



City of Flushing



**CITY OF FLUSHING
GENESEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	6
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities	22
Proprietary Funds	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Net Position	24
Statement of Cash Flows	25
Fiduciary Funds	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets	60
Schedule of Changes in Net Pension Liability and Related Ratios	61
Schedule of Contributions - Pension	62
Schedule of Changes in OPEB Liability and Related Ratios	63
Schedule of Contributions - OPEB	64
Notes to the Required Supplementary Information	65
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	68

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Flushing, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 13 to the financial statements, the City implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards 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, budgetary comparison information and required pension and OPEB schedules, 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 and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 December 18, 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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
December 18, 2025

Management's Discussion and Analysis

City of Flushing
Management's Discussion and Analysis
June 30, 2025

As management of the City of Flushing, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,328,039 (net position).
- Combined program and general revenues for the City's activities amounted to \$13,054,510 while expenses amounted to \$12,410,190, causing the net position to increase by \$644,320 from the prior fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$7,907,173, an increase of \$231,595 from the prior year. Approximately 40.4% of this amount, \$3,196,403, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,196,403, or approximately 49.2% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., accrued but unpaid other postemployment benefits and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police and fire protection, streets, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services along with building inspection activities.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and major streets funds which are considered to be major funds. Data from the capital improvement, local streets, narcotic, community development, public improvement, and the cemetery trust funds is presented as a separate column as they are considered nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and building inspection operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses an internal service fund to account for motor vehicle costs by allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. The building department is considered a nonmajor fund and is presented in a separate column. The internal service fund data is presented in the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports one type of fiduciary fund, which is a custodial fund. The City maintains three custodial funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's schedules of funding progress and employer contributions for the pension and other postemployment benefits plans.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,328,039 at the close of the most recent fiscal year.

City of Flushing's Net Position

	Governmental Activities		Business-type Activities		Total Government	
ASSETS	2025	2024	2025	2024	2025	2024
<i>Current Assets</i>						
Cash and Investments	\$ 7,665,038	\$ 7,019,158	\$ 4,240,930	\$ 4,077,333	\$ 11,905,968	\$ 11,096,491
Receivables, net	162,219	316,715	1,052,116	1,061,176	1,214,335	1,377,891
Due from Other Units of Government	624,176	615,218	-	-	624,176	615,218
Inventory	-	-	30,319	21,917	30,319	21,917
Prepaid Items	75,964	144,311	-	29,876	75,964	174,187
Total Current Assets	8,527,397	8,095,402	5,323,365	5,190,302	13,850,762	13,285,704
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	310,640	244,680	310,640	244,680
Capital Assets, net	13,292,541	13,002,456	11,973,185	11,921,649	25,265,726	24,924,105
Total Assets	21,819,938	21,097,858	17,607,190	17,356,631	39,427,128	38,454,489
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	811,081	661,474	175,877	440,984	986,958	1,102,458
OPEB Related	-	29,840	-	7,460	-	37,300
Total Deferred Outflows of Resources	811,081	691,314	175,877	448,444	986,958	1,139,758
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	153,683	67,688	249,113	469,751	402,796	537,439
Accrued Wages	77,602	68,621	17,985	13,854	95,587	82,475
Deposits Payable	18,094	26,583	4,201	4,551	22,295	31,134
Due to Other Units of Government	6,291	-	-	-	-	-
Accrued Interest	965	965	64,593	63,335	65,558	64,300
Unearned Revenue	6,500	33,389	-	-	6,500	33,389
Current Portion of Compensated Absences	129,549	126,459	-	-	129,549	126,459
Current Portion of Long-term Debt	-	38,975	227,000	224,000	227,000	262,975
Total Current Liabilities	392,684	362,680	562,892	775,491	955,576	1,138,171
<i>Noncurrent Liabilities</i>						
Compensated Absences	388,647	379,377	-	-	388,647	379,377
Long-term Debt	-	-	7,414,846	7,308,304	7,414,846	7,308,304
Net Pension Liability	8,723,370	6,284,356	1,891,604	4,189,570	10,614,974	10,473,926
Net OPEB Liability	2,142,946	2,087,218	535,737	521,804	2,678,683	2,609,022
Total Liabilities	11,647,647	9,113,631	10,405,079	12,795,169	22,052,726	21,908,800
DEFERRED INFLOWS OF RESOURCES						
OPEB Related	26,657	1,382	6,664	346	33,321	1,728
NET POSITION						
Net Investment in Capital Assets	13,292,541	12,963,481	4,331,339	4,389,345	17,623,880	17,352,826
Restricted	4,527,826	4,048,121	310,640	244,680	4,838,466	4,292,801
Unrestricted	(6,863,652)	(4,337,443)	2,729,345	375,535	(4,134,307)	(3,961,908)
Total Net Position	\$ 10,956,715	\$ 12,674,159	\$ 7,371,324	\$ 5,009,560	\$ 18,328,039	\$ 17,683,719

