. The joint ventures are as follows:

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Joint Ventures (continued)

The City is a member of Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of 12 municipalities in Oakland County. The Authority provides refuse disposal services for the benefit of member municipalities. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provided annual funding for its operations. During the current year, the City expensed approximately \$405,000 related to payments to the Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

The City is a member of Southeastern Oakland County Water Authority (the "Water Authority"), which consists of 11 municipalities in Oakland County, Michigan. The City purchases water from the Water Authority. The City appoints one member to the joint venture's governing board, which approves the annual budget. The participating communities provide annual funding for its operations. During the current year, the City expensed approximately \$273,000 related to payments to the Water Authority. The City is unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Water Authority can be obtained from the administrative offices at 3910 Webster, Royal Oak, MI 48073.

Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**FUND FINANCIAL STATEMENTS**

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

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The City reports the following *Major Governmental Funds*:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund. General fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.
- The *Street Improvement Bond Fund* is a debt service fund used to record the street improvement bond proceeds, the proceeds from the voter-approved bond millage, and payment of debt service interest and principal.

The City reports the following *Major Enterprise Fund*:

- The *Water and Sewer Fund* is used to account for the operations required to provide water and sewer services to citizens that are financed primarily by a user charge for the provision of those services.

The City also reports *Fiduciary Funds*, which include amounts held in a fiduciary capacity for others.

- The *OPEB Trust Fund* accumulates resources for future retiree health care payments to retirees.
- The *Custodial Fund* is the *Current Tax Collection Fund* and accounts for taxes collected and distributed to other governments.

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

- *Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than debt service or capital projects, that comprise or are expected to comprise a substantial portion of the fund's total reported inflows.
- *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Measurement Focus

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

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus (continued)

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

Basis of Accounting

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

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

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

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

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

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the revenue and expenditures categories, rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end; encumbrances are not included in expenditures. During the year, the budget was amended in a legally permissible manner.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgets and Budgetary Accounting (continued)

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level (i.e., the level at which expenditures may not legally exceed appropriations). The preceding schedules show the activity in more detail than the legal level of control. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once goods are delivered or the services rendered.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the third Monday in April, the City shall submit to the City Council a recommended budget covering the next fiscal year.
- A public hearing on the proposed budget shall be held before its final adoption at such time and place as the City Council shall direct.
- The budget shall be adopted no later than the third Monday in May of each year.
- The budget is adopted by department on an activity basis in the General Fund and in total in the special revenue funds. Subsequent amendments thereto shall be submitted from time to time by the city administrator for the consideration of the City Council.

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

*Cash, Cash Equivalents, and Investments*

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired as well as Michigan CLASS funds. Investments consist of certificates of deposits with original maturities of greater than 90 days.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Cash, Cash Equivalents, and Investments (continued)*

- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits, investments, and investment policies are in accordance with statutory authority.

The OPEB Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The OPEB Trust has designated one bank for deposit of its funds. The trust's deposits and investment policies are in accordance with statutory authority.

*Receivables*

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

*Due from Other Governmental Units*

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

*Prepaid Expenditures*

Prepays consist of amounts paid in the current year that pertain to the following fiscal year. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

*Leases*

Lessor: The City is a lessor for two cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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



**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Leases (continued)*

Key estimates and judgements include how the City determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

*Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

*Capital Assets*

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

Land, construction in progress, and right of ways are not depreciated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5-80 years
Machinery, equipment, and vehicles	2-25 years
Infrastructure	10-50 years
Utility system	50 years

**CITY OF LATHRUP VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Unearned Revenue*

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided.

*Compensated Absences*

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the proprietary fund and government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations*

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

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

*Pension*

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

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Other Postemployment Benefits*

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

*Deferred Outflows/Inflows of Resources*

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net assets or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net assets or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories. These items correspond the City's net pension and net other post-employment benefits liabilities and are related, when applicable, to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions subsequent to the measurement date. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply. The City also reports unavailable revenues from leases recorded in government-wide and fund level. These amounts are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

The City also reports deferred inflows of resources which arise only under a modified accrual basis of accounting and which qualify for reporting in this category. Accordingly, unavailable revenue is reported only on the governmental funds balance sheet for revenues collected subsequent to 60 days after year end. The deferral in the current year is for taxes levied for subsequent periods, which is related to special assessment revenue. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Classifications*

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

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

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

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

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

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

*Fund Balance Flow Assumptions*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by 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.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Flow Assumptions (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 Council has, by resolution, authorized the city administrator to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Net Position*

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

*Net Position Flow Assumption*

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

Revenues and Expenditures/Expense

*Property Tax*

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

Property taxes are levied by the City on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's operating millage, refuse services, and debt service. The December 1 levy is composed of non-City millages and collections and remittances of all taxes are accounted for in the Current Tax Collection custodial fund. The City's 2024 property tax revenue was levied and collectible on July 1, 2024, when the proceeds of the levy are budgeted and available for the financing of operations.

The City is permitted by charter levy taxes up to 17.5618 mills (\$17.5618 per \$1,000 of taxable valuation) for general governmental services other than the payment of refuse and Debt Service Fund expenditures. The 2024 taxable valuation of the City totaled \$191,618,810 (a portion of which is abated and a portion of which is captured by the TIFA and DDA) on which taxes levied consisted of 17.3001 mills for operating purposes, 2.5948 mills for refuse services, 3.9307 mills for debt service, and 1.8823 for DDA operations.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expense (continued)

*Proprietary Funds Operating Classification*

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

*Use of Estimates*

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

*Tax Abatements*

The City's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2025, the City had deposits and investments subject to the following risk.

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, none of the City's bank balance of \$4,453,328 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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	<u>\$ 750,056</u>	0.105

One day maturity equals 0.0027, one year equals 1.00.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Michigan CLASS Investment Pool	<u>\$ 750,056</u>	AAAm	Standard & Poor's

Foreign Currency Risk

The City is not authorized to invest in investments which 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.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement (continued)

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 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. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The City had no investments that were valued at fair value as of June 30, 2025.

