

City of Madison  
Heights, Michigan



Year Ended  
June 30, 2025

Financial  
Statements and  
Supplementary  
Information

Prepared by  
*Finance Department*

City Manager  
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# CITY OF MADISON HEIGHTS, MICHIGAN

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## INDEPENDENT AUDITORS' REPORT

November 25, 2025

The Honorable Mayor and Members of the City Council  
City of Madison Heights, Michigan

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Madison Heights, Michigan** (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

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

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



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

### ***Independent Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparisons for the general fund and major special revenue funds, and the schedules for the pension and other postemployment benefit plans, as listed 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's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CITY OF MADISON HEIGHTS, MICHIGAN

## Management's Discussion and Analysis

As management of the City of Madison Heights, Michigan (the "City"), we offer readers an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the financial statements.

### Financial Highlights

· Primary government total net position	\$ 114,001,974
· Change in primary government total net position	14,649,175
· Fund balances, governmental funds	31,870,785
· Change in fund balances, governmental funds	5,305,699
· Change in fund balance, general fund	2,477,109
· Installment debt outstanding	13,761,570
· Change in installment debt	(1,225,524)

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements for governmental activities show how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the City as a Whole

Our analysis of the City's overall financial position begins with the statement of net position, which addresses one of the most fundamental questions about the City's finances: "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position, along with the statement of activities, provides a comprehensive view of the City's financial status and operations, helping answer this critical question. These statements present information about the City as a whole, including all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting - similar to the method of accounting used by most private-sector companies. This approach takes into account all revenues and expenses for the year regardless of when cash is actually received or paid.

Together, these two statements report the City's net position and the changes to that position. The City's net position - the difference between its assets and deferred outflows of resources, and its liabilities and deferred inflows of resources - can be considered a key indicator of its financial health. Changes in net position over time reflect whether the City's financial health is improving or deteriorating. However, it is important to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to fully assess the City's overall health.

In the statement of net position and the statement of activities, we divide the City into three kinds of activities:

- Governmental activities — Most of the City's basic services are reported here, including general government, judicial, public safety, road maintenance and repair, public works, refuse, culture and recreation, library, and community development. Property taxes, charges for services, and federal and state grants finance most of these activities.
- Business-type activities — The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.
- Discretely presented component units — The City includes two separate legal entities in its report, the Downtown Development Authority and the Brownfield Redevelopment Authority. Although legally separate, these discretely presented component units are important because the City is financially accountable for them.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

#### Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by statute and by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's three kinds of funds—governmental, proprietary, and fiduciary—use different accounting approaches.

*Governmental funds.* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation following the fund financial statements.

*Proprietary funds.* When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise fund (a type of proprietary fund) is the same as the business-type activities we report in the government-wide statements but in greater detail.

*Fiduciary funds.* This category includes the City's pension and other employee benefits trust funds (fiduciary component units) along with its custodial fund, which account for monies held on behalf of others.

#### Reporting the City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans and retirees' health care – general employees and police and fire funds. It is also responsible for other assets in a custodial capacity. All of the City's fiduciary activities are reported in the separate statements of fiduciary net position and the statement of changes in fiduciary net position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

#### The City as a Whole

The City's total net position increased over the prior year from \$99.1 million to \$114.0 million. The analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 44,747,172	\$ 37,837,817	\$ 12,946,604	\$ 9,806,668	\$ 57,693,776	\$ 47,644,485
Capital assets, net	79,637,009	79,702,078	37,326,290	36,830,741	116,963,299	116,532,819
<b>Total assets</b>	<b>124,384,181</b>	<b>117,539,895</b>	<b>50,272,894</b>	<b>46,637,409</b>	<b>174,657,075</b>	<b>164,177,304</b>
<b>Deferred outflows of resources</b>	<b>4,304,914</b>	<b>2,624,329</b>	<b>553,688</b>	<b>250,125</b>	<b>4,858,602</b>	<b>2,874,454</b>
Long-term liabilities	53,165,905	57,434,594	3,111,167	2,249,374	56,277,072	59,683,968
Other liabilities	3,994,203	3,724,743	1,103,192	1,206,668	5,097,395	4,931,411
<b>Total liabilities</b>	<b>57,160,108</b>	<b>61,159,337</b>	<b>4,214,359</b>	<b>3,456,042</b>	<b>61,374,467</b>	<b>64,615,379</b>
<b>Deferred inflows of resources</b>	<b>3,718,552</b>	<b>3,139,238</b>	<b>420,684</b>	<b>170,195</b>	<b>4,139,236</b>	<b>3,309,433</b>
Net position						
Net investment in capital assets	73,358,062	73,231,388	36,942,177	36,524,337	110,300,239	109,755,725
Restricted	23,270,891	18,035,641	2,803,824	1,685,997	26,074,715	19,721,638
Unrestricted (deficit)	(28,818,518)	(35,401,380)	6,445,538	5,050,963	(22,372,980)	(30,350,417)
<b>Total net position</b>	<b>\$ 67,810,435</b>	<b>\$ 55,865,649</b>	<b>\$ 46,191,539</b>	<b>\$ 43,261,297</b>	<b>\$ 114,001,974</b>	<b>\$ 99,126,946</b>

Except for the unrestricted net position deficit in the governmental activities, the City reports positive balances in all other categories of net position. The unrestricted net position deficits are a direct result of the net pension liability and related deferred amounts.

Net position of the City's governmental activities increased by \$11.9 million. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — changed from negative \$35.4 million at June 30, 2024 to negative \$28.8 million at the end of this year. The increase in unrestricted net position (decrease in the deficit) from the prior to the current year is largely due to changes in the net pension liability and related deferred amounts.

The net position of the business-type activities increased by \$2.9 million, largely due to the timing of projects between fiscal years and planned savings for future years capital improvements.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 7,360,949	\$ 6,541,113	\$ 14,550,761	\$ 14,282,580	\$ 21,911,710	\$ 20,823,693
Operating grants and contributions	4,818,253	5,370,478	-	-	4,818,253	5,370,478
General revenues:						
Property taxes	28,701,772	26,336,502	225,853	839,348	28,927,625	27,175,850
State shared	7,075,374	6,328,141	-	-	7,075,374	6,328,141
Franchise fees	294,321	331,765	-	-	294,321	331,765
Unrestricted investment earnings	1,716,140	1,207,939	134,768	81,980	1,850,908	1,289,919
Other	-	1,147,711	194,397	237,820	194,397	1,385,531
<b>Total revenues</b>	<u>49,966,809</u>	<u>47,263,649</u>	<u>15,105,779</u>	<u>15,441,728</u>	<u>65,072,588</u>	<u>62,705,377</u>
<b>Expenses</b>						
General government	5,549,218	3,836,791	-	-	5,549,218	3,836,791
Judicial	1,859,656	1,869,722	-	-	1,859,656	1,869,722
Public safety	17,577,629	13,818,312	-	-	17,577,629	13,818,312
Road maintenance and repair	4,113,171	5,676,224	-	-	4,113,171	5,676,224
Public works	4,603,522	2,952,539	-	-	4,603,522	2,952,539
Culture and recreation	2,474,599	2,647,942	-	-	2,474,599	2,647,942
Community development	1,376,729	1,559,185	-	-	1,376,729	1,559,185
Interest on long-term debt	467,499	363,950	-	-	467,499	363,950
Water and sewer	-	-	12,175,537	11,595,666	12,175,537	11,595,666
<b>Total expenses</b>	<u>38,022,023</u>	<u>32,724,665</u>	<u>12,175,537</u>	<u>11,595,666</u>	<u>50,197,560</u>	<u>44,320,331</u>
Change in net position	11,944,786	14,538,984	2,930,242	3,846,062	14,875,028	18,385,046
<b>Net position</b>						
Beginning of year	55,865,649	41,326,665	43,261,297	39,415,235	99,126,946	80,741,900
<b>End of year</b>	<u>\$ 67,810,435</u>	<u>\$ 55,865,649</u>	<u>\$ 46,191,539</u>	<u>\$ 43,261,297</u>	<u>\$ 114,001,974</u>	<u>\$ 99,126,946</u>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

**Governmental activities.** Revenues for the City's governmental activities increased by 5.7 percent or \$2.7 million, while total expenses grew 16.2 percent, or \$5.3 million. The key factors driving these changes include:

- Charges for services revenue increased due to collections of court fines, court costs, court forfeits, as well as school district reimbursements.
- Investment earnings increased by approximately \$508,000 due to significantly higher interest rates on investment accounts.
- Grant revenues overall decreased by \$552,000 due to the completion of American Rescue Plan Act and other related federal grant revenues that occurred in the prior fiscal year.
- Net property taxes increased by approximately \$2.4 million primarily due to increases in the City's overall taxable value.
- State shared revenue increased by approximately \$747,000 due to increases by the State for revenue sharing and gas and weight taxes collected.
- Significant increases in general government expenses of \$1.7 million due to sanitation contractual services, disposal services and bad debt write off.
- Increases in public safety expenses of \$3.8 million due to an additional contribution to retirement for public safety, negotiated wage and fringe benefit costs, increased training and vehicle purchases.

**Business-type activities.** Revenues for the City's business-type activities (water and sewer) decreased by 2.2 percent (\$336,000), while total expenses increased 5.0 percent (\$580,000). The key factors driving these changes include:

- The City experienced an overall decrease in revenues due to reduced number of tapping and installation services. However, overall operating revenue has been stable and steadily increased the liquidity of the fund through positive operating results largely driven by a comprehensive rate restructuring program that the City has engaged in over a number of years. This proactive approach allows for the City to ensure resources are available to maintain adequate reserves and invest in long-term system needs.
- Increases in water and sewer expenses of \$580,000 is due to planned capital improvement expenditures.

#### The City's Funds

As the City completed the year, its governmental funds reported a total fund balance of \$31.9 million, which is more than last year's total by \$5.3 million. Included in this year's total change in fund balance is an increase of approximately \$2.5 million in the City's general fund. Refer below for further information regarding the significant changes in major fund results.

**General fund results.** Fund balance at June 30, 2025 increased by approximately \$2.5 million from the prior year. While there is no unassigned fund balance, the assigned fund balance is \$18.2 million which represents 45.2 percent of annual expenditures and transfers. The City's fund balance policy requires a minimum fund balance of 16% of operating expenses plus one year of debt payments, a level considered adequate to meet any unforeseen events and avoid cash shortfalls during periods of low tax collections. This increase in fund balance is directly related to subsequent year's project expenditures.

**Major Streets fund results.** Fund balance at June 30, 2025 increased by approximately \$1.6 million from the prior year, resulting in an ending fund balance of \$6.1 million. The positive fund results were primarily due to phase funding of future year capital improvements.

**Local Streets fund results.** Fund balance at June 30, 2025 increased by approximately \$1.3 million from the prior year, resulting in an ending fund balance of \$6.2 million. The positive fund results were primarily due to timing of capital improvement projects occurring in the subsequent year.

**Water and Sewer fund results.** Net position at June 30, 2025 increased by approximately \$2.9 million from the prior year, resulting in an ending net position of \$46.2 million. The positive fund results are discussed above under Business-type activities.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

#### General Fund Budgetary Highlights

During the fiscal year, the City's administration and City Council monitor and amend the original budget adopted by the City Council due to changes in the projected revenue and unanticipated events that occur during the year.

Final budgeted revenues were \$738,000 greater than original budgeted revenues. The primary reasons for these budget amendments were due to business licenses, construction permits, police grants and state grant project funding.

Final budgeted expenditures were \$488,000 less than original budgeted expenditures. The primary reasons for these budget amendments were due to timing of projects occurring in subsequent year.

Total actual revenues were more than the final amended budgeted amount by approximately \$1.5 million. The primary reasons for the increases over the final amended budget were due to ambulance revenues and market value of investment income.

The actual expenditures were \$2.0 million less than the final budget amounts in the general fund. This is due to timing of projects into a subsequent year's expenditures and phase funding of capital items.

#### Capital Asset and Debt Administration

**Capital assets.** At June 30, 2025, the City had \$117.0 million invested in a broad range of capital assets, including land, construction in progress, streets and bridges, sidewalks, utility systems, the Kuhn drain, buildings and improvements, land improvements, machinery and equipment, furniture and fixtures, vehicles, and office equipment.

Significant capital asset additions include \$502,000 police building improvements, \$1.0 million in recreation park improvements, including \$405,000 outdoor pickleball courts, \$270,000 bandshell and other building and parking lot improvements totaling \$100,000. Additionally, street equipment purchases totaled \$520,000 and there were \$3.0 million in public work improvements. Business-type activities include \$1.7 million in water main replacements.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,550,490	\$ 2,550,490	\$ 164,413	\$ 164,413	\$ 2,714,903	\$ 2,714,903
Construction in progress	707,570	1,281,702	-	-	707,570	1,281,702
Streets and bridges	42,913,586	42,980,115	-	-	42,913,586	42,980,115
Sidewalks	1,520,379	1,773,768	-	-	1,520,379	1,773,768
Utility systems	-	-	22,679,225	21,891,960	22,679,225	21,891,960
Kuhn drain	-	-	10,557,957	10,882,813	10,557,957	10,882,813
Buildings and improvements	23,127,083	23,574,710	2,379,986	2,438,603	25,507,069	26,013,313
Land improvements	2,582,341	1,666,480	1,035,313	959,470	3,617,654	2,625,950
Machinery and equipment	2,847,573	2,282,414	509,396	493,482	3,356,969	2,775,896
Furniture and fixtures	319,656	321,070	-	-	319,656	321,070
Vehicles	2,683,653	2,824,995	-	-	2,683,653	2,824,995
Office equipment	384,678	446,334	-	-	384,678	446,334
<b>Total capital assets, net</b>	<b>\$ 79,637,009</b>	<b>\$ 79,702,078</b>	<b>\$ 37,326,290</b>	<b>\$ 36,830,741</b>	<b>\$ 116,963,299</b>	<b>\$ 116,532,819</b>

More detailed information about the City's capital assets is presented in Note 9 to the financial statements.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

**Installment debt.** At year-end, the City had \$13.8 million in installment debt outstanding versus \$15.0 million last year, a decrease of 8.2%, as shown in the table below.

	Installment Debt					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 6,160,000	\$ 6,390,000	\$ -	\$ -	\$ 6,160,000	\$ 6,390,000
Unamortized premium	76,443	80,690	-	-	76,443	80,690
Pension obligation bonds	6,348,877	7,155,015	936,122	1,054,985	7,284,999	8,210,000
Contractual obligations	-	-	240,128	306,404	240,128	306,404
<b>Total installment debt</b>	<b>\$ 12,585,320</b>	<b>\$ 13,625,705</b>	<b>\$ 1,176,250</b>	<b>\$ 1,361,389</b>	<b>\$ 13,761,570</b>	<b>\$ 14,987,094</b>

The majority of the City's debt is related to the Pension Bonds that were issued in September 2016 for \$15.3 million (split between the governmental activities with \$13.3 million to be paid by the general fund and \$2.0 million to be paid by the water and sewer fund). For the year ending June 30, 2025, the remaining balances on pension obligation bonds are \$6.3 million and \$0.9 million for governmental activities and business-type, respectively. The City also has general obligation bonds issued for construction improvements on the Civic Center of which the remaining balance is \$6.2 million at year-end.

The City's latest government bond rating occurred in April 2022, when the City secured an upgraded rating from Standard and Poor's (S&P) for the issuance of general obligation bonds. S&P assigned an "AA/stable" underlying rating, describing the City as having strong management oversight with good financial policies and practices under the financial management assessment methodology; low debt burden relative to tax base; strong institutional framework, including surpluses in the General Fund and at the total governmental fund level; and very strong reserves and liquidity.

The majority of water and sewer fund debt is related to the George W. Kuhn Drain District. These bonds are issued for the George W. Kuhn Drain District and applied on a percentage basis to each member community. The City is responsible for approximately 10.5 percent of each issue. These bonds are paid from a Chapter 20 Drain millage in the water and sewer fund and have a \$0.2 million principal remaining balance.

More detailed information about the City's bonds, notes, and other long-term liabilities is presented in Note 10 to the financial statements.

### Economic Factors and Next Year's Budget and Rates

The FY 2026 budget reflects the City's continued commitment to community priorities as determined by the City Council in the city-wide strategic plan and capital improvement plan, which addresses improvements for public safety, infrastructure, and quality of life in the City, including public safety, library, and parks, economic development, and sustainability. The FY 2026 budget continues to address critical needs in core service areas. However, the City is nearing their maximum tax levy authorization with only 0.166 capacity and must prepare for budget constraints. These constraints are driven by the property tax roll-back (Proposal A and Headlee), reduced or expired federal funding, slowing sales tax collections, and inflationary pressures that exceed the state's tax inflation rate. To balance the FY 2026 budget, the City has eliminated some capital improvement requests that were previously discussed with departments and the City Council. Moving forward, the City must prioritize critical needs, consider a hiring review/freeze, and being cautious in their investments in the City.