A large portion of the City's net position, \$17,623,880, reflects its investment in capital assets (e.g., land, right-of-ways, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$4,838,466, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of (\$4,134,307) is unrestricted.

The following summarizes significant changes in assets, deferred inflows and outflows, and liabilities:

During fiscal year 2025, assets experienced significant changes. Cash and cash equivalents increased by \$809,477, primarily due to the increase in net position of \$644,320. Receivables, net, decreased by \$163,556, reflecting the timing of grant-related cash inflows. Capital assets, net, grew by \$341,621 as ongoing investments were made in the sewer improvement project.

Deferred outflows of resources also shifted, with pension-related items decreasing by \$115,500 due to difference between expected and actual earnings. Similarly, OPEB-related items declined by \$37,300 due to the amortization of prior-year deferred expenses.

Liabilities saw notable adjustments, including a \$134,643 decrease in accounts payable, driven by the timing of year-end payables and a reduction in construction-related payables. Long-term debt increased by \$70,567, reflecting the final draw on USDA bonds for the sewer improvement project. The net pension liability increased by \$141,048. Finally, the net OPEB liability increased by \$69,661 due to favorable differences in actuarial valuations.

City of Flushing's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 1,690,306	\$ 1,743,144	\$ 4,754,697	\$ 4,500,122	\$ 6,445,003	\$ 6,243,266
Operating Grants and Contributions	2,201,236	2,529,874	-	906,064	2,201,236	3,435,938
Capital Grants and Contributions	-	-	-	489,891	-	489,891
Total Program Revenues	<u>3,891,542</u>	<u>4,273,018</u>	<u>4,754,697</u>	<u>5,896,077</u>	<u>8,646,239</u>	<u>10,169,095</u>
General Revenues and Transfers						
Property Taxes	3,178,370	3,020,028	-	-	3,178,370	3,020,028
Unrestricted State Sources	1,018,640	1,015,623	-	-	1,018,640	1,015,623
Investment Income	171,713	20,041	39,548	11,092	211,261	31,133
Total General Revenues and Transfers	<u>4,368,723</u>	<u>4,055,692</u>	<u>39,548</u>	<u>11,092</u>	<u>4,408,271</u>	<u>4,066,784</u>
Total Revenues	<u>8,260,265</u>	<u>8,328,710</u>	<u>4,794,245</u>	<u>5,907,169</u>	<u>13,054,510</u>	<u>14,235,879</u>
Expenses						
General Government	2,434,664	1,560,956	-	-	2,434,664	1,560,956
Public Safety	4,496,025	2,686,091	93,076	47,588	4,589,101	2,733,679
Public Works	2,786,772	2,480,455	2,339,405	4,088,304	5,126,177	6,568,759
Community and Economic Development	21,523	49,488	-	-	21,523	49,488
Recreation and Culture	237,761	303,718	-	-	237,761	303,718
Interest on Long-term Debt	964	965	-	-	964	965
Total Expenses	<u>9,977,709</u>	<u>7,081,673</u>	<u>2,432,481</u>	<u>4,135,892</u>	<u>12,410,190</u>	<u>11,217,565</u>
Change in Net Position	<u>(1,717,444)</u>	<u>1,247,037</u>	<u>2,361,764</u>	<u>1,771,277</u>	<u>644,320</u>	<u>3,018,314</u>
<i>Net Position at Beginning of Period</i>	<u>12,674,159</u>	<u>11,427,122</u>	<u>5,009,560</u>	<u>3,238,283</u>	<u>17,683,719</u>	<u>14,665,405</u>
Net Position at End of Period	<u>\$ 10,956,715</u>	<u>\$ 12,674,159</u>	<u>\$ 7,371,324</u>	<u>\$ 5,009,560</u>	<u>\$ 18,328,039</u>	<u>\$ 17,683,719</u>