Investments in Entities that Calculate Net Asset Value per Share

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

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

The OPEB Trust Fund holds shares or interests in the MERS total market fund 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. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool	\$ 750,056	\$ -	No restrictions	None
FIDUCIARY FUNDS				
MERS Total Market Portfolio	601,640	-	No restrictions	None
Total investments at NAV	<u>\$ 1,351,696</u>	<u>\$ -</u>		



**CITY OF LATHRUP VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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

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

	Primary Government	Component Units	Fiduciary Funds	Total
Cash, cash equivalents, and investments	\$ 3,177,411	\$ 808,547	\$ -	\$ 3,985,958
Cash, cash equivalents, and investments - restricted	1,015,386	-	-	1,015,386
Investments	-	-	601,640	601,640
	<u>\$ 4,192,797</u>	<u>\$ 808,547</u>	<u>\$ 601,640</u>	<u>\$ 5,602,984</u>
Deposits				
Checking				\$ 4,250,688
Petty cash				600
Michigan CLASS Investment Pool				750,056
MERS Total Market Portfolio				<u>601,640</u>
Total cash, cash equivalents, and investments				<u>\$ 5,602,984</u>

**NOTE 3 - CASH AND CASH EQUIVALENTS - RESTRICTED**

Certain revenues and resources in the government and proprietary fund types are classified as restricted on the balance sheet. The following summarizes the restricted cash and cash equivalents as of June 30, 2025:

	Refuse	Bond Proceeds	Total
Governmental Funds	\$ 140,874	\$ 167,428	\$ 308,302
Enterprise Funds	-	707,084	707,084
Total	<u>\$ 140,874</u>	<u>\$ 874,512</u>	<u>\$ 1,015,386</u>

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LEASE RECEIVABLES**

Significant details regarding outstanding lease receivables are presented below:

Due in monthly installments that vary from \$3,347 to \$6,285 through March 2073, with imputed interest at 3.25%. The lease is for a tower owned by the City. The City recognized \$31,163 in lease revenue and \$33,997 in interest revenue during the fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was \$1,620,021. Also, the City has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 2025, the balance of the deferred inflow of resources was \$1,623,933. \$ 1,620,021

Due in monthly installments that vary from \$5,074 to \$6,800 through May 2053, with imputed interest at 3.25%. The lease is for a tower owned by the City. The City recognized \$20,950 in lease revenue and \$42,986 in interest revenue during the fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was \$1,311,243. Also, the City has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 2025, the balance of the deferred inflow of resources was \$1,218,079. 1,311,243

\$ 2,931,264

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

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

	Water and Sewer Fund
Due to other funds:	
General Fund	<u>\$ 11,642</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year result from the time lag of purchases and payments made between funds.

**CITY OF LATHRUP VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - INTERFUND TRANSFERS**

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

Transfer to General Fund from:	
Nonmajor governmental funds	<u>\$ 17,673</u>
Transfer from nonmajor governmental funds to:	
Nonmajor governmental funds	<u>\$ 102,500</u>

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

**Primary Government**

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental activities				
Capital assets not being depreciated				
Land	\$ 299,678	\$ -	\$ -	\$ 299,678
Construction in progress	-	84,246	-	84,246
Right of ways	12,402,720	-	-	12,402,720
Subtotal	12,702,398	84,246	-	12,786,644
Capital assets being depreciated				
Buildings and improvements	1,311,323	6,856	-	1,318,179
Machinery and equipment	2,131,078	108,283	(21,165)	2,218,196
Infrastructure	16,654,338	-	-	16,654,338
Subtotal	20,096,739	115,139	(21,165)	20,190,713
Less accumulated depreciation for:				
Buildings and improvements	(987,885)	(29,892)	-	(1,017,777)
Machinery and equipment	(1,757,320)	(109,706)	21,165	(1,845,861)
Infrastructure	(7,516,270)	(1,125,879)	-	(8,642,149)
Subtotal	(10,261,475)	(1,265,477)	21,165	(11,505,787)
Net capital assets being depreciated	9,835,264	(1,150,338)	-	8,684,926
Capital assets, net	<u>\$ 22,537,662</u>	<u>\$ (1,066,092)</u>	<u>\$ -</u>	<u>\$ 21,471,570</u>

**CITY OF LATHRUP VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - CAPITAL ASSETS (continued)**

**Primary Government (continued)**

Depreciation expense was charged to the following governmental activities:

General government	\$ 46,281
Public safety	59,508
Public works	1,151,025
Recreation and culture	<u>8,663</u>
Total depreciation expense	<u><u>\$ 1,265,477</u></u>

	<u>Balance July 1, 2024</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2025</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	<u>\$ 2,090,463</u>	<u>\$ 1,457,116</u>	<u>\$ (441,628)</u>	<u>\$ 3,105,951</u>
Capital assets being depreciated				
Utility system	20,568,749	441,628	-	21,010,377
Machinery and equipment	633,142	50,606	-	683,748
Vehicles	<u>69,487</u>	<u>28,490</u>	<u>-</u>	<u>97,977</u>
Subtotal	<u>21,271,378</u>	<u>520,724</u>	<u>-</u>	<u>21,792,102</u>
Less accumulated depreciation for:				
Utility system	(8,404,611)	(390,413)	-	(8,795,024)
Machinery and equipment	(502,902)	(23,672)	-	(526,574)
Vehicles	<u>(69,487)</u>	<u>(2,374)</u>	<u>-</u>	<u>(71,861)</u>
Subtotal	<u>(8,977,000)</u>	<u>(416,459)</u>	<u>-</u>	<u>(9,393,459)</u>
Net capital assets being depreciated	<u>12,294,378</u>	<u>104,265</u>	<u>-</u>	<u>12,398,643</u>
Capital assets, net	<u><u>\$ 14,384,841</u></u>	<u><u>\$ 1,561,381</u></u>	<u><u>\$ (441,628)</u></u>	<u><u>\$ 15,504,594</u></u>