Public safety improvements include an information technology firewall update of \$100,000, Phase 2 funding of \$94,000 for a telephone system upgrade, a second School Resource Officer (SRO) funded 70% by the school district and 30% by the City with a cost of \$182,000, continuation of the CoResponder program, grant funded for FY 2026, and traffic safety improvements, including pavement striping and pedestrian walk upgrades on John R, which are included as part of the John R Overlay project. Infrastructure improvements include Phase 2 funding of Fire Station #1 roof replacement which has been deferred and removed from the FY 2026 budget, a \$220,000 reduction. Street improvements budget includes \$1.9 million for major and local streets, with \$150,000 allocated for the City's portion of the John R Overlay project (from 12 ½ Mile to 14 Mile) and \$800,000 for the John R Overlay project from 11 Mile to 12 ½ Mile. Water and sewer capital outlay and service line replacements are budgeted at \$2.5 million.



## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

Quality of life improvements include updating the Parks and Recreation Master Plan, which will guide future capital investments in parks and recreation programming. In the interim, the budget continues funding for Rosie's Park upgrades, including a new pavilion, field rehabilitation, and the refurbishment of the Gardina parking lot. The Recreation budget includes \$15,000 for community engagement, to enhance public events and expand facility use for programming, such as shared spaces with school districts or partnerships with private organizations to offer programs such as swim lessons and gym facilities. The Library budget includes ongoing funding for the makerspace and Library of Things programs (\$15,000), as well as a \$10,000 allocation for a new city-wide biannual four-page newsletter, which will focus on city updates, news, and department services. This cost will be offset by a reduction in the number of pages in the recreation brochure, which will now focus primarily on recreation and events. Requests for a stand-alone postcard mailer (\$5,000) and pick-up lockers (\$50,000) have been eliminated from the proposal. Tree plantings are proposed at \$27,000, in addition, the City has applied for a tree inventory and planting grant for 150 trees, which will not be added to the budget until awarded and does not require city funding. The food composting drop-off program has been successfully implemented and is included in the budget at \$3,000.

Additionally, the City is investing \$1.0 million in city-wide recycling and trash bin program with \$500,000 in grants from the Recycling Partnership and EGLE and is scheduled to roll out late August of 2025 to all residential customers.

The City's number one financial challenge, which hinders full restoration of services to pre-recession levels, is Proposal A and Headlee. These both cap the amount of increase in taxable value a municipality can have to the lesser of 5.0 percent or the state-approved rate of inflation, with no cap on the decreases. The overall FY 2026 budget is proposed at \$66.1 million, with projected limited revenue growth of \$431,847 across all funds. This growth is driven by a State Tax Commission Inflation Rate Multiplier of 3.1%, offset by a millage roll-back of approximately 1.73% and reductions in federal and state revenues, court revenues, and miscellaneous revenues. The City's taxable value for FY 2026 is now 96.1% of what it was in FY 2008. The City continues to face significant expenditure pressures, as inflationary increases across all service areas far exceed the 3.1% inflation rate multiplier. Therefore, the overall budget focuses on following the strategic plan for moving the City forward by implementing projects that address long-term maintenance issues and align with the City Council's long-term visions.

The City has long maintained a strong reputation for sound financial policies, which have been further enhanced through strategic planning and multi-year budgeting. Since 2007, the budget process has highlighted the City's significant financial challenges, particularly the legacy costs of pensions and retiree health care. The FY 2026 budget continues to improve funding for the Police and Fire Pension, which is currently 60% funded. This budget includes additional contributions, above the required annual amount, with the total amount proposed at \$7.7 million—supported by the Police and Fire Pension millage. This includes \$4.0 million above the actuarially required contribution, which will help raise the funding level above 60% by June 30, 2026. The FY 2026 budget allocates \$3.4 million for the Fire Department pension and \$4.3 million for the Police Department pension to further address this funding gap.

Projections for June 30, 2026, are for the City to be at 9.75 percent of the City's debt limit of \$177.0 million, which is based on 10 percent of assessed valuation. The City has general obligation bonds outstanding in the amount of \$6.1 million of a new issue for Civic Center Project Bond and \$7.3 million of a \$15.3 million issue for general employee pension. The City is also responsible for their share of seven bonds (not counted toward the debt limit) related to the George W. Kuhn Drain project for a total of \$240,128.

Improving the City's infrastructure continues to be a strategic planning focus for other funds. The State of Michigan Department of Transportation increased vehicle registration fees and fuel tax increases to slowly increase funding to municipalities for local and major road repair and maintenance. The major streets fund is budgeted to receive an increase of \$118,859 going into FY 2026 and the local streets fund is budgeted to receive \$83,835. The recently passed State budget projects additional funding of \$151,295 in FY 2026 and \$640,570 in FY 2027. The City has planned for an aggressive sectional concrete replacement program in the upcoming budget years and continue to phase-fund for the future replacement of the City's portion of John R Road. This major road will be a shared project cost between Oakland County, Oakland County Road Commission, and the City.

The City takes great pride in its sound financial management, careful allocation of limited resources, and commitment to long-term planning. As conditions evolve, the City will continue to adapt, ensuring a solid foundation for the future.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Management's Discussion and Analysis

#### Contacting the City's Financial Management

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 show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director/Treasurer, City of Madison Heights, Michigan, 300 West 13 Mile Rd., Madison Heights, MI 48071, or submitted through the City's website at [www.madison-heights.org](http://www.madison-heights.org).

## **BASIC FINANCIAL STATEMENTS**

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# CITY OF MADISON HEIGHTS, MICHIGAN

## Statement of Net Position

June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 32,308,073	\$ 6,094,100	\$ 38,402,173	\$ 888,224
Restricted cash	-	145,990	145,990	-
Receivables	2,836,239	3,732,492	6,568,731	16,659
Prepaid items and other assets	175,530	170,198	345,728	-
Net other postemployment benefit asset	9,427,330	2,803,824	12,231,154	-
Capital assets not being depreciated	3,258,060	164,413	3,422,473	-
Capital assets being depreciated, net	76,378,949	37,161,877	113,540,826	551,660
<b>Total assets</b>	<b>124,384,181</b>	<b>50,272,894</b>	<b>174,657,075</b>	<b>1,456,543</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	4,217,776	502,138	4,719,914	-
Deferred other postemployment benefit amounts	87,138	51,550	138,688	-
<b>Total deferred outflows of resources</b>	<b>4,304,914</b>	<b>553,688</b>	<b>4,858,602</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	2,702,377	1,079,517	3,781,894	42,629
Provisions for self-insured claims and related reserves	1,144,232	23,675	1,167,907	-
Unearned revenue	147,594	-	147,594	-
Bonds, notes, and other long-term liabilities:				
Due within one year	3,684,598	254,187	3,938,785	-
Due in more than one year	12,083,311	1,004,525	13,087,836	-
Other liabilities due in more than one year:				
Net pension liability	37,397,996	1,852,455	39,250,451	-
<b>Total liabilities</b>	<b>57,160,108</b>	<b>4,214,359</b>	<b>61,374,467</b>	<b>42,629</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	1,460,379	-	1,460,379	-
Deferred other postemployment benefit amounts	2,258,173	420,684	2,678,857	-
<b>Total deferred inflows of resources</b>	<b>3,718,552</b>	<b>420,684</b>	<b>4,139,236</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	73,358,062	36,942,177	110,300,239	551,660
Restricted:				
Opioid settlement	466,419	-	466,419	-
Road surface repairs	12,385,551	-	12,385,551	-
Debt service	8,313	-	8,313	-
Community improvement	3,993	-	3,993	-
Drug enforcement	138,590	-	138,590	-
Parks maintenance	587,778	-	587,778	-
Capital assets	252,917	-	252,917	-
Other postemployment benefits	9,427,330	2,803,824	12,231,154	-
Unrestricted (deficit)	(28,818,518)	6,445,538	(22,372,980)	862,254
<b>Total net position</b>	<b>\$ 67,810,435</b>	<b>\$ 46,191,539</b>	<b>\$ 114,001,974</b>	<b>\$ 1,413,914</b>

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

# CITY OF MADISON HEIGHTS, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 5,549,218	\$ 2,422,505	\$ 206,557	\$ (2,920,156)
Judicial	1,859,656	1,464,778	553,497	158,619
Public safety	17,577,629	2,128,620	150,593	(15,298,416)
Road maintenance and repair	4,113,171	174,762	3,630,756	(307,653)
Public works	4,603,522	870,328	-	(3,733,194)
Culture and recreation	2,474,599	299,956	2,550	(2,172,093)
Community development	1,376,729	-	274,300	(1,102,429)
Interest on long-term debt	467,499	-	-	(467,499)
<b>Total governmental activities</b>	<b>38,022,023</b>	<b>7,360,949</b>	<b>4,818,253</b>	<b>(25,842,821)</b>
Business-type activities -				
Water and sewer	12,175,537	14,550,761	-	2,375,224
<b>Total primary government</b>	<b>\$ 50,197,560</b>	<b>\$ 21,911,710</b>	<b>\$ 4,818,253</b>	<b>\$ (23,467,597)</b>
<b>Component units</b>				
Downtown Development Authority	\$ 151,792	\$ 2,076	\$ 259,585	\$ 109,869
Brownfield Redevelopment Authority	362,485	-	-	(362,485)
<b>Total component units</b>	<b>\$ 514,277</b>	<b>\$ 2,076</b>	<b>\$ 259,585</b>	<b>\$ (252,616)</b>

continued...

## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Activities

For the Year Ended June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Change in net position</b>				
Net (expense) revenue	\$ (25,842,821)	\$ 2,375,224	\$ (23,467,597)	\$ (252,616)
General revenues:				
Property taxes	28,701,772	225,853	28,701,772	616,704
State shared revenues	7,075,374	-	7,075,374	-
Franchise fees	294,321	-	294,321	-
Investment income	1,716,140	134,768	1,850,908	2,790
Other	-	194,397	194,397	-
Total general revenues	37,787,607	555,018	38,116,772	619,494
<b>Change in net position</b>	11,944,786	2,930,242	14,649,175	366,878
Net position, beginning of year	55,865,649	43,261,297	99,352,799	1,047,036
<b>Net position, end of year</b>	<u>\$ 67,810,435</u>	<u>\$ 46,191,539</u>	<u>\$ 114,001,974</u>	<u>\$ 1,413,914</u>

concluded.

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Balance Sheet

Governmental Funds

June 30, 2025

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 19,279,343	\$ 5,765,746	\$ 5,984,439	\$ 1,286,007	\$ 32,315,535
Receivables:					
Taxes	188,557	-	-	-	188,557
Special assessments	-	-	-	6,865	6,865
Accounts	839,571	-	179,638	336,769	1,355,978
Due from other governments	690,784	418,350	160,384	15,321	1,284,839
Prepaid items	175,530	-	-	-	175,530
<b>Total assets</b>	<u>\$ 21,173,785</u>	<u>\$ 6,184,096</u>	<u>\$ 6,324,461</u>	<u>\$ 1,644,962</u>	<u>\$ 35,327,304</u>
<b>Liabilities</b>					
Negative equity in cash and investments	\$ -	\$ -	\$ -	\$ 7,462	\$ 7,462
Accounts payable	1,163,525	70,826	91,000	9,052	1,334,403
Accrued liabilities	1,311,446	-	3,684	11,777	1,326,907
Unearned revenue	30,000	-	-	117,594	147,594
<b>Total liabilities</b>	<u>2,504,971</u>	<u>70,826</u>	<u>94,684</u>	<u>145,885</u>	<u>2,816,366</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue	312,625	-	-	327,528	640,153
<b>Fund balances</b>					
Nonspendable	175,530	-	-	-	175,530
Restricted	-	6,113,270	6,229,777	1,171,549	13,514,596
Assigned	18,180,659	-	-	-	18,180,659
<b>Total fund balances</b>	<u>18,356,189</u>	<u>6,113,270</u>	<u>6,229,777</u>	<u>1,171,549</u>	<u>31,870,785</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 21,173,785</u>	<u>\$ 6,184,096</u>	<u>\$ 6,324,461</u>	<u>\$ 1,644,962</u>	<u>\$ 35,327,304</u>

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



## CITY OF MADISON HEIGHTS, MICHIGAN

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2025

<b>Fund balances - total governmental funds</b>	<b>\$ 31,870,785</b>
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources,  
and therefore are not reported in the fund financial statements.

Capital assets not being depreciated	3,258,060
Capital assets being depreciated, net	76,378,949

The focus of governmental funds is on short-term financing. Accordingly, some  
assets will not be available to pay for current-period expenditures. Those  
assets (such as certain receivables) are offset by deferred inflows in the  
governmental funds, and thus are not included in fund balance.

Unavailable revenue	640,153
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Certain liabilities, such as bonds payable, are not due and payable  
in the current period, and therefore are not reported in the funds.

Accrued interest on bonds and note payable	(41,067)
Bonds payable	(12,508,877)
Unamortized bond premium	(76,443)
Provisions for self-insured claims and related reserves	(1,144,232)
Compensated absences	(3,182,589)

Certain pension and other postemployment benefit-related amounts are not due and payable  
in the current period or do not represent current financial resources and  
therefore are not reported in the funds.

Net pension liability	(37,397,996)
Deferred outflows of resources related to the net pension liability	4,217,776
Deferred inflows of resources related to the net pension liability	(1,460,379)
Net other postemployment benefit asset	9,427,330
Deferred outflows of resources related to the net other postemployment benefit asset	87,138
Deferred inflows of resources related to the net other postemployment benefit asset	(2,258,173)

<b>Net position of governmental activities</b>	<b><u>\$ 67,810,435</u></b>
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The accompanying notes are an integral part of these basic financial statements.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 26,682,369	\$ -	\$ 2,019,403	\$ -	\$ 28,701,772
Special assessments	-	-	-	1,439	1,439
Licenses and permits	1,265,438	-	-	-	1,265,438
Intergovernmental:					
Federal grants	88,761	-	-	276,963	365,724
State grants	6,881,486	2,624,569	1,216,187	584,938	11,307,180
Charges for services	1,306,973	-	-	27,997	1,334,970
Fines and forfeitures	1,358,358	-	-	-	1,358,358
Franchise fees	294,321	-	-	-	294,321
Investment income	1,449,657	-	201,354	65,129	1,716,140
Other	3,296,715	174,762	179,638	1,000	3,652,115
<b>Total revenues</b>	<b>42,624,078</b>	<b>2,799,331</b>	<b>3,616,582</b>	<b>957,466</b>	<b>49,997,457</b>
<b>Expenditures</b>					
Current:					
Legislative	61,016	-	-	-	61,016
General government	4,412,760	-	-	-	4,412,760
Community development	1,219,055	-	-	252,471	1,471,526
Judicial	1,534,940	-	-	554,387	2,089,327
Public safety	21,870,323	-	-	129,383	21,999,706
Public works	4,417,683	-	-	15,299	4,432,982
Culture and recreation	2,299,755	-	-	110,183	2,409,938
Debt service:					
Principal	806,138	-	-	230,000	1,036,138
Interest and fiscal charges	222,280	-	-	251,000	473,280
Capital outlay	2,874,807	-	-	-	2,874,807
Road maintenance and repair	-	1,199,659	2,320,639	-	3,520,298
<b>Total expenditures</b>	<b>39,718,757</b>	<b>1,199,659</b>	<b>2,320,639</b>	<b>1,542,723</b>	<b>44,781,778</b>
Revenues over (under) expenditures	2,905,321	1,599,672	1,295,943	(585,257)	5,215,679
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	90,020	-	-	-	90,020
Transfers in	2,500	-	-	520,732	523,232
Transfers out	(520,732)	-	-	(2,500)	(523,232)
<b>Total other financing sources (uses)</b>	<b>(428,212)</b>	<b>-</b>	<b>-</b>	<b>518,232</b>	<b>90,020</b>
<b>Net change in fund balances</b>	<b>2,477,109</b>	<b>1,599,672</b>	<b>1,295,943</b>	<b>(67,025)</b>	<b>5,305,699</b>
Fund balances, beginning of year	15,879,080	4,513,598	4,933,834	1,238,574	26,565,086
<b>Fund balances, end of year</b>	<b>\$ 18,356,189</b>	<b>\$ 6,113,270</b>	<b>\$ 6,229,777</b>	<b>\$ 1,171,549</b>	<b>\$ 31,870,785</b>

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2025

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 5,305,699</b>
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Capital assets purchased/constructed	5,558,845
Depreciation expense	(5,494,534)
Proceeds from sale of capital assets	(90,020)
Loss on sale of capital assets	(39,360)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in deferred inflows for receivables	(31,545)
Net change in deferred inflows for opioid settlement receivable	(19,025)