Net position for governmental activities decreased by \$1,717,444 during the year for an ending balance of \$10,956,715. The net position for business-type activities grew by \$2,361,764 during the year for an ending balance of \$7,371,324. Notable changes in revenues and expenses are summarized below:

Revenues increased across several categories during the fiscal year. Charges for services rose by \$201,737, primarily due increased water and sewer service charges. Operating grants and contributions saw a significant decrease of \$1,234,702, largely driven by the receipt of a \$1,230,036 Protection MI Pension grant (which was sent directly to MERS as a one-time voluntary payment reducing the City's net pension liability) in the prior year. Capital grants and contributions decreased by \$489,891, there was remaining ARPA funding in the current year. Property taxes also grew by \$158,342, a result of a 6.9% increase in taxable property values during the fiscal year.

Expenses also experienced notable increases and decreases. General government expenses rose by \$873,708, public safety expenses increased by \$1,855,422, and public works expenses decreased by \$1,442,582 primarily due to changes in pension. Pension related balances were allocated based on recorded retirement expenses in the current year which resulted in large changes between the governmental and business type activities. In 2024, governmental activities were allocated 60% of pension related balances which was increased to about 80% in 2025. Similarly, business type activities were decreased from 40% to about 20%. This change in allocation resulted in the expense functions increases and decreases.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2025, the City's governmental funds reported combined fund balances of \$7,907,173, an increase of \$231,595 in comparison with the prior year. Approximately 40.4% of this amount, \$3,196,403, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as follows: nonspendable for items not in spendable form, such as prepaid expenditures, amounting to \$491,812 (6.1%); restricted for particular purposes, totaling \$4,006,736 (50.8%); and committed for specific projects or uses, totaling \$212,222 (2.7%).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$3,196,403, while total fund balance decreased by \$101,207 to \$3,678,307. To assess the general fund's liquidity, it is helpful to compare both unassigned and total fund balance to total general fund expenditures and transfers out. The unassigned fund balance represents approximately 49.2% of total general fund expenditures and transfers out, while the total fund balance represents approximately 56.6% of the same amount.

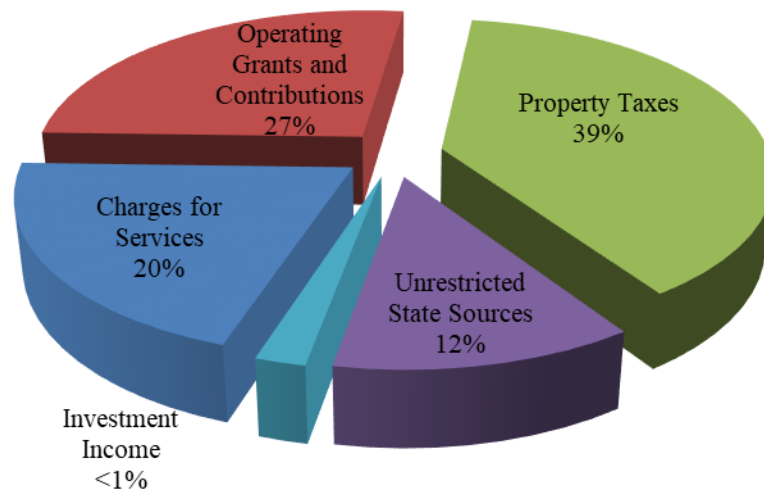
The major streets fund, a major governmental fund, reported an increase in fund balance of \$45,775, bringing the total to \$1,882,458 at the end of the fiscal year. The increase is largely due to intergovernmental revenue exceeding public works expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year for the sewer fund was \$1,805,210 and for the water fund was \$920,997. Net position for the sewer fund and water fund increased by \$676,615 to \$4,032,004 and \$1,724,935 to \$3,336,182, respectively. Information regarding the changes in net position was explained in an earlier section of this report.