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - CAPITAL ASSETS (continued)**

**Discretely Presented Component Units**

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Downtown Development Authority				
Capital assets not being depreciated				
Construction in progress	\$ 27,972	\$ 45,659	\$ -	\$ 73,631
Capital assets being depreciated				
Infrastructure	640,946	439,126	-	1,080,072
Furniture and equipment	75,432	-	-	75,432
Subtotal	716,378	439,126	-	1,155,504
Less accumulated depreciation for:				
Infrastructure	(249,963)	(55,173)	-	(305,136)
Furniture and equipment	(27,819)	(7,853)	-	(35,672)
Subtotal	(277,782)	(63,026)	-	(340,808)
Net capital assets being depreciated	438,596	376,100	-	814,696
Capital assets, net	\$ 466,568	\$ 421,759	\$ -	\$ 888,327

**NOTE 8 - LONG-TERM OBLIGATIONS**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2025:

	Amount of Issue	Interest Rate Ranges	Principal Maturity Ranges	Restated Balance Jul 1, 2024	Additions	Deletions	Balance Jun 30, 2025	Due within One year
Governmental Activities								
Direct borrowings and direct placements								
Michigan Suburbs Alliance Loan - Energy efficiency and renewable energy projects, maturing in 2027	\$ 80,380	N/A	\$5,359-\$5,354	\$ 16,072	\$ -	\$ (5,359)	\$ 10,713	\$ 5,359
Other debt								
2021 General Obligation Bond, maturing in 2031	\$ 4,720,000	5.00%	\$440,000 - \$655,000	3,660,000	-	(405,000)	3,255,000	440,000
Unamortized bond premiums				786,904	-	(112,415)	674,489	112,415
Total bonds and contracts payable				4,462,976	-	(522,774)	3,940,202	557,774
Other long-term obligations								
Compensated absences <sup>(1)</sup>				273,566	-	(2,261)	271,305	271,305
Total governmental activities				\$ 4,736,542	\$ -	\$ (525,035)	\$ 4,211,507	\$ 829,079

**CITY OF LATHRUP VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM OBLIGATIONS**

	Amount of Issue	Interest Rate Ranges	Principal Maturity Ranges	Balance Jul 1, 2024	Additions	Deletions	Balance Jun 30, 2025	Due within One year
<b>Business-type Activities</b>								
Direct borrowings and direct placements								
State Revolving Fund Obligation, maturing in 2030	\$ 665,142	N/A	\$40,000-\$42,142	\$ 237,142	\$ -	\$ (35,000)	\$ 202,142	\$ 40,000
Evergreen-Farmington Sanitary Drain Drainage District - Bond Series 2023 - CWSRF #5834-01 <sup>(2)</sup>	\$ 3,512,345	1.88%	\$146,118 - \$208,717	1,089,080	947,613	-	2,036,693	-
Total direct borrowings and direct placements				1,326,222	947,613	(35,000)	2,238,835	40,000
Other debt								
2007 General Obligation Bond, maturing in 2027	\$ 995,000	4.75%	\$75,000	220,000	-	(70,000)	150,000	75,000
2021 Capital Improvement Bond, maturing in 2042	\$ 5,380,000	2.00% - 5.00%	\$220,000 - \$350,000	4,975,000	-	(215,000)	4,760,000	220,000
Total other debt				5,195,000	-	(285,000)	4,910,000	295,000
Unamortized bond premiums				348,331	-	(19,352)	328,979	-
Total bonds and contracts payable				6,869,553	947,613	(339,352)	7,477,814	335,000
Other long-term obligations								
Compensated absences <sup>(1)</sup>				5,629	3,035	-	8,664	8,664
Total business-type activities				\$ 6,875,182	\$ 950,648	\$ (339,352)	\$ 7,486,478	\$ 343,664

(1) The change in the compensated absences liability is presented as a net change.

(2) The annual requirements to pay the long-term debt principal and interest outstanding are not shown because the loan has not been fully drawn down and as a result the maturity schedule is not in place at year end, the first payment is anticipated to be made during fiscal year 2027.

The City's outstanding notes from direct borrowings and direct placements related to governmental and business-type activities of \$10,713 and \$2,238,835, respectively, contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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

Governmental Activities				
June 30,	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 440,000	\$ 162,750	\$ 5,359	\$ -
2027	480,000	140,750	5,354	-
2028	515,000	116,750	-	-
2029	560,000	91,000	-	-
2030	605,000	63,000	-	-
2031-2034	655,000	32,750	-	-
	<u>\$ 3,255,000</u>	<u>\$ 607,000</u>	<u>\$ 10,713</u>	<u>\$ -</u>

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM OBLIGATIONS (continued)**

Business-type Activities				
June 30,	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 295,000	\$ 130,282	\$ 40,000	\$ 5,054
2027	300,000	115,594	40,000	4,054
2028	230,000	102,438	40,000	3,054
2029	240,000	90,688	40,000	2,054
2030	245,000	78,563	42,142	1,054
2031-2035	1,350,000	273,571	-	-
2036-2040	1,560,000	150,890	-	-
2041-2042	690,000	14,557	-	-
	<u>\$ 4,910,000</u>	<u>\$ 956,583</u>	<u>\$ 202,142</u>	<u>\$ 15,270</u>

The City entered into an agreement with the drainage board for the Evergreen-Farmington Sanitary Drain Drainage District to allow for the issuance of bonds to finance increasing outlet capacity as part of a corrective action plan submitted to the State of Michigan on behalf of the 15 Oakland County municipalities served by the Evergreen-Farmington Sewage Disposal System. The Evergreen-Farmington Sanitary Drain Drainage District Bonds, Series 2023, were issued in the amount of \$121,070,000, with \$12,107,000 of the bonds anticipated to be forgiven. The City will be responsible for 3.22343 percent of the debt service payments associated with this issuance. As of June 30, 2025, the total balance drawn on these bonds is \$63,184,030, of which \$2,036,693 will be the responsibility of the City. The bonds bear interest at 1.875 percent, and principal payments commence in October 2027.