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

Principal payments on bonds, notes, and other long-term liabilities	1,036,138
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on bonds and note payable	1,533
Amortization of bond premium	4,247
Change in net pension liability and related deferred amounts	5,358,271
Change in net other postemployment benefit asset and related deferred amounts	1,779,637
Change in provisions for self-insured claims and related reserves	(990,778)
Change in the accrual for compensated absences	(434,322)

<b>Change in net position of governmental activities</b>	<b>\$ 11,944,786</b>
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The accompanying notes are an integral part of these basic financial statements.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Net Position

Proprietary Fund - Water and Sewer Fund

June 30, 2025

#### Assets

##### Current assets:

Cash and investments	\$ 6,094,100
Accounts receivable	3,728,919
Due from other governments	3,573
Inventory	112,585
Prepaid items	57,613
<b>Total current assets</b>	<b>9,996,790</b>

##### Noncurrent assets:

Restricted assets with County	145,990
Net other postemployment benefit asset	2,803,824
Capital assets not being depreciated	164,413
Capital assets being depreciated, net	37,161,877
<b>Total noncurrent assets</b>	<b>40,276,104</b>

#### Total assets

**50,272,894**

#### Deferred outflows of resources

Deferred pension amounts	502,138
Deferred other postemployment benefit amounts	51,550

#### Total deferred outflows of resources

**553,688**

#### Liabilities

##### Current liabilities:

Accounts payable	1,048,982
Accrued liabilities	13,827
Accrued interest payable	1,408
Deposits payable	15,300
Provisions for self-insured claims and related reserves	23,675
Current portion of:	
Compensated absences	64,087
Bonds and other long-term liabilities	190,100
<b>Total current liabilities</b>	<b>1,357,379</b>

##### Noncurrent liabilities:

Compensated absences, net of current portion	18,375
Bonds and other long-term liabilities, net of current portion	986,150
Net pension liability	1,852,455
<b>Total noncurrent liabilities</b>	<b>2,856,980</b>

#### Total liabilities

**4,214,359**

#### Deferred inflows of resources

Deferred other postemployment benefit amounts	420,684
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#### Net position

Net investment in capital assets	36,942,177
Restricted for other postemployment benefits	2,803,824
Unrestricted	6,445,538

#### Total net position

**\$ 46,191,539**

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Revenues, Expenses, and Change in Fund Net Position

Proprietary Fund - Water and Sewer Fund

For the Year Ended June 30, 2025

<b>Operating revenues</b>	
Charges for services	\$ 14,550,761
Property taxes	225,853
Other	194,397
	<hr/>
<b>Total operating revenues</b>	14,971,011
	<hr/>
<b>Operating expenses</b>	
Water	2,645,725
Water system maintenance and operation	733,971
Sewage and stormwater disposal	4,550,044
Sewer system maintenance and operation	1,106,989
System improvements	324,208
General and administration	1,361,968
Depreciation	1,413,008
	<hr/>
<b>Total operating expenses</b>	12,135,913
	<hr/>
Operating income	2,835,098
	<hr/>
<b>Nonoperating revenues (expenses)</b>	
Investment income	134,768
Interest expense and fiscal charges	(39,624)
	<hr/>
<b>Total nonoperating revenues (expenses)</b>	95,144
	<hr/>
<b>Change in net position</b>	2,930,242
	<hr/>
Net position, beginning of year	43,261,297
	<hr/>
<b>Net position, end of year</b>	\$ 46,191,539
	<hr/>

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Cash Flows

Proprietary Fund - Water and Sewer Fund  
For the Year Ended June 30, 2025

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 14,306,548
Other receipts	420,250
Payments to suppliers	(9,598,368)
Payments to employees	(1,366,222)
<b>Net cash from operating activities</b>	<u>3,762,208</u>
<b>Cash flows from noncapital financing activities</b>	
Principal paid on pension obligation bonds	(118,863)
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(1,908,557)
Principal paid on bonds and contractual obligations	(66,276)
Interest paid on bonds and contractual obligations	(39,624)
<b>Net cash from capital and related financing activities</b>	<u>(2,014,457)</u>
<b>Cash flows from investing activities</b>	
Investment income	134,768
<b>Net change in cash and investments</b>	1,763,656
Cash and investments, beginning of year	4,330,444
<b>Cash and investments, end of year</b>	<u>\$ 6,094,100</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>	
Operating income	\$ 2,835,098
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	1,413,008
Change in assets and liabilities:	
Accounts receivable	(240,640)
Due from other governments	(3,573)
Inventory	(14,240)
Deferred outflows of resources - pension amounts	(252,013)
Deferred outflows of resources - other postemployment benefit amounts	(51,550)
Accounts payable	(112,905)
Accrued liabilities	8,679
Deposits payable	(2,000)
Claims payable	2,750
Compensated absences	14,480
Net pension liability	1,032,452
Net other postemployment benefit asset	(1,117,827)
Deferred inflows of resources - other postemployment benefit amounts	250,489
<b>Net cash from operating activities</b>	<u>\$ 3,762,208</u>

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

# CITY OF MADISON HEIGHTS, MICHIGAN

## Statement of Fiduciary Net Position

June 30, 2025

	Pension and Other Employee Benefit Trust Funds	Custodial Fund
<b>Assets</b>		
Investments, at fair value:		
Equity ETFs	\$ 2,302,925	\$ -
Mutual funds - equities	4,266,572	-
Mutual funds - money market	2,662,611	-
U.S. treasuries	3,388,516	-
U.S. agencies	3,147,458	-
Asset-backed securities	346,162	-
Corporate bonds	3,910,392	-
Commercial mortgage-backed	12,425	-
Common stock	38,436,915	-
Other equities	49,475,395	-
Due from other governments	391,359	-
<b>Total assets</b>	<u>108,340,730</u>	<u>-</u>
<b>Net position</b>		
Restricted for:		
Pension	61,752,353	-
Other postemployment benefits	46,588,377	-
<b>Total net position</b>	<u>\$ 108,340,730</u>	<u>\$ -</u>

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

# CITY OF MADISON HEIGHTS, MICHIGAN

## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2025

	Pension and Other Employee Benefit Trust Funds	Custodial Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 7,878,288	\$ -
Plan members	522,005	-
Total contributions	<u>8,400,293</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	8,011,502	-
Interest	1,270,316	-
Dividends	1,081,009	-
Total investment income	<u>10,362,827</u>	<u>-</u>
Less: investment expense	<u>(248,807)</u>	<u>-</u>
Net investment income	<u>10,114,020</u>	<u>-</u>
Taxes collected for other governments	<u>-</u>	<u>36,548,993</u>
<b>Total additions</b>	<u>18,514,313</u>	<u>36,548,993</u>
<b>Deductions</b>		
Benefits	9,539,904	-
Refunds	418,687	-
Administration	511,649	-
Payments of taxes to other governments	<u>-</u>	<u>36,548,993</u>
<b>Total deductions</b>	<u>10,470,240</u>	<u>36,548,993</u>
<b>Change in net position</b>	8,044,073	-
Net position, beginning of year	<u>100,296,657</u>	<u>-</u>
<b>Net position, end of year</b>	<u><u>\$ 108,340,730</u></u>	<u><u>\$ -</u></u>

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



## CITY OF MADISON HEIGHTS, MICHIGAN

### Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2025

	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
<b>Assets</b>			
Cash and investments	\$ 882,358	\$ 5,866	\$ 888,224
Accounts receivable	16,484	-	16,484
Due from other governments	175	-	175
Capital assets being depreciated, net	551,660	-	551,660
<b>Total assets</b>	<u>1,450,677</u>	<u>5,866</u>	<u>1,456,543</u>
<b>Liabilities</b>			
Accounts payable	<u>42,629</u>	<u>-</u>	<u>42,629</u>
<b>Net position</b>			
Investment in capital assets	551,660	-	551,660
Unrestricted	856,388	5,866	862,254
<b>Total net position</b>	<u>\$ 1,408,048</u>	<u>\$ 5,866</u>	<u>\$ 1,413,914</u>

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Combining Statement of Activities

Discretely Presented Component Units  
For the Year Ended June 30, 2025

	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
<b>Expenses</b>			
Community development	\$ 128,756	\$ 362,485	\$ 491,241
Depreciation	23,036	-	23,036
<b>Total expenses</b>	<u>151,792</u>	<u>362,485</u>	<u>514,277</u>
<b>Program revenues</b>			
Charges for services	2,076	-	2,076
Operating grants and contributions	259,585	-	259,585
<b>Total program revenues</b>	<u>261,661</u>	<u>-</u>	<u>261,661</u>
<b>Net revenues (expenses)</b>	<u>109,869</u>	<u>(362,485)</u>	<u>(252,616)</u>
<b>General revenues</b>			
Property taxes	250,186	366,518	616,704
Interest revenue	2,790	-	2,790
<b>Total general revenues</b>	<u>252,976</u>	<u>366,518</u>	<u>619,494</u>
<b>Changes in net position</b>	<u>362,845</u>	<u>4,033</u>	<u>366,878</u>
Net position, beginning of year	<u>1,045,203</u>	<u>1,833</u>	<u>1,047,036</u>
<b>Net position, end of year</b>	<u><u>\$ 1,408,048</u></u>	<u><u>\$ 5,866</u></u>	<u><u>\$ 1,413,914</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Madison Heights, Michigan (the "City") was incorporated January 17, 1955. The City operates under a Mayor/Council-Manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

As required by GAAP, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because they are entities for which the City is considered to be financially accountable.

#### *Discretely Presented Component Units*

The component unit columns in the government-wide financial statements include the financial data of the City's other component units. They are reported in separate columns to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

**The Downtown Development Authority (the "DDA")** was established to correct and prevent stagnation and deterioration within the south-end commercial business district. The DDA has established boundaries that include property abutting John R Road from Gardenia to 10 Mile Road and 11 Mile Road from Interstate 75 to Lorenz. The properties are primarily zoned and used for commercial and industrial purposes. The DDA's goal is to eliminate blighting influences and undertake projects that will encourage new businesses to have locations in the area and to encourage existing businesses to remain in the area. The DDA is developing programs to solicit commitment and investment from business owners to make improvements on private property that will serve the public purpose of enhancing the district. Revenue is provided through the capture of incremental taxes on properties within the district. The DDA's governing body, which consists of the mayor and eight to 12 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. There are no separately issued financial statements.

**The Brownfield Redevelopment Authority (the "Authority")** was created to identify and assist in the redevelopment of abandoned, underutilized, or contaminated parcels of property located in Madison Heights. The Authority's governing body, which consists of nine to 13 individuals, is composed of the DDA's board members and the mayor. The Authority's budget, once adopted, will be subject to approval by the City Council. There are no separately issued financial statements.

#### *Fiduciary Component Units*

**Police and Fire Employees' Retirement System.** The Police and Fire Employees' Retirement System (the P&F System) is a single-employer defined benefit contributory retirement plan which provides pension, death and disability benefits covering certain full-time employees of the City. The P&F System is administered through a qualified trust. The P&F System is included as a fiduciary component unit of the City because (1) the P&F System is a legally separate entity; (2) the City appoints a voting majority of the Pension Board; and (3) the City makes contributions to the P&F System on behalf of its participants. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

**Retiree Health Care - General.** The Retiree Health Care Plan (the Plan) is a single-employer defined benefit postemployment plan, which provides health care and vision benefits for eligible retirees and their eligible dependents. The Plan is administered through a qualified trust. The Plan is included as a fiduciary component unit of the City because (1) the Plan is a legally separate entity; (2) the City appoints a voting majority of the OPEB Board; and (3) the City makes contributions to the Plan on behalf of its participants. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City.

**Retiree Health Care - Police and Fire.** The Police and Fire Retiree Health Care Plan (the P&F Plan) is a single-employer defined benefit postemployment plan, which provides health care and vision benefits for eligible retirees and their eligible dependents. The P&F plan is administered through a qualified trust. The P&F plan is included as a fiduciary component unit of the City because (1) the P&F plan is a legally separate entity; (2) the City appoints a voting majority of the OPEB Board; and (3) the City makes contributions to the P&F plan on behalf of its participants. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

Property taxes, franchise fees, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *major streets fund* accounts for expenditures associated with the construction and maintenance needs of the major streets portion of the City's street network. Financing is provided by the City's share of state gas and weight taxes, grants, interest on investments, and maintenance reimbursements from the Oakland and Macomb County Road Commissions.

The *local streets fund* accounts for expenditures associated with the construction and maintenance needs of the local streets portion of the City's street network. Financing is provided by the City's share of gas and weight taxes, transfers from other funds, proceeds of a special 2 mill property tax levy (prior to reduction under Headlee, for neighborhood road improvements), and interest income.

The City reports the following major enterprise funds:

The *water and sewer fund* accounts for the operation of the City's water and sewer systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges.

In addition the City reports the following governmental fund types:

*Special revenue funds* are used to 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.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *special assessments revolving capital projects fund* is used to account for special assessment and other financial resources that are restricted for the construction of capital assets.

*Pension and other employee benefits trust funds* are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. The City has one pension trust fund and two retirees' health care funds (general and police & fire), which account for assets, liabilities, revenues, and expenses in essentially the same manner as proprietary funds.

The *custodial fund* is used to account for assets held by the City as an agent for other governments. This fund is custodial in nature. The City has a tax custodial fund used to distribute assets belonging to other governments.

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

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

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 water and sewer enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position includes assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

##### ***Cash and Investments***

The City's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

The City participates in the Oakland County Investment Pool (the "Pool") which is managed by the Oakland County Treasurer. In accordance with GASB 79, the Pool shares are recorded at amortized cost, which approximates fair value. The Pool is not subject to regulatory oversight, is not registered with the SEC (Securities Exchange Commission) and does not issue separate financial statements. The value of the City's position in the Pool is the same as the value of the Pool shares and includes accrued interest.

##### ***Inventories and Prepaid Items***

All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid items represent payments made to vendors for goods and services applicable to future fiscal years. Prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased. Prepaid items are offset by nonspendable fund balance in governmental funds.

##### ***Capital Assets***

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Depreciation of all exhaustible capital assets used by proprietary fund types is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

Buildings, equipment, and vehicles were assigned a salvage value of 10 percent of historical cost and are depreciated using the straight-line method over the following useful lives:

	Years
Governmental activities:	
Streets and bridges	15-50
Sidewalks	15
Buildings and improvements	50
Land improvements	20-40
Machinery and equipment	5-10
Furniture and fixtures	5-10
Vehicles	5
Office equipment	5-10
Business-type activities:	
Utility systems	20-25
Kuhn drain	50
Buildings and improvements	50
Land improvements	20-40
Machinery and equipment	5-10

#### ***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset.

#### ***Long-term Obligations***

In the government-wide financial statements and 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 statements of net position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Special Assessments***

Special assessments, if any, are recorded as revenues in the fund financial statements when due, not when levied. Estimated annual installments not yet available are reflected as deferred inflows of resources in the governmental fund financial statements and as revenues in the government-wide financial statements.



## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

#### ***Compensated Absences***

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

#### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of financial position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources related to pension and other postemployment benefit costs.

#### ***Pensions and Other Postemployment Benefits***

For purposes of measuring the net pension liability and net other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

#### ***Fund Balances***

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Council. A formal resolution of City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance has been granted to the City Manager or the Deputy City Manager by City Council. *Unassigned fund balance* is the residual classification for the general fund and deficits from other governmental funds.

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.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

The City Council has adopted a fund balance policy. The fund balance policy prescribes that the City maintain unrestricted fund balance of no less than two months (16 percent) of regular operating expenditures plus one year of debt payments, if applicable. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

#### *Statements of Cash Flows*

The City presents a statement of cash flows for the water and sewer fund. This statement, which has been prepared utilizing the direct method, analyzes the net increase or decrease in cash and investments by source. For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with an original maturity of three months or less and the deposits in the investment funds to be cash equivalents.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. COMPLIANCE INFORMATION

#### **Budgetary Data**

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service and capital projects funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds. The City follows these procedures in establishing the budgetary date reflected in the financial statements.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level for the general and the fund level for special revenue funds. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Copies of the budget for all budgeted funds are available at the office of the City Clerk.

The City follows these procedures in establishing the budgetary data reflected in the financial statements: (1) Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and the means of financing them. (2) A public hearing is conducted to obtain taxpayer comments. (3) Prior to the third Monday in May, the budget is legally enacted through passage of an ordinance. (4) The City Manager is authorized to transfer budgeted amounts between line items within an activity category; however, any revisions that alter the total expenditures of any budgeted activity must be approved by the City Council.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 3. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978 of the State, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body. Budgets are required by State law for general and special revenue funds.

The City's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis, with the approved budgets of the City of those budgetary funds being adopted at the department or activity level.

At year end, the City reported expenditures in excess of budgetary amounts, as noted below.