Governmental Activities

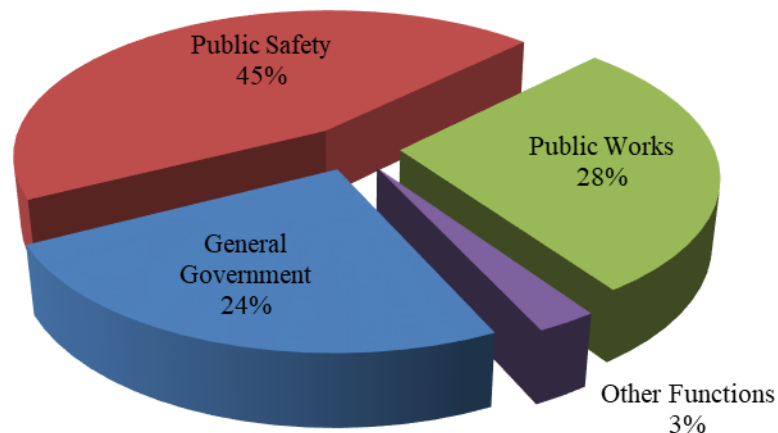
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant amendments to the original estimated revenues or expenses.

Final budget compared to actual results. The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General Fund			
<i>Public Safety</i>			
Police Department	\$ 2,346,926	\$ 2,449,738	\$ (102,812)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to \$25,265,726 (net of accumulated depreciation). This investment in capital assets includes land, right-of-ways, buildings and improvements, machinery and equipment, vehicles, and water and sewer infrastructure.

More detailed information about the City's capital assets can be found in the notes to the financial statements.

Long-term Debt

As described in the notes to the financial statements, the City had \$7,641,846 of long-term debt at the end of the fiscal year. The City is well under its legal debt limit as of year-end.

More detailed information about the City's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The City is committed to maintaining long-term financial stability by addressing retirement liabilities, managing utility rates, and anticipating economic factors that impact its fiscal health.

In response to increased rates from suppliers, the City recently adjusted water and sewer rates. These adjustments aim to cover operating costs, debt service obligations, and future maintenance. Management will continue to monitor and evaluate rates annually to ensure they remain sufficient and equitable for all customers.

The City anticipates a modest increase in property tax revenues due to rising taxable values, which will help offset escalating operational costs. State-shared revenues have shown slight increases,

and the City hopes to maintain this trend for the fiscal year ending 2026. However, challenges such as inflation, and rising wages and benefits continue to exert pressure on the budget. To address these challenges, the City will implement tight spending controls while striving to provide residents with the high level of services they expect.

Similar-sized local governments in Michigan face comparable financial challenges. Additionally, many Michigan local governments have had to adjust water and sewer rates to address aging infrastructure and funding shortfalls. The City's proactive measures in adjusting utility rates and budgeting for pension liabilities align with strategies employed by other municipalities to achieve financial stability.

By focusing on these key areas, the City of Flushing aims to navigate the financial challenges ahead and maintain its commitment to fiscal responsibility and quality public services.

Contacting the City

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The City of Flushing
725 East Main Street
Flushing, MI 48433