**NOTE 9 - RETIREMENT 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's 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 MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN (continued)**

Benefits Provided

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

The MERS plan covers general employees, police employees, and department heads. The plan is closed to new hired employees.

Retirement benefits for general employees and nonunion employees hired before January 1, 2008, are calculated as 2.5 percent (80 percent max) of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for police employees are calculated as 2.5 percent (80 percent max) of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for nonunion employees hired after January 1, 2008, are calculated as 2.0 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Retirement benefits for patrol employees are calculated as 2.8 percent (80 percent max) of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

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

At the December 31, 2024, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>2</u>
Total employees covered	<u><u>28</u></u>



**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN (continued)**

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employee contributions range from 3.00% to 6.98% based on annual payroll.

Payable to the Pension Plan

At June 30, 2025, there were no amounts outstanding by the City for contributions to the pension plan required for the year ended June 30, 2025.

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.

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: 2.50%

Salary increases: 3.00% plus merit and longevity, 3.00% in the long-term.

Investment Rate of Return: 7.18%, net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00 - 4.00%.

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 2019-2023.

Projected Cash Flows

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

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN (continued)**

Projected Cash Flows (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Total Allocation Gross Rate of Return</u>	<u>Expected Long-term Real Rate of Return</u>
Global Equity	60.00%	4.50%	2.70%
Global Fixed Income	20.00%	2.16%	0.43%
Private Investments	20.00%	6.50%	1.30%
	<u>100.00%</u>		4.43%
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			<u>7.18%</u>

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. The current discount 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 plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN (continued)**

Change in Net Pension Liability

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

	Increase (Decrease)		
	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2023	\$ 9,037,084	\$ 6,418,069	\$ 2,619,015
Changes for the year			
Service cost	34,374	-	34,374
Interest on total pension liability	623,164	-	623,164
Difference between expected and actual experience	32,699	-	32,699
Changes in assumptions	(19,825)	-	(19,825)
Employer contributions	-	312,480	(312,480)
Employee contributions	-	18,036	(18,036)
Net investment income	-	472,255	(472,255)
Benefit payments, including employee refunds	(750,212)	(750,212)	-
Administrative expense	-	(13,890)	13,890
Net changes	(79,800)	38,669	(118,469)
Balances at December 31, 2024	\$ 8,957,284	\$ 6,456,738	\$ 2,500,546

The governmental activities and business-type activities share of the net pension liability were \$2,200,481 and \$300,065, respectively.

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

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 3,330,195	\$ 2,500,546	\$ 1,787,991

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN (continued)**

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

For the year ended June 30, 2025, the City recognized pension expense of \$277,666. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 287,258	\$ -
Contributions subsequent to the measurement date*	169,044	-
Total	<u>\$ 456,302</u>	<u>\$ -</u>

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

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

Year Ending June 30,	Pension Expense
2026	\$ 133,251
2027	211,575
2028	(52,167)
2029	<u>(5,401)</u>
	<u>\$ 287,258</u>

Changes in Assumptions

Adopted the results of an experience study covering the period of January 1, 2019 through December 31, 2023.

Changes in Benefits

There were no changes of benefit terms during plan year 2024.

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Lathrup Village Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Lathrup Village. Benefit provisions are established by the City Council. The plan does not issue separate stand-alone financial statements.

Summary of Plan Participants

At the July 1, 2023, valuation date with a roll forward measurement date to June 30, 2025, the following employees were covered by the benefit terms:

Eligible retirees/Non-active employees	20
Active employees	<u>2</u>
Total employees covered	<u><u>22</u></u>

Benefits Provided

The City provides medical and pharmacy benefits for eligible retirees and their spouses. Benefits are provided through fully insured plans administered by Blue Cross Blue Shield of Michigan. The plan is closed to new administrative employees hired prior to July 1, 2013 and police employees hired prior to January 1, 2008.

Net OPEB Liability

The City has chosen to use the June 30, 2025 measurement date as its measurement date for the net OPEB liability. The June 30, 2025 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2025 measurement date. The June 30, 2025 measurement date total OPEB liability was determined by an actuarial valuation performed as of July 1, 2023 and was rolled forward to the measurement dated as of June 30, 2025.

Contributions

Retirees health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2025, the City made payments for postemployment health benefit premiums of \$228,199.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Individual Entry Age Normal as a level percentage of payroll  
Discount Rate: 6.93%  
Annual Wage Increases: 2.00%  
Price Inflation: 2.50%  
Investment Rate of Return: 6.93%

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

Healthcare Trend Rate:	
Current year trend	7.25%
Ultimate trend	4.50%
Year ultimate trend is reached:	2036 and later years

Mortality Assumptions: Pub-2010 mortality tables using scale MP-2021.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2025 is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at July 1, 2024	\$ 2,897,961	\$ 502,425	\$ 2,395,536
Changes for the year			
Service cost	6,035	-	6,035
Interest on total pension liability	159,324	-	159,324
Difference between expected and actual experience	14,829	-	14,829
Changes in assumptions	(280,506)	-	(280,506)
Employer contributions	-	228,199	(228,199)
Net investment income	-	50,323	(50,323)
Benefit payments, including employee refunds	(178,199)	(178,199)	-
Administrative expense	-	(1,108)	1,108
Net changes	(278,517)	99,215	(377,732)
Balances at June 30, 2025	\$ 2,619,444	\$ 601,640	\$ 2,017,804

The governmental activities and business-type activities share of the net OPEB liability were \$1,667,027 and \$350,777, respectively.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.93%) or 1-percentage-point higher (7.93%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 2,279,100	\$ 2,017,804	\$ 1,798,612

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,747,876	\$ 2,017,804	\$ 2,336,679

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

For the year ended June 30, 2025, the City recognized OPEB benefit of \$137,989. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (14,127)

Changes in Benefit Terms: No changes in benefit terms during plan year 2025.