	Final Budget	Actual	Actual Over (Under) Final Budget
<b>General fund</b>			
Current:			
General government -			
Custodial and maintenance	\$ 199,488	\$ 215,734	\$ 16,246
Public works:			
Streets	1,068,722	1,223,294	154,572
Solid waste	2,896,931	3,194,389	297,458
Culture and recreation:			
Parks	454,164	459,818	5,654
Active adult center	494,226	521,770	27,544
Debt service -			
Interest and fiscal charges	221,970	222,280	310
Transfers out	519,842	520,732	890

### 4. BUILDING PERMITS AND RELATED COSTS

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

Shortfall at July 1, 2024	\$ (4,342,827)
Current year building permit revenue	765,719
Related costs:	
Direct costs	(679,866)
Estimated indirect costs	(698,915)
	<u>(1,378,781)</u>
Cumulative shortfall at June 30, 2025	<u>\$ (4,955,889)</u>

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 5. DEPOSITS AND INVESTMENTS

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

The pension trust fund and postemployment benefit funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, 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.

In January 2009, the State of Michigan amended Public Act 20 of 1943 to allow local governmental units with special revenue funds consisting of payments for park operations and maintenance to invest the assets of the fund in accordance with Public Act 314 of 1965. The investments held in the park improvement and maintenance fund are invested in accordance with this amendment.

Following is a reconciliation of deposit and investment balances as of June 30, 2025:

	Primary Government	Component Units	Totals
<b>Statement of net position</b>			
Cash and investments	\$ 38,402,173	\$ 888,224	\$ 39,290,397
Restricted cash	145,990	-	145,990
<b>Statement of fiduciary net position</b>			
Pension and other employee benefit trust funds -			
Investments	107,949,371	-	107,949,371
<b>Total</b>	<u>\$ 146,497,534</u>	<u>\$ 888,224</u>	<u>\$ 147,385,758</u>
<b>Deposits and investments</b>			
Bank deposits -			
Checking, savings accounts, and certificates of deposit (due within one year)			\$ 6,219,680
Restricted cash with County			145,990
Treasurer's investments			33,064,078
Pension and other employee benefit trust funds investments			107,949,371
Cash on hand			6,639
<b>Total</b>			<u>\$ 147,385,758</u>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

#### Deposits

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$6,534,922 of the City's bank balance of \$6,784,922 (book balance of \$6,219,680) was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's depository policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Treasurer's Investments

*Custodial Credit Risk – Investments.* Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments are held in the name of the City by a counterparty, and thus are not exposed to custodial credit risk.

Following is a summary of the City's investments as of June 30, 2025:

##### *Treasurer's investments:*

U.S. treasuries	\$ 8,802,476
U.S. agencies	10,867,893
Municipal bonds	35,062
Money market accounts	5,797,452
Michigan Class investment pool	309,221
Oakland County investment pool	7,251,974
	<u>33,064,078</u>

##### *Pension and other employee benefit trust funds investments:*

Equity ETFs	2,302,925
Mutual funds - equities	4,266,572
Mutual funds - money market	2,662,611
U.S. treasuries	3,388,516
U.S. agencies	3,147,458
Asset-backed securities	346,162
Corporate bonds	3,910,392
Commercial mortgage-backed	12,425
Common stock	38,436,915
Other equities	49,475,395
	<u>107,949,371</u>

<b>Total</b>	<b><u>\$ 141,013,449</u></b>
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## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Credit Risk.* State law limits investments to specific governmental securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified money market accounts, and qualified external investment pools.

The City's investments for the Treasurer's investments were rated by Standard & Poor's ("S&P") and Moody's as follows:

Rating		Amount
Moody's	S&P	
Aaa	Not rated	\$ 19,670,369
Not rated	AA	35,062
Not rated	Not rated	<u>13,358,647</u>
		<u>\$ 33,064,078</u>

*Concentration of Credit Risk.* The City's investment policy does not address concentration of credit risk. At June 30, 2025, the City's investments for both the treasurer's investments and the parks improvement and maintenance fund was concentrated as follows:

Investment Type	Issuer	Amount	% of Portfolio
U.S. agencies	Federal Farm Credit Bank	\$ 6,404,030	19.37%
U.S. agencies	Federal Home Loan Bank	4,463,863	13.50%

*Interest Rate Risk.* Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The maturity dates for the City's investments are as follows:

	Fair Value	Investment Maturities		
		Less Than 1 Year	1-5 Years	6-10 Years
U.S. treasuries	\$ 8,802,476	\$ 6,003,428	\$ 2,799,048	\$ -
U.S. agencies	10,867,893	3,704,136	4,733,834	2,429,923
Municipal bonds	35,062	-	35,062	-
	<u>\$ 19,705,431</u>	<u>\$ 9,707,564</u>	<u>\$ 7,567,944</u>	<u>\$ 2,429,923</u>

The City's investment policy does not address interest rate risk. The City's investments in U.S. agencies are non-callable. Amounts in the Oakland County investment pool are accessible to the City on demand; accordingly, the investment is not deemed to have a maturity date.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Fair Value Measurements.* The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund managers, if necessary.

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

	Level 1	Level 2	Level 3	Total
<i>Treasurer's investments</i>				
U.S. treasuries	\$ -	\$ 8,802,476	\$ -	\$ 8,802,476
U.S. agencies	-	10,867,893	-	10,867,893
Municipal bonds	-	35,062	-	35,062
Money market accounts	5,797,452	-	-	5,797,452
<i>Pension and other employee benefit trust funds investments</i>				
Equity ETFs	2,302,925	-	-	2,302,925
Mutual funds - equities	4,266,572	-	-	4,266,572
Mutual funds - money market	2,662,611	-	-	2,662,611
U.S. treasuries	-	3,388,516	-	3,388,516
U.S. agencies	-	3,147,458	-	3,147,458
Asset-backed securities	346,162	-	-	346,162
Corporate bonds	-	3,910,392	-	3,910,392
Commercial mortgage-backed	-	12,425	-	12,425
Common stock	38,436,915	-	-	38,436,915
Other equities	49,475,395	-	-	49,475,395
	<u>\$ 103,288,032</u>	<u>\$ 30,164,222</u>	<u>\$ -</u>	<u>133,452,254</u>
<b>Investments measured at NAV</b>				
Michigan Class investment pool				309,221
Oakland County investment pool				<u>7,251,974</u>
<b>Total investments</b>				<u><u>\$ 141,013,449</u></u>

Level 2 inputs use one of the following valuation techniques depending on the investment: a) traditional net asset valuation (dividing the asset value by the number of units owned), b) matrix pricing technique (relying on the securities' relationship to other benchmark quoted securities instead of exclusively on quoted prices for specific securities), or c) quoted market prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Investments in Entities that Calculate Net Asset Value per Share.* The investments in the Oakland County investment pool are not categorized as they are measured at net asset value per share or its equivalent, respectively. The investment pool invests in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants. The pool had no unfunded commitments, restrictions on redemption frequency, and no stated redemption notice period at June 30, 2025.

At year end, the net asset value of the City's investment in Michigan CLASS was \$309,221. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and 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.

#### 6. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Taxes receivable	\$ 188,557	\$ -
Special assessments receivable	6,865	-
Accounts receivable	1,355,978	3,728,919
Due from other governments	1,284,839	3,573
	<u>\$ 2,836,239</u>	<u>\$ 3,732,492</u>
Not expected to be collected within one year	<u>\$ 283,929</u>	<u>\$ -</u>

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 1,334,403	\$ 1,048,982
Accrued liabilities	1,326,907	13,827
Accrued interest payable	41,067	1,408
Deposits payable	-	15,300
	<u>\$ 2,702,377</u>	<u>\$ 1,079,517</u>



# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 8. TRANSFERS

For the current fiscal year, interfund transfers consisted of the following:

Transfers Out	Transfers in		Total
	General	Nonmajor Governmental Funds	
General fund	\$ -	\$ 520,732	\$ 520,732
Nonmajor governmental funds	2,500	-	2,500
	<u>\$ 2,500</u>	<u>\$ 520,732</u>	<u>\$ 523,232</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2025, the general fund transferred \$482,500 to the municipal debt fund to pay for debt service through the use of unrestricted resources. Additionally, the special assessment revolving capital projects fund transferred \$2,500 to the general fund for services related to sidewalk replacement through the use of unrestricted resources.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 9. CAPITAL ASSETS

Capital asset activity for the year of the City's governmental activities was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,550,490	\$ -	\$ -	\$ -	\$ 2,550,490
Construction in progress	1,281,702	599,030	-	(1,173,162)	707,570
	<u>3,832,192</u>	<u>599,030</u>	<u>-</u>	<u>(1,173,162)</u>	<u>3,258,060</u>
Capital assets being depreciated:					
Streets and bridges	87,211,019	2,204,597	-	917,065	90,332,681
Sidewalks	5,829,880	15,297	-	-	5,845,177
Buildings and improvements	32,167,517	68,817	(212,151)	145,579	32,169,762
Land improvements	2,944,511	861,783	(6,638)	110,518	3,910,174
Machinery and equipment	4,650,794	1,065,436	(82,785)	-	5,633,445
Furniture and fixtures	581,563	68,883	(80,416)	-	570,030
Vehicles	8,467,968	597,183	(196,202)	-	8,868,949
Office equipment	1,661,938	77,819	(24,065)	-	1,715,692
	<u>143,515,190</u>	<u>4,959,815</u>	<u>(602,257)</u>	<u>1,173,162</u>	<u>149,045,910</u>
Less accumulated depreciation for:					
Streets and bridges	(44,230,904)	(3,188,191)	-	-	(47,419,095)
Sidewalks	(4,056,112)	(268,686)	-	-	(4,324,798)
Buildings and improvements	(8,592,807)	(572,437)	122,565	-	(9,042,679)
Land improvements	(1,278,031)	(54,994)	5,192	-	(1,327,833)
Machinery and equipment	(2,368,380)	(491,998)	74,506	-	(2,785,872)
Furniture and fixtures	(260,493)	(62,256)	72,375	-	(250,374)
Vehicles	(5,642,973)	(718,903)	176,580	-	(6,185,296)
Office equipment	(1,215,604)	(137,069)	21,659	-	(1,331,014)
	<u>(67,645,304)</u>	<u>(5,494,534)</u>	<u>472,877</u>	<u>-</u>	<u>(72,666,961)</u>
Total capital assets being depreciated, net	<u>75,869,886</u>	<u>(534,719)</u>	<u>(129,380)</u>	<u>1,173,162</u>	<u>76,378,949</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 79,702,078</u>	<u>\$ 64,311</u>	<u>\$ (129,380)</u>	<u>\$ -</u>	<u>\$ 79,637,009</u>

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

Capital asset activity for the year of the City's business-type activities was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated -					
Land	\$ 164,413	\$ -	\$ -	\$ -	\$ 164,413
Capital assets being depreciated:					
Utility systems	36,856,698	1,697,456	-	-	38,554,154
Kuhn drain	15,884,518	-	-	-	15,884,518
Buildings and improvements	3,217,111	-	-	-	3,217,111
Land improvements	993,346	93,844	-	-	1,087,190
Machinery and equipment	3,144,185	117,257	-	-	3,261,442
	<u>60,095,858</u>	<u>1,908,557</u>	<u>-</u>	<u>-</u>	<u>62,004,415</u>
Less accumulated depreciation for:					
Utility systems	(14,964,738)	(910,191)	-	-	(15,874,929)
Kuhn drain	(5,001,705)	(324,856)	-	-	(5,326,561)
Buildings and improvements	(778,508)	(58,617)	-	-	(837,125)
Land improvements	(33,876)	(18,001)	-	-	(51,877)
Machinery and equipment	(2,650,703)	(101,343)	-	-	(2,752,046)
	<u>(23,429,530)</u>	<u>(1,413,008)</u>	<u>-</u>	<u>-</u>	<u>(24,842,538)</u>
Total capital assets being depreciated, net	<u>36,666,328</u>	<u>495,549</u>	<u>-</u>	<u>-</u>	<u>37,161,877</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 36,830,741</u>	<u>\$ 495,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,326,290</u>

Capital asset activity for the year of the City's component units was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Component units</b>					
Capital assets being depreciated -					
Land improvements	\$ 846,115	\$ 72,272	\$ -	\$ -	\$ 918,387
Less accumulated depreciation for -					
Land improvements	(343,691)	(23,036)	-	-	(366,727)
<b>Component units capital assets, net</b>	<u>\$ 502,424</u>	<u>\$ 49,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 551,660</u>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 509,837
Judicial	8,091
Public safety	951,683
Road maintenance and repair	3,755,797
Culture and recreation	<u>269,126</u>
Total governmental activities	<u>\$ 5,494,534</u>

At June 30, 2025, the City had outstanding commitments through construction contracts as follows:

	Spent to Date	Remaining Commitment
Sectional Concrete Replacement Non-R	\$ 650,106	\$ 5,000
Sectional Concrete Replacement R	518,393	2,500
Alleyway Improvements	155,270	2,500
Brush Street	800,788	5,000
Rowland Avenue	27,551	457,000
Hampden Street	343,957	2,500
Palmer Street	372,358	2,500
Diesing Drive	89,848	553,500
Groveland Street	<u>25,964</u>	<u>459,000</u>
<b>Total</b>	<u>\$ 2,984,235</u>	<u>\$ 1,489,500</u>

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 10. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

The following is a summary of bonds, notes and other long-term liabilities transactions of the City for the year ended June 30, 2025:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
<b>General obligation bonds</b>					
\$6,390,000, 2022 Civic Center Project Bonds, installments of \$230,000 to \$470,000 through November 1, 2042, interest at 4.0%	\$ 6,390,000	\$ -	\$ (230,000)	\$ 6,160,000	\$ 240,000
<b>Pension obligation bonds</b>					
\$13,290,375, 2016 Pension Obligation Bonds, installments of \$705,915 to \$997,868 through January 1, 2032, interest at 0.96-3.75%	7,155,015	-	(806,138)	6,348,877	827,926
Total governmental activities bonds	13,545,015	-	(1,036,138)	12,508,877	1,067,926
Unamortized premium - 2022 G.O. bonds	80,690	-	(4,247)	76,443	4,247
Compensated absences*	2,748,267	434,322	-	3,182,589	2,612,425
<b>Total governmental activities</b>	<u>\$ 16,373,972</u>	<u>\$ 434,322</u>	<u>\$ (1,040,385)</u>	<u>\$ 15,767,909</u>	<u>\$ 3,684,598</u>

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
<b>Pension obligation bonds</b>					
\$1,959,625, 2016 Pension Obligation Bonds, installments of \$104,065 to \$147,133 through January 1, 2032, interest at 0.96-3.75%	\$ 1,054,985	\$ -	\$ (118,863)	\$ 936,122	\$ 122,075
<b>Contractual obligations</b>					
George W. Kuhn Drain, Series 2005F Amount of issue \$162,391 installments of \$8,017 to \$9,766 through April 1, 2026, interest at 1.625%	18,852	-	(9,086)	9,766	9,766
George W. Kuhn Drain, Series 2007G Amount of issue \$188,673 installments of \$9,086 to \$10,690 through April 1, 2028, interest at 1.625%	42,759	-	(10,690)	32,069	10,690
George W. Kuhn Drain, Series 2008H Amount of issue \$821,499 installments of \$38,483 to \$51,310 through April 1, 2029, interest at 1.625%	244,793	-	(46,500)	198,293	47,569
Total bonds and contractual obligations	1,361,389	-	(185,139)	1,176,250	190,100
Compensated absences*	67,982	14,480	-	82,462	64,087
<b>Total business-type activities</b>	<u>\$ 1,429,371</u>	<u>\$ 14,480</u>	<u>\$ (185,139)</u>	<u>\$ 1,258,712</u>	<u>\$ 254,187</u>

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

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,067,926	\$ 440,502	\$ 122,075	\$ 29,328
2027	1,099,713	406,701	125,288	25,789
2028	1,135,858	370,175	129,143	21,907
2029	1,172,000	330,670	132,998	17,645
2030	1,212,505	288,151	137,495	12,998
2031-2035	3,535,875	892,614	289,123	10,751
2036-2040	1,930,000	470,000	-	-
2041-2043	1,355,000	82,700	-	-
	<u>\$ 12,508,877</u>	<u>\$ 3,281,513</u>	<u>\$ 936,122</u>	<u>\$ 118,418</u>

Annual debt service requirements to maturity for contractual obligations are as follows:

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2026	\$ 68,025	\$ 5,633
2027	59,862	4,115
2028	60,931	2,713
2029	<u>51,310</u>	<u>1,283</u>
	<u>\$ 240,128</u>	<u>\$ 13,744</u>

All general obligation bonded debt is supported by the City's full faith and credit. Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

Four of the contractual obligations recorded in the water and sewer fund represent the City's obligations to service a portion, approximately 10.5 percent, of one bond issue and three State Revolving Fund loans related to the sewer construction projects. The obligations were issued by the George W. Kuhn Drainage District on behalf of 14 participating communities; the County of Oakland, Michigan; and the State of Michigan. The City has pledged its full faith and credit related to the repayment of these obligations and has recorded the liabilities in the water and sewer fund since it is anticipated that the debt service requirements of these obligations will be provided from the revenue of this fund.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

#### 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City is a defendant in certain lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the financial statements, if any, is, in the opinion of city management, not expected to be material. The City participates in the Michigan Municipal Risk Management Authority risk pool for general liability claims. The City is self-insured for workers' compensation, health, and dental claims.