Basic Financial Statements

City of Flushing
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 7,665,038	\$ 4,240,930	\$ 11,905,968
Receivables, net	162,219	1,052,116	1,214,335
Due from Other Units of Government	624,176	--	624,176
Inventory	--	30,319	30,319
Prepaid Items	75,964	--	75,964
Total Current Assets	8,527,397	5,323,365	13,850,762
<i>Noncurrent Assets</i>			
Restricted Cash and Investments, RRI	--	138,000	138,000
Restricted Cash and Investments, Bond Reserve	--	172,640	172,640
Capital Assets not being Depreciated	6,562,995	18,790	6,581,785
Capital Assets being Depreciated, net	6,729,546	11,954,395	18,683,941
Total Assets	21,819,938	17,607,190	39,427,128
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	811,081	175,877	986,958
Total Deferred Outflows of Resources	811,081	175,877	986,958
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	153,683	249,113	402,796
Accrued Wages	77,602	17,985	95,587
Deposits Payable	18,094	4,201	22,295
Due to Other Units of Government	6,291	--	6,291
Accrued Interest	965	64,593	65,558
Unearned Revenue	6,500	--	6,500
Current Portion of Compensated Absences	129,549	--	129,549
Current Portion of Long-term Debt	--	227,000	227,000
Total Current Liabilities	392,684	562,892	955,576
<i>Noncurrent Liabilities</i>			
Compensated Absences	388,647	--	388,647
Long-term Debt	--	7,414,846	7,414,846
Net Pension Liability	8,723,370	1,891,604	10,614,974
Net OPEB Liability	2,142,946	535,737	2,678,683
Total Liabilities	11,647,647	10,405,079	22,052,726
DEFERRED INFLOWS OF RESOURCES			
OPEB Related	26,657	6,664	33,321
Total Deferred Inflows of Resources	26,657	6,664	33,321
NET POSITION			
Net Investment in Capital Assets	13,292,541	4,331,339	17,623,880
<i>Restricted for:</i>			
Cemetery Care - Nonexpendable	415,848	--	415,848
Emergency Services	193,718	--	193,718
Police and Fire	14,593	--	14,593
Streets and Highways	2,570,657	--	2,570,657
Drug Law Enforcement	5,888	--	5,888
Capital Projects	1,221,880	--	1,221,880
Grants	105,242	--	105,242
Debt Service, Bond Reserves	--	172,640	172,640
Debt Service, RRI	--	138,000	138,000
<i>Unrestricted</i>	<i>(6,863,652)</i>	<i>2,729,345</i>	<i>(4,134,307)</i>
Total Net Position	\$ 10,956,715	\$ 7,371,324	\$ 18,328,039

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Activities
For the year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 2,434,664	\$ 389,644	\$ 214,886	\$ --	\$ (1,830,134)	\$ --	\$ (1,830,134)
Public Safety	4,496,025	270,075	614,776	--	(3,611,174)	--	(3,611,174)
Public Works	2,786,772	1,001,214	1,233,200	--	(552,358)	--	(552,358)
Community and Economic Development	21,523	1,525	135,574	--	115,576	--	115,576
Recreation and Culture	237,761	27,848	2,800	--	(207,113)	--	(207,113)
Interest on Long-term Debt	964	--	--	--	(964)	--	(964)
Total Governmental Activities	9,977,709	1,690,306	2,201,236	--	(6,086,167)	--	(6,086,167)
Business-type Activities:							
Sewer	1,165,978	1,820,276	--	--	--	654,298	654,298
Water	1,173,427	2,881,133	--	--	--	1,707,706	1,707,706
Building Department (Nonmajor)	93,076	53,288	--	--	--	(39,788)	(39,788)
Total Business-type Activities	2,432,481	4,754,697	--	--	--	2,322,216	2,322,216
Total Primary Government	\$ 12,410,190	\$ 6,445,003	\$ 2,201,236	\$ --	(6,086,167)	2,322,216	(3,763,951)
General Purpose Revenues:							
Property Taxes					3,178,370	--	3,178,370
Intergovernmental					1,018,640	--	1,018,640
Investment Income					171,713	39,548	211,261
Total General Revenues					4,368,723	39,548	4,408,271
Change in Net Position					(1,717,444)	2,361,764	644,320
<i>Net Position at Beginning of Period</i>					12,674,159	5,009,560	17,683,719
Net Position at End of Period					\$ 10,956,715	\$ 7,371,324	\$ 18,328,039

The Notes to the Financial Statements are an Integral part of these Financial Statements

**City of Flushing
Balance Sheet
Governmental Funds
June 30, 2025**

		<u>Special Revenue</u>		
	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 3,304,996	\$ 1,766,707	\$ 2,325,627	\$ 7,397,330
Receivables, net	116,147	46,072	--	162,219
Due from Other Units of Government	335,281	132,068	156,827	624,176
Prepaid Items	75,964	--	--	75,964
Due from Other Funds	20,000	--	--	20,000
Total Assets	\$ 3,852,388	\$ 1,944,847	\$ 2,482,454	\$ 8,279,689
LIABILITIES				
Accounts Payable	\$ 76,901	\$ 56,836	\$ 6,821	\$ 140,558
Accrued Wages	68,295	5,553	1,983	75,831
Deposits Payable	16,094	--	2,000	18,094
Due to Other Units of Government	6,291	--	--	6,291
Unearned Revenue	6,500	--	--	6,500
Due to Other Funds	--	--	20,000	20,000
Total Liabilities	174,081	62,389	30,804	267,274
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	--	--	105,242	105,242
Total Liabilities and Deferred Inflows of Resources	174,081	62,389	136,046	372,516
FUND BALANCE				
Nonspendable	75,964	--	415,848	491,812
Restricted	193,718	1,882,458	1,930,560	4,006,736
Committed	212,222	--	--	212,222
Unassigned	3,196,403	--	--	3,196,403
Total Fund Balance	3,678,307	1,882,458	2,346,408	7,907,173
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,852,388	\$ 1,944,847	\$ 2,482,454	\$ 8,279,689