Changes in Assumptions:

- Discount rate was increased from 5.66% to 6.93%.
- Investment rate of return was decreased from 7.00% to 6.93%.

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2026	\$ 188
2027	(6,574)
2028	(5,051)
2029	(2,690)
	<u>\$ (14,127)</u>

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN**

The City provides additional pension benefits to all full-time employees hired after July 1, 2013 through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Under the plan, all employees contribute five percent of gross earnings to the plan, and the City matches their contributions at a rate of eight percent for police employees and five percent for all other employees. In accordance with these provisions, the City contributed \$81,717 for the year ended June 30, 2025.

**NOTE 12 - RETIREMENT HEALTH CARE SAVINGS PLAN**

The City provides additional other postemployment benefits to all full-time employees hired after July 1, 2008 through a retiree health care savings plan administered by ICMA - Meritain Health. Under the plan, there are no employee contributions, and the City contributes 2 percent of employees' base salaries into eligible employees' health savings accounts for retirement health care. Contributions to the health savings accounts by the City were \$30,403 for the year ended June 30, 2025.

**NOTE 13 - RISK MANAGEMENT**

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

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE 14 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

In accordance with the Michigan Public Act 245 of 1999, the City is required to maintain a separate accounting of revenues and expenditures related to the building department functions.

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2025:

Deficit at June 30, 2024	\$ (414,341)
Construction code revenue	162,980
Related expenditures - direct costs	(181,564)
Estimated indirect costs	<u>(62,621)</u>
Deficit at June 30, 2025	<u><u>\$ (495,546)</u></u>



**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

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

**Summary:**

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 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

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

**CITY OF LATHRUP VILLAGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)**

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

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

**NOTE 17 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION**

During fiscal year 2025, the changes to or within the financial reporting entity resulted in adjustments to beginning fund balance/net position, as follows:

	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Governmental Activities
Fund balance/net position, as previously reported	\$ 894,492	\$ 321,392	\$ 17,293	\$ 16,363,429
Change from major to nonmajor fund	(894,492)	(321,392)	1,215,884	-
Change in accounting principle (GASB 101)	-	-	-	(124,373)
Fund balance/net position, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,177</u>	<u>\$ 16,239,056</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LATHRUP VILLAGE  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 3,854,780	\$ 3,580,800	\$ 3,578,312	\$ (2,488)
Special assessments	100,000	97,500	95,949	(1,551)
Licenses and permits	122,500	192,000	187,049	(4,951)
Intergovernmental	511,110	476,499	553,570	77,071
Charges for services	226,000	218,481	210,828	(7,653)
Fines and forfeitures	70,000	60,000	58,326	(1,674)
Interest and rents	191,917	296,917	218,346	(78,571)
Other	182,000	228,659	179,999	(48,660)
<b>TOTAL REVENUES</b>	<b>5,258,307</b>	<b>5,150,856</b>	<b>5,082,379</b>	<b>(68,477)</b>
<b>EXPENDITURES</b>				
Current				
General government				
Government services	652,300	776,873	741,580	35,293
Administration	926,990	936,240	879,110	57,130
Buildings and grounds	153,859	150,389	128,880	21,509
Total general government	1,733,149	1,863,502	1,749,570	113,932
Public safety	2,826,556	2,597,856	2,517,173	80,683
Public works	664,025	621,226	594,220	27,006
Recreation and cultural	22,500	18,505	5,416	13,089
<b>TOTAL EXPENDITURES</b>	<b>5,246,230</b>	<b>5,101,089</b>	<b>4,866,379</b>	<b>234,710</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>12,077</b>	<b>49,767</b>	<b>216,000</b>	<b>166,233</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of asset	-	7,226	7,181	(45)
Transfers in	-	17,672	17,673	1
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>24,898</b>	<b>24,854</b>	<b>(44)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>12,077</b>	<b>74,665</b>	<b>240,854</b>	<b>166,189</b>
Fund balance, beginning of year	745,602	745,602	745,602	-
Fund balance, end of year	<u>\$ 757,679</u>	<u>\$ 820,267</u>	<u>\$ 986,456</u>	<u>\$ 166,189</u>