The Michigan Municipal Risk Management Authority (the "Risk Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Risk Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City has elected to participate in the Risk Authority's stop-loss program, which limits the paid losses to \$925,000 in any one year. The City's policy is to record premium payments to the Risk Authority as expenditures of the participating funds.

The City estimates the liability for general liability, workers' compensation, and health claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. The portion of this liability that relates to governmental fund activities and is not expected to be liquidated with expendable available financial resources is recorded as a noncurrent liability in the statement of net position. The remaining balance of the liability is recorded in the applicable fund, net of any funds on deposit that have not been previously expensed.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimated overpayment for health claims has been recorded in the governmental and proprietary funds, as it is a current asset of the City. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the estimated liability (funds on deposit) for the past two fiscal years were as follows:



## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

Changes in the reported liability for the fiscal years 2024 and 2025 are as follows:

General Liability				
Fiscal Year	Liability (overpayment) at Beginning of Year	Current-Year Claims and Changes in Estimates	Claims and reinsurance payments and recoveries	Liability at End of Year
2025	\$ 262,777	\$ 245,701	\$ 398,284	906,762
2024	(373,609)	190,024	446,362	262,777

Workers Compensation				
Fiscal Year	Liability (overpayment) at Beginning of Year	Current-Year Claims and Changes in Estimates	Claims and reinsurance payments and recoveries	Liability at End of Year
2025	\$ 69,171	\$ 156,352	\$ (161,667)	\$ 63,856
2024	22,668	186,322	(139,819)	69,171

Medical Claims				
Fiscal Year	Liability (overpayment) at Beginning of Year	Current-Year Claims and Changes in Estimates	Claims and reinsurance payments and recoveries	Liability at End of Year
2025	\$ 174,379	\$ 4,859,570	\$ (4,836,660)	\$ 197,289
2024	182,690	4,566,239	(4,574,550)	174,379

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

#### 12. PROPERTY TAXES

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 31 and considered delinquent on March 1 of the following year. Penalties and interest are assessed after the due dates.

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

The 2024 taxable valuation of the City totaled \$1,083,736,816 (\$1,095,809,800 for drains and Act 345) and was used for the July 1, 2024 tax bills. Taxes were levied as follows:

Purpose	Millage Rate	Public Revenue
City charter operating millage	13.4674	\$ 14,595,000
Solid waste	2.4711	2,678,000
Police and fire Act 345	7.0000	7,671,000
Neighborhood roads	1.8681	2,025,000
Senior citizens	0.4436	481,000
Chapter 20 drain debt	0.2070	<u>227,000</u>
<b>Total</b>		<u><u>\$ 27,677,000</u></u>

Property tax revenue reported also includes related administrative fees, penalties, interest, and adjustments for delinquent amounts and refunds.

#### 13. TAX ABATEMENTS

The City received reduced property tax revenues during fiscal year 2025 as a result of industrial facilities tax exemptions (IFT's) agreements.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50 percent of the millage rate applicable to other real and personal property in the City. The abatements amounted to approximately \$32,000 in reduced City tax revenues for fiscal year 2025.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 14. DEFINED BENEFIT PENSION PLANS

*Plans Administration.* The City has two defined benefit pension plans, the Employees' Retirement System ("ERS", which covers general employees) and the Police and Fire Employees' Retirement System ("P&F"), which covers police and fire employees).

*General Employees' Retirement System.* The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all employees of the City hired prior to certain dates other than sworn police and fire employees. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

*Police and Fire Employees' Retirement System.* The Madison Heights Police and Fire Retirement System Board (the "Board") administers the City of Madison Heights Retirement System, a single-employer defined benefit pension plan that provides pensions for all sworn full-time police and fire employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. Stand-alone financial statements are not prepared for this plan.

The financial statements of the plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the ERS and P&F Systems' governing bodies, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

*Benefits Provided.* The pension plans provide retirement, disability, and death benefits. Benefit terms are established by city ordinances and negotiations with the City's collective bargaining units and may be amended through negotiations with the City's collective bargaining units.

*Plans Membership.* Membership of the plans consisted of the following at June 30, 2024 (for the Police and Fire System), and December 31, 2024 (for the ERS), the dates of the latest actuarial valuations for each plan:

	General	Police and Fire
Retirees and beneficiaries currently receiving benefits	141	164
Inactive employees entitled to benefits	21	7
Active employees	17	78
<b>Total</b>	<b>179</b>	<b>249</b>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*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 and the pension board retain independent actuaries to determine the annual contributions. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions.

For the year ended June 30, 2025, the active member contribution rates were 2.50 to 5.54 percent and 6.9% to 8.9% of pensionable annual pay for the general employees' and police and fire retirement systems, respectively. The City's required contribution was \$71,230 per month for the general employees' retirement system and 56.12% of covered payroll for the police and fire retirement system.

*Rate of Return - Police and Fire Retirement System.* For the year ended June 30, 2025, the annual money-weighted rate of return on plan investments, net of investment expenses, was 10.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability.* The City's net pension liability for the ERS was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as that date. The City's net pension liability for the P&F was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024.

*Actuarial Assumptions - General Employees' Retirement System.* The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Actuarial Assumptions - Police and Fire Employees' Retirement System.* The total pension liability was determined by respective actuarial valuations as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 6.25% including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rate	Pub-2010, Amount Weighted, Safety, Healthy Retiree tables for males and females. The corresponding Disabled and Employee tables were used to measure Disabled mortality and Pre-Retirement mortality, respectively. A base year of 2010 with future mortality improvements using scale MP-2018 was used.

*Long-term Expected Rate of Return - General Employees' Retirement System.* The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><b>7.18%</b></u>

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income. Investment performance measured for the one-year period ending December 31, 2024 resulted in current year excess gains for use in lowering the assumed rate of investment return, as reflected above.

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Long-term Expected Rate of Return - Police and Fire Employees' Retirement System.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
<b>Equities</b>			
Domestic equity large-cap growth	11.50%	7.50%	0.86%
Domestic equity large-cap value	11.50%	8.80%	1.01%
Domestic equity mid cap growth	4.50%	8.70%	0.39%
Domestic equity mid cap value	4.50%	9.50%	0.43%
Domestic equity small cap growth	4.50%	9.20%	0.41%
Domestic equity small cap value	4.50%	9.40%	0.42%
International equities	17.00%	8.40%	1.43%
Emerging and frontier market equities	6.00%	10.50%	0.63%
<b>Fixed income</b>			
Domestic core fixed income	24.00%	5.00%	1.20%
<b>Other investments</b>			
Equity hedge assets	3.00%	7.00%	0.21%
Private real estate	3.00%	7.90%	0.24%
Private equity	3.00%	11.20%	0.34%
Private credit	3.00%	8.70%	0.26%
	<u>100.0%</u>		7.83%
Inflation			2.50%
Risk adjustments			<u>-3.58%</u>
			<u>6.75%</u>

*Discount Rate.* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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 MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Changes in the Net Pension Liability.* The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>General Employees' Retirement System</b>			
Balances at December 31, 2023	\$ 45,559,910	\$ 38,484,821	\$ 7,075,089
Changes for the year:			
Service cost	143,578	-	143,578
Interest	3,152,476	-	3,152,476
Differences between expected and actual experience	251,158	-	251,158
Changes in assumptions	(123,622)	-	(123,622)
Employer contributions	-	601,540	(601,540)
Employee contributions	-	50,933	(50,933)
Net investment income	-	2,823,391	(2,823,391)
Benefit payments, including refunds of employee contributions	(3,450,723)	(3,450,723)	-
Administrative expense	-	(82,881)	82,881
Net changes	(27,133)	(57,740)	30,607
<b>Balances at December 31, 2024</b>	<b>\$ 45,532,777</b>	<b>\$ 38,427,081</b>	<b>\$ 7,105,696</b>

*Changes in assumptions.* A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Police and Fire Employees' Retirement System</b>			
Balances at June 30, 2024	\$ 90,172,704	\$ 55,367,168	\$ 34,805,536
Changes for the year:			
Service cost	1,221,949	-	1,221,949
Interest	5,888,419	-	5,888,419
Differences between expected and actual experience	3,248,205	-	3,248,205
Changes in assumptions	461,507	-	461,507
Employer contributions	-	7,878,288	(7,878,288)
Employee contributions	-	522,005	(522,005)
Net investment income	-	5,385,471	(5,385,471)
Benefit payments, including refunds of employee contributions	(7,095,676)	(7,095,676)	-
Administrative expense	-	(304,903)	304,903
Net changes	3,724,404	6,385,185	(2,660,781)
<b>Balances at June 30, 2025</b>	<b>\$ 93,897,108</b>	<b>\$ 61,752,353</b>	<b>\$ 32,144,755</b>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Change in assumptions.* During the year there were changes to assumptions as a result of an updated experience study.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. The ERS and P&F have a current discount rate of 7.18% and 6.75%, respectively.

	1% Decrease	Current Discount Rate	1% Increase
General	\$ 11,571,558	\$ 7,105,696	\$ 3,289,104
Police and Fire	42,458,185	32,144,755	23,545,462
Total	<u>\$ 54,029,743</u>	<u>\$ 39,250,451</u>	<u>\$ 26,834,566</u>

*Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions.* For the year ended June 30, 2025, the City recognized pension expense of \$1,054,944 and \$3,039,641, for the ERS and P&F systems, respectively. At June 30, 2025, 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 Deferred Outflows (Inflows) of Resources
<b>General Employees' Retirement System</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,654,943	\$ -	\$ 1,654,943
Contributions subsequent to measurement date	271,170	-	271,170
	<u>1,926,113</u>	<u>-</u>	<u>1,926,113</u>
<b>Police and Fire Employees' Retirement System</b>			
Difference between expected and actual experience	2,446,238	860,893	1,585,345
Changes in assumptions	347,563	9,887	337,676
Net difference between projected and actual earnings on pension plan investments	-	589,599	(589,599)
	<u>2,793,801</u>	<u>1,460,379</u>	<u>1,333,422</u>
<b>Total</b>	<u>\$ 4,719,914</u>	<u>\$ 1,460,379</u>	<u>\$ 3,259,535</u>



## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the ERS will be recognized as a reduction in the net pension liability for the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense through annual amortization as follows:

Year Ended June 30,	General	Police and Fire
2026	\$ 739,807	\$ 1,605,984
2027	1,281,944	(187,635)
2028	(334,086)	191,895
2029	(32,722)	(276,822)
	<u>\$ 1,654,943</u>	<u>\$ 1,333,422</u>

*Payable to the Pension Plan.* At June 30, 2025, the City had \$179,808 payable to the P&F pension plan.

*Police and Fire Employees' System - Pension Plan Reserves.* In accordance with the police and fire plan provisions, the following reserves are required to be set aside within the pension plan:

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

The *employee reserve* is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 3.5 percent if in the union prior to July 1, 2019, and zero percent for all others effective July 1, 2020. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

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

	Required Reserve	Amount Funded
Retiree reserve	\$ 70,413,737	\$ 57,406,512
Employee reserve	<u>4,345,841</u>	<u>4,345,841</u>
<b>Total</b>	<u>\$ 74,759,578</u>	<u>\$ 61,752,353</u>

CITY OF MADISON HEIGHTS, MICHIGAN

Notes to Financial Statements

15. DEFINED CONTRIBUTION PENSION PLAN

The City provides pension benefits to all full-time general employees not eligible for the defined benefit plan through a defined contribution plan administered by the Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the City Council through collective bargaining, the City contributes 7 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested after six years of service.

The current year contribution was calculated based on covered payroll of \$4,590,487, resulting in an employer contribution of \$340,910 and employee contributions of \$274,512.

16. POSTEMPLOYMENT HEALTH BENEFITS

*Plan Administration.* The City provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the General Employees' Other Postemployment Benefits Trust, a single-employer plan administered by the General Employees' Other Postemployment Benefits Trust Board, and Police and Fire Other Postemployment Benefits Plan, a single-employer plan administered by the Police and Fire Retiree Postemployment Benefits Trust Board. The General and Police and Fire plans are included as OPEB trust funds in the City's financial statements; stand-alone financial reports of the plans have not been issued.

Management of the general employees' plan is vested with the General Employees' Other Postemployment Benefits Trust Board, and management of the police and fire plan is vested with the Police and Fire Retiree Health Care Trust Board. Both boards consist of the same members as the police and fire pension board. Representatives are one resident, one retiree member, one active police member, one active fire member, and the City Treasurer.

*Plans Membership.* Membership of the plans consisted of the following at June 30, 2024, the date of the latest actuarial valuation for each plan:

	General	Police and Fire
Inactive plan members receiving or entitled to future benefits	70	109
Active plan members	20	12
Total	90	121

*Benefits Provided.* The General Employees' Other Postemployment Benefits Trust and Police and Fire Other Postemployment Benefits Plan provide health care and vision benefits for eligible retirees and their eligible dependents. Eligible benefits are provided under collective bargaining agreements.

*Contributions.* Retiree health care costs are paid by the City on a pay-as-you-go basis or from the trusts. 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 \$2,862,915. Plan members are not required to contribute to the plans.

*Rate of Return.* For the year ended June 30, 2025, the annual money-weighted rate of return on plan investments, net of investment expenses, was 10.43% and 9.97% for the ERS and P&F plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF MADISON HEIGHTS, MICHIGAN

Notes to Financial Statements

*Net Other Postemployment Benefit Asset.* The City's net other postemployment benefit asset was measured as of June 30, 2025, and the total other postemployment benefit liability used to calculate the net other postemployment benefit asset was determined by an actuarial valuation as of June 30, 2024 (rolled forward to June 30, 2025).

*Actuarial Assumptions.* The total other postemployment liability for both plans was determined by respective actuarial valuations as of June 30, 2024 (and rolled forward to June 30, 2025), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	General: 3.00 - 9.70%; Police and Fire: 3.25 - 6.25%
Investment rate of return	6.5 percent, net of other postemployment benefit plan investment expense, including inflation
Healthcare cost trend rate	Pre-Medicare 7.25% graded down to 3.50% Post-Medicare, 6.00% graded down to 3.50%

*General Employees Retirement System.* The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- *Healthy Pre-Retirement Mortality:* Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent (90%) of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related.
- *Healthy Post-Retirement Mortality:* Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.
- *Disability Retirement Mortality:* Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

*Police and Fire Retirement System.* The mortality table used to measure post-retirement mortality is the Pub-2010, Amount Weighted, Safety, and Healthy Retiree tables for males and females. The corresponding Disabled and Employee tables were used to measure Disabled mortality and Pre-Retirement mortality, respectively. A base year of 2010 with future mortality improvements using scale MP-2018 was used. Additional margin for future mortality improvements are included in the projection scale. This assumption was first used for the June 30, 2020 valuation.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Long-term Expected Rate of Return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
<b>Equities</b>			
U.S. equity - large cap	25.00%	8.15%	2.04%
U.S. equity - mid cap	9.00%	9.10%	0.82%
U.S. equity - small cap	9.00%	9.30%	0.84%
Emerging markets equities	6.00%	9.70%	0.58%
International equity	17.00%	8.40%	1.43%
<b>Fixed income</b>			
Domestic core fixed income	25.00%	5.00%	1.25%
<b>Other investments</b>			
Hedge funds	3.00%	7.00%	0.21%
Private equity	3.00%	11.20%	0.34%
Private credit	3.00%	8.90%	0.27%
	<u>100.0%</u>		7.78%
Inflation			2.50%
Risk adjustments			<u>-3.78%</u>
			<u>6.50%</u>

*Discount Rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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 postemployment benefits liability.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

*Changes in the Net Other Postemployment Benefit (Asset) Liability.* The components of the change in the net other postemployment benefit (asset) liability are summarized as follows:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Asset (a) - (b)</b>
<b>General Retiree Healthcare Plan</b>			
Balances at June 30, 2024	\$ 12,518,255	\$ 18,046,115	\$ (5,527,860)
Changes for the year:			
Service cost	68,622	-	68,622
Interest	791,871	-	791,871
Differences between expected and actual experience	(1,856,456)	-	(1,856,456)
Changes in assumptions	611,057	-	611,057
Net investment income	-	1,957,508	(1,957,508)
Benefit payments, including refunds of employee contributions	(739,876)	(975,959)	236,083
Administrative expense	-	(90,946)	90,946
Net changes	(1,124,782)	890,603	(2,015,385)
<b>Balances at June 30, 2025</b>	<b>\$ 11,393,473</b>	<b>\$ 18,936,718</b>	<b>\$ (7,543,245)</b>

*Change in assumptions.* During the year there were changes to assumptions as a result of resetting the health care trend.