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds	\$ 7,907,173
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.	968,388
General government capital assets of \$35,976,580, net of accumulated depreciation of \$23,399,615, are not financial resources and, accordingly, are not reported in the funds.	12,576,965
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(965)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(7,912,289)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(2,169,603)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(518,196)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those asset are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	105,242
Total Net Position - Governmental Activities	\$ <u>10,956,715</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year Ended June 30, 2025

		<u>Special Revenue</u>		
	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 2,678,700	\$ --	\$ 499,670	\$ 3,178,370
Special Assessments	539,276	--	--	539,276
Licenses and Permits	110,976	--	--	110,976
Intergovernmental	1,167,027	890,838	498,701	2,556,566
Charges for Services	1,297,742	--	--	1,297,742
Fine and Forfeits	16,451	--	--	16,451
Interest and Rentals	146,557	21,976	62,039	230,572
Other Revenue	102,210	--	12,179	114,389
Total Revenues	6,058,939	912,814	1,072,589	8,044,342
Expenditures				
General Government	1,464,377	--	5,374	1,469,751
Public Safety	3,215,911	--	8,909	3,224,820
Public Works	1,281,391	802,039	436,989	2,520,419
Community and Economic Development	11,101	--	135,722	146,823
Recreation and Culture	369,644	--	--	369,644
Capital Outlay	--	--	127,315	127,315
Debt Service, Principal	38,975	--	--	38,975
Debt Service, Interest	964	--	--	964
Total Expenditures	6,382,363	802,039	714,309	7,898,711
Excess of Revenues Over (Under) Expenditures	(323,424)	110,775	358,280	145,631
Other Financing Sources (Uses)				
Sale of Capital Assets	93,115	--	--	93,115
Transfers In	244,800	--	420,698	665,498
Transfers Out	(115,698)	(65,000)	(491,951)	(672,649)
Net Other Financing Sources (Uses)	222,217	(65,000)	(71,253)	85,964
Net Change in Fund Balance	(101,207)	45,775	287,027	231,595
<i>Fund Balance at Beginning of Period</i>	<i>3,779,514</i>	<i>1,836,683</i>	<i>2,059,381</i>	<i>7,675,578</i>
Fund Balance at End of Period	\$ 3,678,307	\$ 1,882,458	\$ 2,346,408	\$ 7,907,173

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ 231,595
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	(53,728)
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$648,053 and loss on disposal of capital assets of \$59,762 are exceeded by capital outlay of \$1,080,897.	373,082
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	(110,843)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	38,975
Changes to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(12,360)
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(2,289,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; they are deferred into the following year.	105,242
Changes in Net Position - Governmental Activities	\$ <u>(1,717,444)</u>