**CITY OF LATHRUP VILLAGE  
RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
LAST TEN MEASUREMENT DATES  
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Changes in Total Pension Liability										
Service cost	\$ 34,374	\$ 33,370	\$ 58,960	\$ 56,707	\$ 58,205	\$ 59,127	\$ 61,401	\$ 65,460	\$ 82,950	\$ 84,814
Interest	623,164	627,904	610,178	615,604	610,908	623,086	623,735	637,504	612,822	588,230
Difference between expected and actual experience	32,699	19,035	272,856	22,665	(263,611)	(83,540)	(73,176)	(211,835)	252,035	29,891
Changes of assumptions	(19,825)	55,168	-	270,517	267,386	264,344	-	-	-	377,460
Benefit payments including employee refunds	(750,212)	(684,942)	(684,405)	(616,440)	(604,252)	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)
Other	-	-	-	-	-	-	-	(93,953)	-	-
Net Change in Total Pension Liability	(79,800)	50,535	257,589	349,053	68,636	241,536	(4,421)	(214,976)	392,855	536,824
Total Pension Liability, beginning	9,037,084	8,986,549	8,728,960	8,379,907	8,311,271	8,069,735	8,074,156	8,289,132	7,896,277	7,359,453
Total Pension Liability, ending	<u>\$ 8,957,284</u>	<u>\$ 9,037,084</u>	<u>\$ 8,986,549</u>	<u>\$ 8,728,960</u>	<u>\$ 8,379,907</u>	<u>\$ 8,311,271</u>	<u>\$ 8,069,735</u>	<u>\$ 8,074,156</u>	<u>\$ 8,289,132</u>	<u>\$ 7,896,277</u>
Changes in Plan Fiduciary Net Position										
Contributions - employer	312,480	\$ 292,272	\$ 294,918	\$ 258,690	\$ 211,512	\$ 199,230	\$ 157,170	\$ 100,914	\$ 74,706	\$ 64,182
Contributions - employee	18,036	22,442	26,948	28,427	29,489	30,089	31,517	38,023	135,489	49,191
Net investment income (loss)	472,255	677,538	(802,841)	891,818	846,102	784,097	(244,887)	809,627	671,396	(94,420)
Benefit payments including employee refunds	(750,212)	(684,942)	(684,405)	(616,440)	(604,252)	(621,481)	(616,381)	(612,152)	(554,952)	(543,571)
Administrative expense	(13,890)	(14,097)	(13,156)	(10,587)	(12,378)	(13,498)	(12,458)	(12,866)	(13,283)	(14,080)
Other	-	-	-	-	-	-	-	(93,953)	-	-
Net Change in Plan Fiduciary Net Position	38,669	293,213	(1,178,536)	551,908	470,473	378,437	(685,039)	229,593	313,356	(538,698)
Plan Fiduciary Net Position, beginning	6,418,069	6,124,856	7,303,392	6,751,484	6,281,011	5,902,574	6,587,613	6,358,020	6,044,664	6,583,362
Plan Fiduciary Net Position, ending	<u>\$ 6,456,738</u>	<u>\$ 6,418,069</u>	<u>\$ 6,124,856</u>	<u>\$ 7,303,392</u>	<u>\$ 6,751,484</u>	<u>\$ 6,281,011</u>	<u>\$ 5,902,574</u>	<u>\$ 6,587,613</u>	<u>\$ 6,358,020</u>	<u>\$ 6,044,664</u>
Employer's Net Pension Liability	<u>\$ 2,500,546</u>	<u>\$ 2,619,015</u>	<u>\$ 2,861,693</u>	<u>\$ 1,425,568</u>	<u>\$ 1,628,423</u>	<u>\$ 2,030,260</u>	<u>\$ 2,167,161</u>	<u>\$ 1,486,543</u>	<u>\$ 1,931,112</u>	<u>\$ 1,851,613</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.08%	71.02%	68.16%	83.67%	80.57%	75.57%	73.14%	81.59%	76.70%	76.55%
Covered Payroll	\$ 229,007	\$ 309,205	\$ 366,011	\$ 385,192	\$ 447,808	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381
Employer's Net Pension Liability as a percentage of covered payroll	1091.91%	847.02%	781.86%	370.09%	363.64%	443.48%	454.13%	294.57%	298.43%	255.97%

**CITY OF LATHRUP VILLAGE  
RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYERS PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS  
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 338,088	\$ 286,872	\$ 297,672	\$ 292,164	\$ 225,216	\$ 197,808	\$ 200,652	\$ 113,688	\$ 88,140	\$ 64,182
Contributions in relation to the actuarially determined contribution	<u>338,088</u>	<u>286,872</u>	<u>297,672</u>	<u>292,164</u>	<u>225,216</u>	<u>197,808</u>	<u>200,652</u>	<u>113,688</u>	<u>88,140</u>	<u>64,182</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 218,323	\$ 309,205	\$ 322,968	\$ 321,064	\$ 461,803	\$ 457,801	\$ 477,215	\$ 504,653	\$ 647,096	\$ 723,381
Contributions as a percentage of covered payroll	154.86%	92.78%	92.17%	91.00%	48.77%	43.21%	42.05%	22.53%	13.62%	8.87%

**CITY OF LATHRUP VILLAGE**  
**RETIRED EMPLOYEES' HEALTH CARE BENEFITS**  
**SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	2025	2024	2023	2022	2021	2020	2019	2018
Changes in Total OPEB Liability								
Service cost	\$ 6,035	\$ 5,755	\$ 7,977	\$ 16,282	\$ 80,712	\$ 64,528	\$ 53,004	\$ 58,875
Interest	159,324	174,118	183,331	135,804	184,803	205,246	194,817	180,037
Difference between actual and expected experience	14,829	(213,636)	(9,780)	(141,665)	(48,359)	123,103	-	-
Change in Assumptions	(280,506)	(378,728)	(339,497)	(2,809,918)	(299,252)	688,405	307,745	(280,471)
Benefit payments including employee refunds	<u>(178,199)</u>	<u>(162,573)</u>	<u>(189,703)</u>	<u>(161,023)</u>	<u>(136,024)</u>	<u>(147,716)</u>	<u>(167,338)</u>	<u>(177,091)</u>
Net Change in Total OPEB Liability	(278,517)	(575,064)	(347,672)	(2,960,520)	(218,120)	933,566	388,228	(218,650)
Total OPEB Liability - beginning	<u>2,897,961</u>	<u>3,473,025</u>	<u>3,820,697</u>	<u>6,781,217</u>	<u>6,999,337</u>	<u>6,065,771</u>	<u>5,677,543</u>	<u>5,896,193</u>
Total OPEB Liability - ending	<u>\$ 2,619,444</u>	<u>\$ 2,897,961</u>	<u>\$ 3,473,025</u>	<u>\$ 3,820,697</u>	<u>\$ 6,781,217</u>	<u>\$ 6,999,337</u>	<u>\$ 6,065,771</u>	<u>\$ 5,677,543</u>
Changes in Plan Fiduciary Net Position								
Contributions-employer	\$ 228,199	\$ 212,573	\$ 239,703	\$ 311,023	\$ 336,024	\$ -	\$ -	\$ -
Net investment income	50,323	42,312	25,334	(26,190)	13,080	-	-	-
Benefit payments including employee refunds	(178,199)	(162,573)	(189,703)	(161,023)	(136,024)	-	-	-
Administrative expense	<u>(1,108)</u>	<u>(904)</u>	<u>(637)</u>	<u>(469)</u>	<u>(101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	99,215	91,408	74,697	123,341	212,979	-	-	-
Plan Fiduciary Net Position - beginning	<u>502,425</u>	<u>411,017</u>	<u>336,320</u>	<u>212,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending	<u>\$ 601,640</u>	<u>\$ 502,425</u>	<u>\$ 411,017</u>	<u>\$ 336,320</u>	<u>\$ 212,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Net OPEB Liability	<u>\$ 2,017,804</u>	<u>\$ 2,395,536</u>	<u>\$ 3,062,008</u>	<u>\$ 3,484,377</u>	<u>\$ 6,568,238</u>	<u>\$ 6,999,337</u>	<u>\$ 6,065,771</u>	<u>\$ 5,677,543</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	22.97%	17.34%	11.83%	8.80%	3.14%	0.00%	0.00%	0.00%
Covered Payroll	\$ 229,007	\$ 172,200	\$ 204,228	\$ 264,171	\$ 340,772	\$ 340,935	\$ 311,227	\$ 316,913
Employer's Net OPEB Liability as a percentage of covered payroll	881.11%	1391.14%	1499.31%	1318.99%	1927.46%	2052.98%	1948.99%	1791.51%