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Asset (a) - (b)</b>
<b>Police and Fire Retiree Healthcare Plan</b>			
Balances at June 30, 2024	\$ 23,671,918	\$ 26,883,374	\$ (3,211,456)
Changes for the year:			
Service cost	113,996	-	113,996
Interest	1,479,479	-	1,479,479
Differences between expected and actual experience	(2,157,757)	-	(2,157,757)
Changes in assumptions	1,791,500	-	1,791,500
Net investment income	-	2,771,041	(2,771,041)
Benefit payments, including refunds of employee contributions	(1,935,386)	(1,886,956)	(48,430)
Administrative expense	-	(115,800)	115,800
Net changes	(708,168)	768,285	(1,476,453)
<b>Balances at June 30, 2025</b>	<b>\$ 22,963,750</b>	<b>\$ 27,651,659</b>	<b>\$ (4,687,909)</b>

*Change in assumptions.* During the year there were changes to assumptions as a result of resetting the health care trend and the normal retirement rates, age and service-based withdrawal rates and mortality improvement scale were updated in correlation with the experience review performed.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

*Sensitivity of the Net OPEB Asset to Changes in the Discount Rate.* The following presents the net OPEB asset of the City, calculated using the discount rate of 6.5 percent, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Current Discount (6.5%)	1% Increase (7.5%)
General	\$ (6,450,064)	\$ (7,543,245)	\$ (8,489,465)
Police and Fire	(2,680,527)	(4,687,909)	(6,419,596)
Total	<u>\$ (9,130,591)</u>	<u>\$ (12,231,154)</u>	<u>\$ (14,909,061)</u>

*Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates.* The following presents the City's net OPEB asset calculated using the assumed trend rates, as well as what the City's net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
General	\$ (8,329,560)	\$ (7,543,245)	\$ (6,649,797)
Police and Fire	(6,223,251)	(4,687,909)	(2,945,700)
Total	<u>\$ (14,552,811)</u>	<u>\$ (12,231,154)</u>	<u>\$ (9,595,497)</u>

*Other Postemployment Benefit Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits.* For the year ended June 30, 2025, the City recognized other postemployment benefit expense (benefit) of \$(1,580,307) and \$(1,118,219), for the General and Police and Fire plans, respectively. At June 30, 2025, the City reported deferred outflows and inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<b>General Retiree Healthcare Plan</b>			
Difference between expected and actual experience	\$ -	\$ 421,348	\$ (421,348)
Changes in assumptions	138,688	-	138,688
Net difference between projected and actual earnings on other postemployment benefit plan investments	-	710,437	(710,437)
	<u>138,688</u>	<u>1,131,785</u>	<u>(993,097)</u>
<b>Police and Fire Retiree Healthcare Plan</b>			
Net difference between projected and actual earnings on other postemployment benefit plan investments	-	1,547,072	(1,547,072)
Total	<u>\$ 138,688</u>	<u>\$ 2,678,857</u>	<u>\$ (2,540,169)</u>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

Amounts reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in other postemployment benefits expense through annual amortization as follows:

Year Ended June 30,	Police and Fire Other Postemploy- ment Benefits	General Employee Other Postemploy- ment Benefits	Total
2026	\$ 111,383	\$ (104,353)	\$ 7,030
2027	(837,785)	(457,912)	(1,295,697)
2028	(592,927)	(315,746)	(908,673)
2029	(227,743)	(115,086)	(342,829)
	<u>\$ (1,547,072)</u>	<u>\$ (993,097)</u>	<u>\$ (2,540,169)</u>

### 17. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

	Plan Net Position			
	Police and Fire Retirement	Police and Fire Other Postemploy- ment Benefits	General Employee Other Postemploy- ment Benefits	Total
<b>Assets</b>				
Investments, at fair value:				
Equity ETFs	\$ 1,559,375	\$ 443,762	\$ 299,788	\$ 2,302,925
Mutual funds - equities	2,110,507	1,303,244	852,821	4,266,572
Mutual funds - money market	2,662,611	-	-	2,662,611
U.S. treasuries	3,388,516	-	-	3,388,516
U.S. agencies	3,147,458	-	-	3,147,458
Asset-backed securities	346,162	-	-	346,162
Corporate bonds	3,910,392	-	-	3,910,392
Commercial mortgage-backed	12,425	-	-	12,425
Common stock	20,958,431	10,472,177	7,006,307	38,436,915
Other equities	23,265,116	15,432,476	10,777,803	49,475,395
Due from other governments	391,359	-	-	391,359
<b>Total assets</b>	<u>61,752,353</u>	<u>27,651,659</u>	<u>18,936,718</u>	<u>108,340,730</u>
<b>Net position</b>				
Restricted for:				
Pension	61,752,353	-	-	61,752,353
Other postemployment benefits	-	27,651,659	18,936,718	46,588,377
<b>Total net position</b>	<u>\$ 61,752,353</u>	<u>\$ 27,651,659</u>	<u>\$ 18,936,718</u>	<u>\$ 108,340,730</u>

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

	Changes in Plan Net Position			
	Police and Fire Retirement	Police and Fire Other Postemployment Benefits	General Employee Other Postemployment Benefits	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 7,878,288	\$ -	\$ -	\$ 7,878,288
Plan members	522,005	-	-	522,005
Total contributions	8,400,293	-	-	8,400,293
Investment income:				
Net change in fair value of investments	4,364,645	2,107,101	1,539,756	8,011,502
Interest	1,269,633	336	347	1,270,316
Dividends	-	663,604	417,405	1,081,009
Total investment income	5,634,278	2,771,041	1,957,508	10,362,827
Less: investment expense	(248,807)	-	-	(248,807)
Net investment income	5,385,471	2,771,041	1,957,508	10,114,020
<b>Total additions</b>	13,785,764	2,771,041	1,957,508	18,514,313
<b>Deductions</b>				
Benefits	6,676,989	1,886,956	975,959	9,539,904
Refunds	418,687	-	-	418,687
Administration	304,903	115,800	90,946	511,649
<b>Total deductions</b>	7,400,579	2,002,756	1,066,905	10,470,240
<b>Change in net position</b>	6,385,185	768,285	890,603	8,044,073
Net position, beginning of year	55,367,168	26,883,374	18,046,115	100,296,657
<b>Net position, end of year</b>	<u>\$ 61,752,353</u>	<u>\$ 27,651,659</u>	<u>\$ 18,936,718</u>	<u>\$ 108,340,730</u>



# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Financial Statements

### 18. FUND BALANCES

A detailed listing of nonspendable, restricted, assigned, and unassigned fund balances of governmental funds is as follows:

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total
Nonspendable -					
Prepays	\$ 175,530	\$ -	\$ -	\$ -	\$ 175,530
Restricted for:					
Opioid settlement	-	-	-	146,528	146,528
Road surface repairs	-	6,113,270	1,580,753	-	7,694,023
Roads - Proposal R	-	-	4,649,024	-	4,649,024
Debt service	-	-	-	49,380	49,380
Community improvement	-	-	-	3,993	3,993
Drug enforcement	-	-	-	138,590	138,590
Parks maintenance	-	-	-	587,778	587,778
Capital projects	-	-	-	245,280	245,280
Total restricted	-	6,113,270	6,229,777	1,171,549	13,514,596
Assigned for:					
Subsequent years' budget	5,008,384	-	-	-	5,008,384
Vested employee benefits	2,805,610	-	-	-	2,805,610
Retained insurance risk	1,050,000	-	-	-	1,050,000
Postemployment benefits	548,395	-	-	-	548,395
Capital improvements	7,741,443	-	-	-	7,741,443
Pension bonds	1,026,827	-	-	-	1,026,827
Total assigned	18,180,659	-	-	-	18,180,659
<b>Total fund balances</b>	<b>\$ 18,356,189</b>	<b>\$ 6,113,270</b>	<b>\$ 6,229,777</b>	<b>\$ 1,171,549</b>	<b>\$ 31,870,785</b>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Financial Statements

#### 19. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of June 30, 2025, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,258,060	\$ 164,413
Capital assets being depreciated, net	76,378,949	37,161,877
	<u>79,637,009</u>	<u>37,326,290</u>
Related debt:		
General obligation bonds	6,160,000	-
Contractual obligations	-	240,128
Unamortized bond premium	76,443	-
Construction related payables	42,504	143,985
	<u>6,278,947</u>	<u>384,113</u>
<b>Net investment in capital assets</b>	<u><u>\$ 73,358,062</u></u>	<u><u>\$ 36,942,177</u></u>

#### 20. OPIOID SETTLEMENT

The City is part of various nationwide Opioid settlements reached by states and local political subdivisions against pharmaceutical distributors, manufacturers, and pharmacies. The terms of the settlements vary by entity; however, the City received installments beginning in 2023 and expects to receive future installments through 2030. The City currently expects the total amount of the settlement to be \$528,777. Settlement payments received during the year ended June 30, 2025 were \$25,178. The total receivable for all of the settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2025 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2025 is \$319,891.

Additional settlements with other pharmacies and manufacturers may be forthcoming as well. However, as of June 30, 2025, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF MADISON HEIGHTS, MICHIGAN

### Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 26,578,929	\$ 26,738,929	\$ 26,682,369	\$ (56,560)
Licenses and permits	1,084,500	1,254,500	1,265,438	10,938
Intergovernmental:				
Federal grants	125,382	177,020	88,761	(88,259)
State grants	7,149,824	6,796,141	6,881,486	85,345
Charges for services	1,234,910	1,258,910	1,306,973	48,063
Fines and forfeitures	1,628,186	1,310,186	1,358,358	48,172
Franchise fees	400,000	280,000	294,321	14,321
Investment income	50,000	950,000	1,449,657	499,657
Other	2,115,798	2,339,560	3,296,715	957,155
<b>Total revenues</b>	<b>40,367,529</b>	<b>41,105,246</b>	<b>42,624,078</b>	<b>1,518,832</b>
<b>Expenditures</b>				
Current:				
Legislative - City Council	61,875	61,875	61,016	(859)
General government:				
City manager	413,338	413,338	387,762	(25,576)
Financial services	916,912	916,912	864,492	(52,420)
City clerk	448,646	448,646	444,788	(3,858)
Information technology	539,590	498,203	396,892	(101,311)
Insurance	281,500	385,748	361,639	(24,109)
Board of review	3,043	3,043	1,709	(1,334)
General administration	605,116	740,967	578,857	(162,110)
Assessing	245,242	245,242	241,152	(4,090)
Election	139,284	167,284	116,983	(50,301)
Legal	375,000	375,000	298,379	(76,621)
Human resources	533,225	533,225	457,228	(75,997)
Municipal building	66,662	66,662	47,145	(19,517)
Custodial and maintenance	194,488	199,488	215,734	16,246
Total general government	4,762,046	4,993,758	4,412,760	(580,998)
Community development	1,259,906	1,265,681	1,219,055	(46,626)
Judicial -				
District court	1,741,108	1,644,283	1,534,940	(109,343)
Public safety:				
Police	13,953,856	13,599,070	13,253,015	(346,055)
Fire	9,298,044	8,800,379	8,617,308	(183,071)
Total public safety	23,251,900	22,399,449	21,870,323	(529,126)

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## CITY OF MADISON HEIGHTS, MICHIGAN

### Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Public works:				
Streets	\$ 1,057,722	\$ 1,068,722	\$ 1,223,294	\$ 154,572
Solid waste	2,896,931	2,896,931	3,194,389	297,458
Total public works	3,954,653	3,965,653	4,417,683	452,030
Culture and recreation:				
Recreation	396,436	396,436	317,119	(79,317)
Parks	469,164	454,164	459,818	5,654
Active adult center	476,226	494,226	521,770	27,544
Library	983,292	1,008,292	1,001,048	(7,244)
Total culture and recreation	2,325,118	2,353,118	2,299,755	(53,363)
Debt service:				
Principal	806,138	806,138	806,138	-
Interest and fiscal charges	221,970	221,970	222,280	310
Total debt service	1,028,108	1,028,108	1,028,418	310
Capital outlay	3,784,482	3,969,575	2,874,807	(1,094,768)
<b>Total expenditures</b>	<b>42,169,196</b>	<b>41,681,500</b>	<b>39,718,757</b>	<b>(1,962,743)</b>
Revenues over (under) expenditures	(1,801,667)	(576,254)	2,905,321	3,481,575
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	97,000	97,000	90,020	(6,980)
Transfers in	2,187,167	2,500	2,500	-
Transfers out	(482,500)	(519,842)	(520,732)	890
<b>Total other financing sources (uses)</b>	<b>1,801,667</b>	<b>(420,342)</b>	<b>(428,212)</b>	<b>(7,870)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(996,596)</b>	<b>2,477,109</b>	<b>3,473,705</b>
Fund balance, beginning of year	15,879,080	15,879,080	15,879,080	-
<b>Fund balance, end of year</b>	<b>\$ 15,879,080</b>	<b>\$ 14,882,484</b>	<b>\$ 18,356,189</b>	<b>\$ 3,473,705</b>

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See notes to required supplementary information.

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## CITY OF MADISON HEIGHTS, MICHIGAN

### Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental -				
State grants	\$ 2,596,466	\$ 2,596,466	\$ 2,624,569	\$ 28,103
Other	85,391	85,391	174,762	89,371
<b>Total revenues</b>	2,681,857	2,681,857	2,799,331	117,474
<b>Expenditures</b>				
Current -				
Road maintenance and repair	2,091,009	1,781,009	1,199,659	(581,350)
<b>Net change in fund balance</b>	590,848	900,848	1,599,672	698,824
Fund balance, beginning of year	4,513,598	4,513,598	4,513,598	-
<b>Fund balance, end of year</b>	<u>\$ 5,104,446</u>	<u>\$ 5,414,446</u>	<u>\$ 6,113,270</u>	<u>\$ 698,824</u>

See notes to required supplementary information.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,028,464	\$ 2,028,464	\$ 2,019,403	\$ (9,061)
Intergovernmental -				
State grants	1,203,720	1,203,720	1,216,187	12,467
Investment income	5,000	5,000	201,354	196,354
Other	-	-	179,638	179,638
<b>Total revenues</b>	<b>3,237,184</b>	<b>3,237,184</b>	<b>3,616,582</b>	<b>379,398</b>
<b>Expenditures</b>				
Current -				
Road maintenance and repair	2,486,270	2,486,270	2,320,639	(165,631)
<b>Net change in fund balance</b>	<b>750,914</b>	<b>750,914</b>	<b>1,295,943</b>	<b>545,029</b>
Fund balance, beginning of year	4,933,834	4,933,834	4,933,834	-
<b>Fund balance, end of year</b>	<b>\$ 5,684,748</b>	<b>\$ 5,684,748</b>	<b>\$ 6,229,777</b>	<b>\$ 545,029</b>

See notes to required supplementary information.



## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

Police and Fire Retirement System  
Schedule of Investment Returns

Fiscal Year Ended	Annual Money- Weighted Rate of Return, Net of Investment Expense
6/30/2025	10.16%
6/30/2024	10.82%
6/30/2023	8.25%
6/30/2022	-12.29%
6/30/2021	27.16%
6/30/2020	3.47%
6/30/2019	6.16%
6/30/2018	8.12%
6/30/2017	9.80%
6/30/2016	-1.00%

See notes to required supplementary information.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Required Supplementary Information

Police and Fire Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30,			
	2025	2024	2023	2022
<b>Change in total pension liability</b>				
Service cost	\$ 1,221,949	\$ 1,132,821	\$ 1,074,932	\$ 1,251,785
Interest	5,888,419	6,002,127	6,060,128	6,120,319
Changes of benefit terms	-	-	277,805	-
Differences between expected and actual experience	3,248,205	(1,321,606)	(136,486)	(1,193,668)
Changes of assumptions	461,507	-	-	(88,303)
Benefit payments, including refunds of member contributions	(7,095,676)	(7,989,250)	(6,820,025)	(6,918,168)
Other changes	-	3	-	-
<b>Net change in total pension liability</b>	<u>3,724,404</u>	<u>(2,175,905)</u>	<u>456,354</u>	<u>(828,035)</u>
<b>Total pension liability, beginning</b>	<u>90,172,704</u>	<u>92,348,609</u>	<u>91,892,255</u>	<u>92,720,290</u>
<b>Total pension liability, ending (a)</b>	<u>93,897,108</u>	<u>90,172,704</u>	<u>92,348,609</u>	<u>91,892,255</u>
<b>Change in plan fiduciary net position</b>				
Contributions - employer	7,878,288	10,389,580	7,395,611	4,341,057
Contributions - member	522,005	477,488	544,943	488,745
Net investment income (loss)	5,385,471	5,038,820	3,527,846	(6,384,850)
Benefit payments, including refunds of member contributions	(7,095,676)	(7,989,250)	(6,820,025)	(6,918,168)
Administrative expense	(304,903)	(241,983)	(227,442)	(207,327)
Other changes	-	(48,687)	-	-
<b>Net change in plan fiduciary net position</b>	<u>6,385,185</u>	<u>7,625,968</u>	<u>4,420,933</u>	<u>(8,680,543)</u>
<b>Plan fiduciary net position, beginning</b>	<u>55,367,168</u>	<u>47,741,200</u>	<u>43,320,267</u>	<u>52,000,810</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>61,752,353</u>	<u>55,367,168</u>	<u>47,741,200</u>	<u>43,320,267</u>
<b>City's net pension liability, ending (a)-(b)</b>	<u>\$ 32,144,755</u>	<u>\$ 34,805,536</u>	<u>\$ 44,607,409</u>	<u>\$ 48,571,988</u>
Plan fiduciary net position as a percentage of the total pension liability	65.77%	61.40%	51.70%	47.14%
Covered payroll	\$ 6,374,279	\$ 5,800,416	\$ 5,666,485	\$ 6,190,826
City's net pension liability as a percentage of covered payroll	504.29%	600.05%	787.21%	784.58%

See notes to required supplementary information.