**City of Flushing
Statement of Net Position
Proprietary Funds
June 30, 2025**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Building Department (Nonmajor)	Total Enterprise Funds	
ASSETS					
Current Assets					
Cash and Investments	\$ 3,048,489	\$ 1,182,764	\$ 9,677	\$ 4,240,930	\$ 267,708
Receivables, net	419,162	632,954	--	1,052,116	--
Inventory	--	30,319	--	30,319	--
Total Current Assets	3,467,651	1,846,037	9,677	5,323,365	267,708
Noncurrent Assets					
Restricted Cash and Investments, RRI	138,000	--	--	138,000	--
Restricted Cash and Investments, Bond Reserve	79,040	93,600	--	172,640	--
Capital Assets not being Depreciated	18,790	--	--	18,790	--
Capital Assets being Depreciated, net	6,920,964	5,033,431	--	11,954,395	715,576
Total Assets	10,624,445	6,973,068	9,677	17,607,190	983,284
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	130,317	45,560	--	175,877	--
Total Deferred Outflows of Resources	130,317	45,560	--	175,877	--
LIABILITIES					
Current Liabilities					
Accounts Payable	65,855	177,245	6,013	249,113	13,125
Accrued Wages	10,457	7,002	526	17,985	1,771
Deposits Payable	--	4,201	--	4,201	--
Accrued Interest	43,651	20,942	--	64,593	--
Current Portion of Long-term Debt	93,000	134,000	--	227,000	--
Total Current Liabilities	212,963	343,390	6,539	562,892	14,896
Noncurrent Liabilities					
Long-term Debt	4,837,000	2,577,846	--	7,414,846	--
Net Pension Liability	1,401,595	490,009	--	1,891,604	--
Net OPEB Liability	267,868	267,869	--	535,737	--
Total Liabilities	6,719,426	3,679,114	6,539	10,405,079	14,896
DEFERRED INFLOWS OF RESOURCES					
OPEB Related	3,332	3,332	--	6,664	--
Total Deferred Inflows of Resources	3,332	3,332	--	6,664	--
NET POSITION					
Net Investment in Capital Assets	2,009,754	2,321,585	--	4,331,339	715,576
Restricted for:					
Debt Service, Bond Reserves	79,040	93,600	--	172,640	--
Debt Service, RRI	138,000	--	--	138,000	--
Unrestricted	1,805,210	920,997	3,138	2,729,345	252,812
Total Net Position	\$ 4,032,004	\$ 3,336,182	\$ 3,138	\$ 7,371,324	\$ 968,388

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year Ended June 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Building Department (Nonmajor)	Total Enterprise Funds	
Operating Revenues					
Charges for Services	\$ 1,820,276	\$ 2,881,133	\$ 53,288	\$ 4,754,697	\$ 499,596
Total Operating Revenues	<u>1,820,276</u>	<u>2,881,133</u>	<u>53,288</u>	<u>4,754,697</u>	<u>499,596</u>
Operating Expenses					
Personnel Services	(6,934)	(1,041,545)	27,856	(1,020,623)	119,089
Materials and Supplies	255,539	27,011	--	282,550	193,927
Administrative	184,972	109,514	--	294,486	30,164
Contractual Services	272,311	69,817	65,220	407,348	67,800
Water Purchases	--	1,528,579	--	1,528,579	--
Other Functions	--	202,020	--	202,020	--
Depreciation	357,041	211,891	--	568,932	167,061
Total Operating Expenses	<u>1,062,929</u>	<u>1,107,287</u>	<u>93,076</u>	<u>2,263,292</u>	<u>578,041</u>
Operating Income (Loss)	<u>757,347</u>	<u>1,773,846</u>	<u>(39,788)</u>	<u>2,491,405</u>	<u>(78,445)</u>
Non-Operating Revenues (Expenses)					
Investment Income	22,317	17,229	2	39,548	20
Other Revenue	--	--	--	--	17,546
Interest Expense	(103,049)	(66,140)	--	(169,189)	--
Net Non-Operating Revenues (Expenses)	<u>(80,732)</u>	<u>(48,911)</u>	<u>2</u>	<u>(129,641)</u>	<u>17,566</u>
Income Before Transfers	<u>676,615</u>	<u>1,724,935</u>	<u>(39,786)</u>	<u>2,361,764</u>	<u>(60,879)</u>
Transfers In	--	--	--	--	7,151
Change In Net Position	<u>676,615</u>	<u>1,724,935</u>	<u>(39,786)</u>	<u>2,361,764</u>	<u>(53,728)</u>
<i>Net Position at Beginning of Period</i>	<u>3,355,389</u>	<u>1,611,247</u>	<u>42,924</u>	<u>5,009,560</u>	<u>1,022,116</u>
Net Position at End of Period	<u>\$ 4,032,004</u>	<u>\$ 3,336,182</u>	<u>\$ 3,138</u>	<u>\$ 7,371,324</u>	<u>\$ 968,388</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Building Department (Nonmajor)	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash Receipts from Customers	\$ 1,788,399	\$ 2,921,720	\$ 53,288	\$ 4,763,407	\$ 504,902
Cash Payments to Employees for Services and Fringe Benefits	(579,889)	(372,736)	(27,856)	(980,481)	(121,636)
Cash Payments to Suppliers for Goods and Services	(926,971)	(1,927,969)	(59,120)	(2,914,060)	(262,299)
Net Cash Provided (Used) by Operating Activities	281,539	621,015	(33,688)	868,866	120,967
Cash Flows from Non-capital Financing Activities					
Transfers In	--	--	--	--	7,151
Other Revenue	--	--	--	--	17,546
Net Cash Provided by Non-capital Financing Activities	--	--	--	--	24,697
Cash Flows from Capital and Related Financing Activities					
Principal Paid on Long-term Debt	(91,000)	(133,000)	--	(224,000)	--
Interest Paid on Long-term Debt	(100,871)	(67,060)	--	(167,931)	--
Issuance of Long-term Debt	333,542	--	--	333,542	--
Capital Assets Purchased	(343,039)	(277,429)	--	(620,468)	(84,064)
Net Cash Used by Capital and Related Financing Activities	(201,368)	(477,489)	--	(678,857)	(84,064)
Cash Flows From Investing Activities					
Investment Income	22,317	17,229	2	39,548	20
Net Cash Provided by Investing Activities	22,317	17,229	2	39,548	20
Net Increase (Decrease) in Cash and Investments	102,488	160,755	(33,686)	229,557	61,620
<i>Cash and Investments - Beginning of Year</i>	<i>3,163,041</i>	<i>\$ 1,115,609</i>	<i>\$ 43,363</i>	<i>4,322,013</i>	<i>206,088</i>
<i>Cash and Investments - End of Year</i>	<i>\$ 3,265,529</i>	<i>\$ 1,276,364</i>	<i>\$ 9,677</i>	<i>\$ 4,551,570</i>	<i>\$ 267,708</i>
Statement of Net Position					
Cash and Investments	\$ 3,048,489	\$ 1,182,764	\$ 9,677	\$ 4,240,930	\$ 267,708
Restricted Cash	217,040	93,600	--	310,640	--
Total Statement of Net Position	\$ 3,265,529	\$ 1,276,364	\$ 9,677	\$ 4,551,570	\$ 267,708