**CITY OF LATHRUP VILLAGE  
 RETIRED EMPLOYEES' HEALTH CARE BENEFITS  
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
 LAST TEN FISCAL YEARS  
 (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 188,086	\$ 189,867	\$ 238,079	\$ 240,805	\$ 409,275	\$ 407,962	\$ 200,426	\$ 181,840	\$ 288,836	\$ 288,836
Contributions in relation to the actuarially determined contribution	<u>228,199</u>	<u>212,573</u>	<u>239,703</u>	<u>311,023</u>	<u>336,024</u>	<u>147,716</u>	<u>167,338</u>	<u>177,091</u>	<u>143,679</u>	<u>138,020</u>
Contribution excess (deficiency)	<u>\$ 40,113</u>	<u>\$ 22,706</u>	<u>\$ 1,624</u>	<u>\$ 70,218</u>	<u>\$ (73,251)</u>	<u>\$ (260,246)</u>	<u>\$ (33,088)</u>	<u>\$ (4,749)</u>	<u>\$ (145,157)</u>	<u>\$ (150,816)</u>
Covered Payroll	\$ 229,007	\$ 172,200	\$ 204,228	\$ 264,171	\$ 340,772	\$ 340,935	\$ 311,227	\$ 316,913	\$ 723,381	\$ 723,381
Contributions as a percentage of covered payroll	99.65%	123.45%	117.37%	117.74%	98.61%	43.33%	53.77%	55.88%	19.86%	19.08%



**CITY OF LATHRUP VILLAGE  
 RETIRED EMPLOYEES' HEALTH CARE BENEFITS  
 SCHEDULE OF OPEB INVESTMENT RETURNS  
 LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)  
 (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	Annual Money-weighted Rate of Return - Net of <u>Investment Expense</u>
2025	9.95%
2024	10.21%
2023	7.45%
2022	(9.90)%
2021	25.11%

Note: the OPEB Trust Fund was established during the fiscal year ended June 30, 2021. As a result, full ten-year information is not available. This schedule is being built prospectively.

**CITY OF LATHRUP VILLAGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 - EMPLOYEE RETIREMENT PLAN**

Actuarial Valuation Information Relative to the Determination of Contributions

Valuation date: December 31, 2024

Measurement date: December 31, 2024

Methods and Assumptions Used to Determine Contribution Rates

Inflation: 2.50%

Salary increases: 3.00% plus merit and longevity, 3.00% in the long-term.

Investment Rate of Return: 7.18%, net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00 - 4.00%.

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 2019-2023.

Changes in Benefits

There were no changes of benefit terms during the plan years reported.

Changes in Assumptions

Plan Year

2024	Adopted the results of an experience study covering the period of January 1, 2019 through December 31, 2023.
2023	Discount rate was lowered from 7.25% to 7.18%. Investment rate of return was lowered from 7.00% to 6.93%, net of administrative and investment expenses.
2021	Discount rate was lowered from 7.60% to 7.25%. Investment rate of return was lowered from 7.35% to 7.00%, net of administrative and investment expenses. Mortality rates were updated to be based on the Pub-2010 mortality tables.
2020	Increases in merit and longevity pay assumptions.
2019	Salary increase was decreased from 3.75% to 3.00%. Discount rate was lowered from 8.00% to 7.60%. Investment rate of return was lowered from 7.75% to 7.35%, net of administrative and investment expenses. Adopted the results of an experience study covering the period of January 1, 2014 through December 31, 2018.
2015	Mortality rates were updated to be based on the RP-2014 group mortality tables. Salary increase was decreased from 4.50% to 3.75%. Discount rate was lowered from 8.25% to 8.00%. Investment rate of return was lowered from 8.00% to 7.75%, net of administrative and investment expenses.

**CITY OF LATHRUP VILLAGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 2 - OTHER POST-EMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Information Relative to the Determination of Contributions

Valuation date: July 1, 2023

Measurement date: June 30, 2025

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Individual Entry Age Normal as a level percentage of payroll

Discount Rate: 6.93%

Annual Wage Increases: 2.00%

Price Inflation: 2.50%

Investment Rate of Return: 6.93%

Healthcare Trend Rate:

Current year trend 7.25%

Ultimate trend 4.50%

Year ultimate trend is reached: 2036 and later years

Mortality Assumptions: Pub-2010 mortality tables using scale MP-2021.