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Year Ended June 30,					
2021	2020	2019	2018	2017	2016
\$ 1,203,148	\$ 1,190,766	\$ 1,014,229	\$ 1,021,457	\$ 1,221,339	\$ 1,170,017
6,029,900	5,940,810	5,799,604	5,661,628	5,759,221	5,560,318
-	-	-	-	-	827,410
(447,752)	(155,915)	(214,338)	2,222,080	480,722	1,192,693
-	-	7,007,328	1,636,099	(2,339,247)	-
(5,590,570)	(5,785,751)	(5,608,206)	(6,441,460)	(6,205,145)	(6,042,974)
-	52,319	(13,497)	-	-	-
1,194,726	1,242,229	7,985,120	4,099,804	(1,083,110)	2,707,464
91,525,564	90,283,335	82,298,215	78,198,411	79,281,521	76,574,057
92,720,290	91,525,564	90,283,335	82,298,215	78,198,411	79,281,521
4,321,033	3,549,842	3,612,292	3,074,446	2,830,764	2,091,597
489,122	501,956	509,736	500,066	510,712	490,999
10,305,097	1,195,922	2,446,310	3,373,805	3,818,238	(623,834)
(5,590,570)	(5,785,751)	(5,608,206)	(6,441,460)	(6,205,145)	(6,042,974)
(189,439)	(192,205)	(170,435)	(203,667)	(196,670)	(231,781)
(44,937)	-	(13,497)	(3,568)	800	-
9,290,306	(730,236)	776,200	299,622	758,699	(4,315,993)
42,710,504	43,440,740	42,664,540	42,364,918	41,606,219	45,922,212
52,000,810	42,710,504	43,440,740	42,664,540	42,364,918	41,606,219
\$ 40,719,480	\$ 48,815,060	\$ 46,842,595	\$ 39,633,675	\$ 35,833,493	\$ 37,675,302
56.08%	46.67%	48.12%	51.84%	54.18%	52.48%
\$ 5,923,918	\$ 5,744,170	\$ 5,352,132	\$ 5,618,718	\$ 5,399,773	\$ 5,188,855
687.37%	849.82%	875.21%	705.39%	663.61%	726.08%

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## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

Police and Fire Retirement System  
Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2025	\$ 3,793,777	\$ 7,878,288	\$ 4,084,511	\$ 6,374,279	123.59%
6/30/2024	3,258,582	6,758,216	3,499,634	5,800,416	116.51%
6/30/2023	3,503,304	7,395,611	3,892,307	5,666,485	130.51%
6/30/2022	3,910,244	4,341,057	430,813	6,190,826	70.12%
6/30/2021	3,923,348	4,321,033	397,685	5,923,918	72.94%
6/30/2020	3,166,521	3,549,842	383,321	5,744,170	61.80%
6/30/2019	3,271,474	3,612,292	340,818	5,352,132	67.49%
6/30/2018	2,698,592	3,074,446	375,854	5,618,718	54.72%
6/30/2017	2,473,171	2,830,764	357,593	5,399,773	52.42%
6/30/2016	1,698,569	2,091,597	393,028	5,188,855	40.31%

See notes to required supplementary information.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Required Supplementary Information

General Employees' Retirement System

Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios

	Year Ended June 30,			
	2025	2024	2023	2022
<b>Change in total pension liability</b>				
Service cost	\$ 143,578	\$ 161,296	\$ 181,713	\$ 178,543
Interest	3,152,476	3,152,239	3,117,562	3,150,661
Differences between expected and actual experience	251,158	243,513	510,436	(12,105)
Changes of assumptions	(123,622)	292,480	-	1,434,164
Benefit payments, including refunds of member contributions	(3,450,723)	(3,376,262)	(3,266,101)	(3,150,043)
<b>Net change in total pension liability</b>	<u>(27,133)</u>	<u>473,266</u>	<u>543,610</u>	<u>1,601,220</u>
<b>Total pension liability, beginning</b>	<u>45,559,910</u>	<u>45,086,644</u>	<u>44,543,034</u>	<u>42,941,814</u>
<b>Total pension liability, ending (a)</b>	<u>45,532,777</u>	<u>45,559,910</u>	<u>45,086,644</u>	<u>44,543,034</u>
<b>Change in plan fiduciary net position</b>				
Contributions - employer	601,540	254,862	362,922	317,018
Contributions - member	50,933	55,573	59,051	64,047
Net investment income (loss)	2,823,391	4,113,007	(5,001,053)	5,599,463
Benefit payments, including refunds of member contributions	(3,450,723)	(3,376,262)	(3,266,101)	(3,150,043)
Administrative expense	(82,881)	(85,693)	(81,255)	(66,581)
Other changes	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>(57,740)</u>	<u>961,487</u>	<u>(7,926,436)</u>	<u>2,763,904</u>
<b>Plan fiduciary net position, beginning</b>	<u>38,484,821</u>	<u>37,523,334</u>	<u>45,449,770</u>	<u>42,685,866</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>38,427,081</u>	<u>38,484,821</u>	<u>37,523,334</u>	<u>45,449,770</u>
<b>City's net pension (asset) liability, ending (a)-(b)</b>	<u>\$ 7,105,696</u>	<u>\$ 7,075,089</u>	<u>\$ 7,563,310</u>	<u>\$ (906,736)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.39%	 84.47%	 83.22%	 102.04%
 Covered payroll	 \$ 1,302,043	 \$ 1,455,687	 \$ 1,643,476	 \$ 1,731,213
 City's net pension (asset) liability as a percentage of covered payroll	 545.73%	 486.03%	 460.20%	 -52.38%

See notes to required supplementary information.

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Year Ended June 30,					
2021	2020	2019	2018	2017	2016
\$ 198,122	\$ 219,299	\$ 270,704	\$ 336,203	\$ 335,411	\$ 349,127
3,081,163	3,127,358	3,078,185	3,070,401	3,065,235	2,991,643
(636,806)	(94,985)	235,553	(529,379)	(650,371)	(448,149)
1,429,743	1,329,833	-	-	-	1,813,776
(3,145,898)	(3,096,694)	(2,791,450)	(2,702,940)	(2,669,149)	(2,623,784)
926,324	1,484,811	792,992	174,285	81,126	2,082,613
42,015,490	40,530,679	39,737,687	39,563,402	39,482,276	37,399,663
42,941,814	42,015,490	40,530,679	39,737,687	39,563,402	39,482,276
232,104	212,184	225,876	234,378	16,215,689	1,309,171
60,341	77,110	101,508	103,815	107,113	115,135
5,351,926	5,052,309	(1,582,630)	5,106,888	2,922,918	(352,728)
(3,145,898)	(3,096,694)	(2,791,450)	(2,702,940)	(2,669,149)	(2,623,784)
(79,017)	(86,966)	(80,231)	(81,049)	(60,539)	(52,626)
-	82,266	45,213	-	-	-
2,419,456	2,240,209	(4,081,714)	2,661,092	16,516,032	(1,604,832)
40,266,410	38,026,201	42,107,915	39,446,823	22,930,791	24,535,623
42,685,866	40,266,410	38,026,201	42,107,915	39,446,823	22,930,791
\$ 255,948	\$ 1,749,080	\$ 2,504,478	\$ (2,370,228)	\$ 116,579	\$ 16,551,485

99.40%	95.84%	93.82%	105.96%	99.71%	58.08%
\$ 1,746,565	\$ 1,956,330	\$ 2,360,284	\$ 2,965,039	\$ 2,969,921	\$ 3,098,670
14.65%	89.41%	106.11%	-79.94%	3.93%	534.15%

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

#### General Employees' Retirement System Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2025	\$ 570,301	\$ 820,301	\$ 250,000	\$ 1,358,117	60.40%
6/30/2024	197,839	197,839	-	1,692,092	11.69%
6/30/2023	348,984	348,984	-	1,643,476	21.23%
6/30/2022	376,860	376,860	-	1,731,213	21.77%
6/30/2021	257,352	257,352	-	1,746,565	14.73%
6/30/2020	212,184	212,184	-	1,956,330	10.85%
6/30/2019	171,255	171,255	-	2,360,284	7.26%
6/30/2018	280,497	280,497	-	2,965,039	9.46%
6/30/2017	1,175,689	15,529,969	14,354,280	2,969,921	522.91%
6/30/2016	1,141,368	1,604,911	463,543	3,098,670	51.79%

See notes to required supplementary information.



## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

Police and Fire Other Postemployment Benefits Plan

Schedule of Investment Returns

Fiscal Year Ended	Annual Money- Weighted Rate of Return, Net of Investment Expense
6/30/2025	9.97%
6/30/2024	11.42%
6/30/2023	9.21%
6/30/2022	-7.52%
6/30/2021	27.54%
6/30/2020	4.26%
6/30/2019	5.29%
6/30/2018	8.48%
6/30/2017	10.80%

See notes to required supplementary information.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

Police and Fire Other Postemployment Benefits Plan

Schedule of Changes in the City's Net Other Postemployment Benefit (Asset) Liability and Related Ratios

	Year Ended June 30,		
	2025	2024	2023
<b>Change in total other postemployment benefit liability</b>			
Service cost	\$ 113,996	\$ 153,258	\$ 168,243
Interest	1,479,479	1,493,245	1,840,182
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,157,757)	-	(6,589,343)
Changes of assumptions	1,791,500	-	937,121
Benefit payments, including refunds of member contributions	(1,935,386)	(1,741,921)	(1,630,465)
<b>Net change in total other postemployment benefit liability</b>	<u>(708,168)</u>	<u>(95,418)</u>	<u>(5,274,262)</u>
<b>Total other postemployment benefit liability, beginning</b>	<u>23,671,918</u>	<u>23,767,336</u>	<u>29,041,598</u>
<b>Total other postemployment benefit liability, ending (a)</b>	<u>22,963,750</u>	<u>23,671,918</u>	<u>23,767,336</u>
<b>Change in plan fiduciary net position</b>			
Contributions - employer	-	-	430,465
Net investment income (loss)	2,771,041	2,904,902	2,317,865
Benefit payments, including refunds of member contributions	(1,886,956)	(1,235,000)	(1,630,465)
Administrative expense	(115,800)	(111,884)	(109,303)
<b>Net change in plan fiduciary net position</b>	<u>768,285</u>	<u>1,558,018</u>	<u>1,008,562</u>
<b>Plan fiduciary net position, beginning</b>	<u>26,883,374</u>	<u>25,325,356</u>	<u>24,316,794</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>27,651,659</u>	<u>26,883,374</u>	<u>25,325,356</u>
<b>City's net other postemployment benefit (asset) liability, ending (a)-(b)</b>	<u><u>\$ (4,687,909)</u></u>	<u><u>\$ (3,211,456)</u></u>	<u><u>\$ (1,558,020)</u></u>
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	120.41%	113.57%	106.56%
Covered payroll	\$ 1,177,174	\$ 1,845,764	\$ 1,845,764
City's net other postemployment benefit (asset) liability as a percentage of covered payroll	-398.23%	-173.99%	-84.41%

See notes to required supplementary information.

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Year Ended June 30,					
2022	2021	2020	2019	2018	2017
\$ 209,105	\$ 213,364	\$ 358,745	\$ 368,534	\$ 489,003	\$ 507,002
1,818,391	3,491,060	3,818,598	4,277,153	4,114,003	3,924,938
-	(12,826,623)	(4,437,289)	-	-	-
-	1,779,522	-	(7,209,429)	-	-
-	(16,530,678)	(2,450,439)	(2,064,080)	-	-
(1,713,147)	(2,002,661)	(2,509,285)	(2,334,648)	(1,730,921)	(1,297,566)
314,349	(25,876,016)	(5,219,670)	(6,962,470)	2,872,085	3,134,374
28,727,249	54,603,265	59,822,935	66,785,405	63,913,320	60,778,946
29,041,598	28,727,249	54,603,265	59,822,935	66,785,405	63,913,320
1,713,147	2,399,261	2,886,595	2,833,651	2,413,374	2,887,125
(2,970,404)	5,845,671	853,094	1,019,523	1,436,553	1,463,640
(1,713,147)	(2,002,661)	(2,509,285)	(2,344,648)	(1,730,921)	(1,297,566)
(54,367)	(61,765)	(51,040)	-	-	-
(3,024,771)	6,180,506	1,179,364	1,508,526	2,119,006	3,053,199
27,341,565	21,161,059	19,981,695	18,473,169	16,354,163	13,300,964
24,316,794	27,341,565	21,161,059	19,981,695	18,473,169	16,354,163
<u>\$ 4,724,804</u>	<u>\$ 1,385,684</u>	<u>\$ 33,442,206</u>	<u>\$ 39,841,240</u>	<u>\$ 48,312,236</u>	<u>\$ 47,559,157</u>
83.73%	95.18%	38.75%	33.40%	27.66%	25.59%
\$ 2,465,914	\$ 2,465,914	\$ 3,361,677	\$ 3,361,677	\$ 3,823,718	\$ 3,795,030
191.60%	56.19%	994.81%	1185.16%	1263.49%	1253.20%

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

Police and Fire Other Postemployment Benefits Plan

Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2025	\$ -	\$ -	\$ -	\$ 1,177,174	0.00%
6/30/2024	-	-	-	1,845,764	0.00%
6/30/2023	566,680	430,465	(136,215)	1,845,764	23.32%
6/30/2022	578,392	1,713,147	1,134,755	2,465,914	69.47%
6/30/2021	3,575,366	2,399,261	(1,176,105)	2,465,914	97.30%
6/30/2020	3,572,263	2,886,595	(685,668)	3,361,677	85.87%
6/30/2019	4,338,351	2,833,651	(1,504,700)	3,361,677	84.29%
6/30/2018	4,349,707	2,413,374	(1,936,333)	3,823,718	63.12%
6/30/2017	3,200,384	2,887,125	(313,259)	3,795,030	76.08%

See notes to required supplementary information.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

General Employees' Other Postemployment Benefits Plan

Schedule of Investment Returns

Fiscal Year Ended	Annual Money- Weighted Rate of Return, Net of Investment Expense
6/30/2025	10.43%
6/30/2024	11.16%
6/30/2023	9.22%
6/30/2022	-7.50%
6/30/2021	27.13%
6/30/2020	3.73%
6/30/2019	5.52%
6/30/2018	8.00%
6/30/2017	11.50%

See notes to required supplementary information.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

General Employees' Other Postemployment Benefits Plan

Schedule of Changes in the City's Net Other Postemployment Benefit (Asset) Liability and Related Ratios

	Year Ended June 30,		
	2025	2024	2023
<b>Change in total other postemployment benefit liability</b>			
Service cost	\$ 68,622	\$ 63,698	\$ 69,735
Interest	791,871	789,652	1,012,349
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,856,456)	-	(4,047,517)
Changes of assumptions	611,057	-	409,005
Benefit payments, including refunds of member contributions	(739,876)	(903,475)	(829,867)
<b>Net change in total other postemployment benefit liability</b>	<u>(1,124,782)</u>	<u>(50,125)</u>	<u>(3,386,295)</u>
<b>Total other postemployment benefit liability, beginning</b>	<u>12,518,255</u>	<u>12,568,380</u>	<u>15,954,675</u>
<b>Total other postemployment benefit liability, ending (a)</b>	<u>11,393,473</u>	<u>12,518,255</u>	<u>12,568,380</u>
<b>Change in plan fiduciary net position</b>			
Contributions - employer	-	-	179,867
Net investment income (loss)	1,957,508	1,989,986	1,550,024
Benefit payments, including refunds of member contributions	(975,959)	(820,000)	(829,867)
Administrative expense	(90,946)	(79,366)	(74,754)
<b>Net change in plan fiduciary net position</b>	<u>890,603</u>	<u>1,090,620</u>	<u>825,270</u>
<b>Plan fiduciary net position, beginning</b>	<u>18,046,115</u>	<u>16,955,495</u>	<u>16,130,225</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>18,936,718</u>	<u>18,046,115</u>	<u>16,955,495</u>
<b>City's net other postemployment benefit (asset) liability, ending (a)-(b)</b>	<u>\$ (7,543,245)</u>	<u>\$ (5,527,860)</u>	<u>\$ (4,387,115)</u>
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	166.21%	144.16%	134.91%
Covered payroll	\$ 1,416,241	\$ 1,531,268	\$ 1,531,268
City's net other postemployment benefit (asset) liability as a percentage of covered payroll	-532.62%	-361.00%	-286.50%

See notes to required supplementary information.