Changes in Benefits

There were no changes in benefit terms during the plan years reported.

Changes in Assumptions

Plan Year

2025	Discount rate increased from 5.66% to 6.93%. Investment rate of return was decreased from 7.00% to 6.93%.
2024	Discount rate decreased from 5.81% to 5.66%. Per-capita premiums were updated to reflect experience.
2023	Salary increases (including inflation) increased from 2.00% to 3.00%. Discount rate increased from 4.91% to 5.81%. Mortality table updated from Pub-2010 mortality tables to the Pub-2010 mortality tables using scale MP-2019.
2022	Discount rate increased from 2.65% to 4.91%.
2021	Discount rate decreased from 2.66% to 2.65%. Healthcare cost trend rate decreased from 8.50% to 7.75%.
2020	Discount rate decreased from 3.36% to 2.66%. Healthcare cost trend rate decreased from 9.00% to 8.50%. Mortality table updated from RP-2014 mortality tables to the Pub-2010 mortality tables.
2019	Discount rate increased from 3.10% to 3.36%.
2018	Discount rate decreased from 4.00% to 3.10%. Healthcare cost trend rate increased from 6.00% to 9.00%, reduced to an ultimate rate 4.50% from 4.00%. Mortality table updated from 2002 United States Life Tables to the RP-2014 mortality tables.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LATHRUP VILLAGE  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2025**

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 995,047	\$ 508,221	\$ -	\$ 1,503,268
Receivables				
Special assessments	-	50,062	-	50,062
Accounts	68,082	-	-	68,082
Due from other governmental units	-	31,836	-	31,836
Prepaid expenditures	21	21	-	42
	<u>21</u>	<u>21</u>	<u>-</u>	<u>42</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,063,150</u></u>	<u><u>\$ 590,140</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,653,290</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 48,508	\$ 7,541	\$ -	\$ 56,049
Accrued liabilities	263	263	-	526
	<u>263</u>	<u>263</u>	<u>-</u>	<u>526</u>
<b>TOTAL LIABILITIES</b>	<u>48,771</u>	<u>7,804</u>	<u>-</u>	<u>56,575</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	50,062	-	50,062
	<u>-</u>	<u>50,062</u>	<u>-</u>	<u>50,062</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	21	21	-	42
Restricted				
Roads and street improvements	1,014,358	532,253	-	1,546,611
	<u>1,014,358</u>	<u>532,253</u>	<u>-</u>	<u>1,546,611</u>
<b>TOTAL FUND BALANCES</b>	<u>1,014,379</u>	<u>532,274</u>	<u>-</u>	<u>1,546,653</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 1,063,150</u></u>	<u><u>\$ 590,140</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,653,290</u></u>

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

	Special Revenue		Capital Projects	Total
	Major Street Fund	Local Street Fund	Capital Acquisition Fund	Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 427,119	\$ 202,295	\$ -	\$ 629,414
Interest and rents	4,500	1,500	380	6,380
Other	22,332	-	-	22,332
TOTAL REVENUES	453,951	203,795	380	658,126
EXPENDITURES				
Current				
Public works	228,015	95,413	-	323,428
Capital outlay	3,549	-	-	3,549
TOTAL EXPENDITURES	231,564	95,413	-	326,977
EXCESS OF REVENUES OVER EXPENDITURES	222,387	108,382	380	331,149
OTHER FINANCING SOURCES (USES)				
Transfers in	-	102,500	-	102,500
Transfers out	(102,500)	-	(17,673)	(120,173)
TOTAL OTHER FINANCING SOURCES (USES)	(102,500)	102,500	(17,673)	(17,673)
NET CHANGE IN FUND BALANCES	119,887	210,882	(17,293)	313,476
FUND BALANCES				
Beginning of year, as previously presented	-	-	17,293	17,293
Adjustments to beginning fund balances	894,492	321,392	-	1,215,884
Beginning of the year, as restated	894,492	321,392	17,293	1,233,177
End of year	\$ 1,014,379	\$ 532,274	\$ -	\$ 1,546,653

**CITY OF LATHRUP VILLAGE  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2025**

**ASSETS**

Cash, cash equivalents, and investments	\$ 808,547
Receivables	9,697
Prepaid expenditures	<u>1,315</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 819,559</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 77,830
Accrued liabilities	<u>7,147</u>
<b>TOTAL LIABILITIES</b>	<b><u>84,977</u></b>

**FUND BALANCE**

Unassigned	<u>734,582</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 819,559</u></b>

**CITY OF LATHRUP VILLAGE  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT ON NET POSITION  
JUNE 30, 2025**

<b>Total fund balance - governmental fund</b>	<b>\$ 734,582</b>
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Amounts reported for the governmental activities in the statement of net position are different because:

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

The cost of capital assets is	\$ 1,229,135	
Accumulated depreciation is	(340,808)	

Capital assets, net		888,327
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<b>Net position of governmental activities</b>	<b>\$ 1,622,909</b>
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**CITY OF LATHRUP VILLAGE  
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2025**

REVENUES	
Taxes	\$ 468,157
Intergovernmental	500
Charges for services	31,223
Interest and rents	39,580
Other	<u>6,100</u>
TOTAL REVENUES	<u>545,560</u>
EXPENDITURES	
Current	
Community and economic development	<u>782,145</u>
NET CHANGE IN FUND BALANCE	(236,585)
Fund balance, beginning of year	<u>971,167</u>
Fund balance, end of year	<u><u>\$ 734,582</u></u>

**CITY OF LATHRUP VILLAGE  
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2025**

**Net change in fund balance - governmental fund** \$ (236,585)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 484,785	
Depreciation expense	<u>(63,026)</u>	
Excess of capital outlay over depreciation expense		<u>421,759</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 185,174</u></u>