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Year Ended June 30,					
2022	2021	2020	2019	2018	2017
\$ 67,953	\$ 71,232	\$ 135,786	\$ 143,139	\$ 287,921	\$ 292,159
1,003,141	2,012,059	2,050,180	2,656,983	2,552,025	2,435,322
-	(6,188,483)	-	(10,400,203)	-	-
-	(346,010)	-	897,012	-	-
-	(9,939,604)	(1,322,130)	(1,097,904)	-	-
(1,030,718)	(1,228,067)	(1,608,004)	(1,453,543)	(852,076)	(1,007,802)
40,376	(15,618,873)	(744,168)	(9,254,516)	1,987,870	1,719,679
15,914,299	31,533,172	32,277,340	41,531,856	39,543,986	37,824,307
15,954,675	15,914,299	31,533,172	32,277,340	41,531,856	39,543,986
780,718	1,363,597	1,726,953	1,217,645	849,323	2,169,478
(1,993,701)	3,943,910	483,255	778,228	1,010,577	1,207,938
(1,030,718)	(1,228,067)	(1,608,004)	(1,453,543)	(852,076)	(1,007,802)
(37,014)	(41,835)	(35,345)	-	-	-
(2,280,715)	4,037,605	566,859	542,330	1,007,824	2,369,614
18,410,940	14,373,335	13,806,476	13,264,146	12,256,322	9,886,708
16,130,225	18,410,940	14,373,335	13,806,476	13,264,146	12,256,322
<u>\$ (175,550)</u>	<u>\$ (2,496,641)</u>	<u>\$ 17,159,837</u>	<u>\$ 18,470,864</u>	<u>\$ 28,267,710</u>	<u>\$ 27,287,664</u>
101.10%	115.69%	45.58%	42.77%	31.94%	30.99%
\$ 1,855,685	\$ 1,855,685	\$ 2,881,946	\$ 2,881,946	\$ 2,780,423	\$ 3,154,676
-9.46%	-134.54%	595.43%	640.92%	1016.67%	864.99%

## CITY OF MADISON HEIGHTS, MICHIGAN

### Required Supplementary Information

General Employees' Other Postemployment Benefits Plan

Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2025	\$ -	\$ -	\$ -	\$ 1,416,241	0.00%
6/30/2024	-	-	-	1,531,268	0.00%
6/30/2023	56,010	179,867	123,857	1,531,268	11.75%
6/30/2022	59,885	780,718	720,833	1,855,685	42.07%
6/30/2021	1,638,899	1,363,597	(275,302)	1,855,685	73.48%
6/30/2020	1,642,937	1,726,953	84,016	2,881,946	59.92%
6/30/2019	2,626,213	1,217,645	(1,408,568)	2,881,946	42.25%
6/30/2018	2,632,909	849,323	(1,783,586)	2,780,423	30.55%
6/30/2017	2,177,595	2,169,478	(8,117)	3,154,676	68.77%

See notes to required supplementary information.



# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Required Supplementary Information

### Pension Information

#### **Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios: Police and Fire Employees' Retirement System**

The police and fire retirement system reduced the assumed investment rate of return from 7.50 percent to 6.75 percent in years 2017 to 2019. In 2019, the mortality tables were updated to the Pub-2010 tables. In 2015, the mortality tables were updated to the RP-2014 Mortality Tables.

#### **Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios: General Employees' Retirement System**

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

*Changes in Assumptions.* In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes in assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2022, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2025, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Required Supplementary Information

#### Notes to the Schedule of City Contributions: Police and Fire Retirement System

Valuation date	June 30, 2023
Notes	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal level percent of pay
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	21 years beginning July 1, 2024
Asset valuation method	5-year smooth market
Inflation	3.25% approximate; 2.50% price inflation assumption
Salary increases	3.25% to 6.25% including inflation
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality rates	Pub-2010, Amount Weighted, Safety, Healthy Retiree Mortality for males and females projected on a fully-generational basis from a base year of 2010 with the MP-2018 mortality improvement scale.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Required Supplementary Information

#### Notes to the Schedule of City Contributions: General Employees' Retirement System

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

Methods and assumptions used to determine contribution rates (2025, based on the 12/31/2022 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Retirement age	Age 60
Mortality rates	<ul style="list-style-type: none"><li>• Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120</li><li>• Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120</li><li>• Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120</li></ul>

#### OPEB Information

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Required Supplementary Information

#### **Notes to Schedule of Changes in the City's Net Other Postemployment Benefit (Asset) Liability and Related Ratios: Police and Fire Other Postemployment Benefits Plan**

In 2020, the Police and Fire Retiree Postemployment Benefits Trust implemented a similar change that entitled retired members hired before July 1, 2009 and their eligible spouses to receive a \$300 monthly stipend to purchase Medicare supplemental insurance after attaining Medicare eligibility, at which time city obligations for health care benefits cease.

In 2020, the Police and Fire Retiree Postemployment Benefits Trust lowered the wage inflation assumption to 3.25 percent and the ultimate health care trend rate to 3.5 percent. The mortality table used was updated to the Pub-2010 Safety mortality table with fully generational projection using the MP-2018 improvement scale. In 2021, the wage inflation assumption was lowered to 3.25 percent and the Pub-2010 Safety mortality table was used.

In 2025, the Police and Fire Retiree Postemployment Benefits Trust health care trend assumption was reset to 7.25% for non-Medicare benefits and 6.50% for Medicare benefits in the first year, trending down to 3.50% over 15 years. The short-term trend of 7.25%/6.50% is a reasonable expectation of current health care inflation. The transition from short-term to long-term trend is supported by the Society of Actuaries' Getzen model which results in a macroeconomic estimate that health care expenditures will increase from 19% of Gross Domestic Product (GDP) in 2031 to 25% of GDP in 2071, assuming 5.00% annual GDP growth.

#### **Notes to Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios: General Employees' Postemployment Benefits Plan**

In 2019, the General Employees' Other Postemployment Benefits Trust implemented a change that entitled certain members retiring after March 1, 2019 and their eligible spouses to receive a \$300 monthly stipend to purchase Medicare supplemental insurance after attaining Medicare eligibility, at which time the city obligation for health care benefits would cease.

In 2019 and 2020, the General Employees' Other Postemployment Benefits Trust updated the mortality tables to the RP-2014 tables, lowered the wage inflation assumption to 3.75 percent, and lowered the ultimate health care trend rate to 3.75 percent. In 2021, the mortality tables were updated to the Pub-2010 tables.

In 2025, the General Employees' Other Postemployment Benefits Trust health care trend assumption was reset to 7.25% for non-Medicare benefits and 6.50% for Medicare benefits in the first year, trending down to 3.50% over 15 years. The short-term trend of 7.25%/6.50% is a reasonable expectation of current health care inflation. The transition from short-term to long-term trend is supported by the Society of Actuaries' Getzen model which results in a macroeconomic estimate that health care expenditures will increase from 19% of Gross Domestic Product (GDP) in 2031 to 25% of GDP in 2071, assuming 5.00% annual GDP growth.

## CITY OF MADISON HEIGHTS, MICHIGAN

### Notes to Required Supplementary Information

#### Notes to Schedule of City Contributions: Police and Fire Other Postemployment Benefits Plan

Valuation date	June 30, 2022
Notes	Actuarially determined contribution rates are calculated as of June 30 of even numbered years, which is 12 months prior to the beginning of the fiscal year biennium in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level Dollar, Closed
Remaining amortization period	17 years for the Fiscal Year Ending 2025
Asset valuation method	Market value
Inflation rate	2.50%
Salary increases	3.25% to 6.25%, including inflation
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality rates	Pub-2010 Amount Weighted Safety fully generational mortality tables projected from 2010 using the MP-2018 improvement scale.
Healthcare inflation rate	Pre age 65: Trend starting at 7.50% in 2023 and gradually decreasing to an ultimate trend rate of 3.50% in 2034. Post age 65: Trend starting at 6.25% in 2023 and gradually decreasing to an ultimate trend rate of 3.50% in 2034.

# CITY OF MADISON HEIGHTS, MICHIGAN

## Notes to Required Supplementary Information

### Notes to Schedule of City Contributions: General Employees' Other Postemployment Benefits Plan

Valuation date	June 30, 2022
Notes	Actuarially determined contribution rates are calculated as of June 30 of even numbered years, which is 12 months prior to the beginning of the fiscal year biennium in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Non-Union, MEU, Department Heads and Supervisors & Assistants: 17 years for the Fiscal Year Ending 2025 Court and DPS: 13 years for the Fiscal Year Ending 2025
Asset valuation method	Market Value of Assets
Inflation rate	2.50%
Salary increases	3.00% to 9.70%, including inflation.
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality rates	Retired members: Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019 for current and future retirees. Active members: Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019. Disabled retirees: Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019.
Healthcare inflation rate	Pre age 65: Trend starting at 7.25% in 2024 and gradually decreasing to an ultimate trend rate of 3.50% in 2034. Post age 65: Trend starting at 6.00% in 2024 and gradually decreasing to an ultimate trend rate of 3.50% in 2034.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

# CITY OF MADISON HEIGHTS, MICHIGAN

## Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	Special Revenue				
	Park Improvement Maintenance	Indigent Defense	Drug Forfeiture	Community Improvement	Opioid Settlement
<b>Assets</b>					
Cash and investments	\$ 590,368	\$ 126,542	\$ 121,712	\$ -	\$ 146,528
Receivables:					
Special assessments	-	-	-	-	-
Accounts	-	-	16,878	-	319,891
Due from other governments	-	-	-	15,321	-
<b>Total assets</b>	<u>\$ 590,368</u>	<u>\$ 126,542</u>	<u>\$ 138,590</u>	<u>\$ 15,321</u>	<u>\$ 466,419</u>
<b>Liabilities</b>					
Negative equity in cash and investments	\$ -	\$ -	\$ -	\$ 7,462	\$ -
Accounts payable	2,590	2	-	1,035	-
Accrued liabilities	-	8,946	-	2,831	-
Unearned revenue	-	117,594	-	-	-
<b>Total liabilities</b>	<u>2,590</u>	<u>126,542</u>	<u>-</u>	<u>11,328</u>	<u>-</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	-	-	-	319,891
<b>Fund balances</b>					
Restricted	587,778	-	138,590	3,993	146,528
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 590,368</u>	<u>\$ 126,542</u>	<u>\$ 138,590</u>	<u>\$ 15,321</u>	<u>\$ 466,419</u>





Debt Service		Capital Project	
Municipal Building Bond	Special Assessment Revolving	Total	
\$ 49,380	\$ 251,477	\$ 1,286,007	
-	6,865	6,865	
-	-	336,769	
-	-	15,321	
<hr/>		<hr/>	
\$ 49,380	\$ 258,342	\$ 1,644,962	
<hr/>		<hr/>	
\$ -	\$ -	\$ 7,462	
-	5,425	9,052	
-	-	11,777	
-	-	117,594	
<hr/>		<hr/>	
-	5,425	145,885	
<hr/>		<hr/>	
-	7,637	327,528	
49,380	245,280	1,171,549	
\$ 49,380	\$ 258,342	\$ 1,644,962	
<hr/>		<hr/>	

# CITY OF MADISON HEIGHTS, MICHIGAN

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2025

	Special Revenue				
	Park Improvement Maintenance	Indigent Defense	Drug Forfeiture	Community Improvement	Opioid Settlement
<b>Revenues</b>					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	30,391	246,572	-
State grants	-	553,497	31,441	-	-
Charges for services	-	-	-	-	27,997
Investment income	48,642	-	4,104	-	-
Other	1,000	-	-	-	-
<b>Total revenues</b>	<b>49,642</b>	<b>553,497</b>	<b>65,936</b>	<b>246,572</b>	<b>27,997</b>
<b>Expenditures</b>					
Current:					
Community development	-	-	-	252,471	-
Judicial	-	554,387	-	-	-
Public safety	-	-	129,383	-	-
Public works	-	-	-	-	-
Culture and recreation	110,183	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>110,183</b>	<b>554,387</b>	<b>129,383</b>	<b>252,471</b>	<b>-</b>
Revenues over (under) expenditures	(60,541)	(890)	(63,447)	(5,899)	27,997
<b>Other financing sources (uses)</b>					
Transfers in	-	890	37,342	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>890</b>	<b>37,342</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(60,541)</b>	<b>-</b>	<b>(26,105)</b>	<b>(5,899)</b>	<b>27,997</b>
Fund balances, beginning of year	648,319	-	164,695	9,892	118,531
<b>Fund balances, end of year</b>	<b>\$ 587,778</b>	<b>\$ -</b>	<b>\$ 138,590</b>	<b>\$ 3,993</b>	<b>\$ 146,528</b>



Debt Service		Capital Project	
Municipal Building Bond	Special Assessment Revolving	Total	
\$ -	\$ 1,439	\$ 1,439	
-	-	276,963	
-	-	584,938	
-	-	27,997	
-	12,383	65,129	
-	-	1,000	
-	13,822	957,466	
-	-	252,471	
-	-	554,387	
-	-	129,383	
-	15,299	15,299	
-	-	110,183	
230,000	-	230,000	
251,000	-	251,000	
481,000	15,299	1,542,723	
(481,000)	(1,477)	(585,257)	
482,500	-	520,732	
-	(2,500)	(2,500)	
482,500	(2,500)	518,232	
1,500	(3,977)	(67,025)	
47,880	249,257	1,238,574	
\$ 49,380	\$ 245,280	\$ 1,171,549	

## CITY OF MADISON HEIGHTS, MICHIGAN

### Balance Sheet / Statement of Net Position

Downtown Development Authority Component Unit

June 30, 2025

	General Fund	GASB 34 Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 882,358	\$ -	\$ 882,358
Accounts receivable	16,484	-	16,484
Due from other governments	175	-	175
Capital assets being depreciated, net	-	551,660	551,660
<b>Total assets</b>	<u>\$ 899,017</u>	<u>\$ 551,660</u>	<u>1,450,677</u>
<b>Liabilities</b>			
Accounts payable	\$ 42,629	\$ -	42,629
<b>Fund balance</b>			
Unassigned	856,388	(856,388)	-
<b>Total liabilities and fund balance</b>	<u>\$ 899,017</u>		
<b>Net position</b>			
Investment in capital assets		551,660	551,660
Unrestricted		856,388	856,388
<b>Total net position</b>			<u>\$ 1,408,048</u>

## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities

Downtown Development Authority Component Unit

For the Year Ended June 30, 2025

	General Fund	GASB 34 Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 250,186	\$ -	\$ 250,186
Intergovernmental	259,585	-	259,585
Interest revenue	2,790	-	2,790
Miscellaneous	2,076	-	2,076
<b>Total revenues</b>	<u>514,637</u>	<u>-</u>	<u>514,637</u>
<b>Expenditures/expenses</b>			
Community development	201,028	(72,272)	128,756
Depreciation	-	23,036	23,036
<b>Total expenditures/expenses</b>	<u>201,028</u>	<u>(49,236)</u>	<u>151,792</u>
<b>Change in fund balance / net position</b>	313,609	49,236	362,845
Fund balance / net position, beginning of year	<u>542,779</u>	<u>502,424</u>	<u>1,045,203</u>
<b>Fund balance / net position, end of year</b>	<u>\$ 856,388</u>	<u>\$ 551,660</u>	<u>\$ 1,408,048</u>

CITY OF MADISON HEIGHTS, MICHIGAN

**Balance Sheet / Statement of Net Position**

Brownfield Redevelopment Authority Component Unit  
June 30, 2025

**Assets**

Cash and cash equivalents	\$ 5,866
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**Fund balance/Net position**

Unassigned/Unrestricted	\$ 5,866
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## CITY OF MADISON HEIGHTS, MICHIGAN

### Statement of Revenues, Expenditures

and Changes in Fund Balance / Statement of Activities  
Brownfield Redevelopment Authority Component Unit  
For the Year Ended June 30, 2025

#### Revenues

Property taxes	\$ 366,518
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#### Expenditures/expenses

Community development	<u>362,485</u>
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#### Change in fund balance / net position

4,033

Fund balance / net position, beginning of year

1,833

#### Fund balance / net position, end of year

\$ 5,866

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

November 25, 2025

To the Honorable Mayor and  
Members of the City Council  
City of Madison Heights, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Madison Heights, Michigan** (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2025.

## **Report on Internal Control Over Financial Reporting**

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

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

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



## Report on Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Lehmann Lobman LLC". The signature is written in a cursive, flowing style.