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Building Department (Nonmajor)	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 757,347	\$ 1,773,846	\$ (39,788)	\$ 2,491,405	\$ (78,445)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation Expense	357,041	211,891	--	568,932	167,061
Changes in Assets, Liabilities, and Related Deferrals					
Receivables, net	(31,877)	40,937	--	9,060	5,306
Inventory	--	(8,402)	--	(8,402)	--
Prepaid Items	27,332	2,544	--	29,876	30,484
Accounts Payable	(241,481)	14,830	6,013	(220,638)	(892)
Accrued Wages	2,337	1,707	87	4,131	(2,547)
Deposits Payable	--	(350)	--	(350)	--
Net Pension Liability and Related Deferrals	(603,015)	(1,429,844)	--	(2,032,859)	--
Net OPEB Liability and Related Deferrals	13,855	13,856	--	27,711	--
Net Cash Provided (Used) by Operating Activities	\$ 281,539	\$ 621,015	\$ (33,688)	\$ 868,866	\$ 120,967

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Pension and Benefit Trust	Custodial Funds
ASSETS		
Cash and Investments	\$ --	\$ 115,267
MERS Retiree Healthcare Funding Vehicle	2,820,177	--
Receivables, net	--	53
<i>Total Assets</i>	2,820,177	115,320
LIABILITIES		
Accounts Payable	--	--
Deposits Payable	--	8,650
Due to Other Units of Government	--	106,670
<i>Total Liabilities</i>	--	115,320
NET POSITION		
Restricted for OPEB	\$ 2,820,177	\$ --

The Notes to the Financial Statements are an Integral part of these Financial Statements

City of Flushing
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension and Benefit Trust	Custodial Funds
Additions		
Property Taxes Collected for Other Governments	\$ --	\$ 8,397,023
Clerk/Treasurer Collections	--	79,327
Employer Contributions	255,870	38,985
Net Investment Income	250,783	--
Total Additions	506,653	8,515,335
Deductions		
Payments of Property Taxes to Other Governments	--	8,397,023
Clerk/Treasurer Distributions	--	79,327
Benefit Payments	255,870	38,985
Administrative Expenses	5,628	--
Total Deductions	261,498	8,515,335
Change in Net Position	245,155	--
<i>Net Position at Beginning of Period</i>	2,575,022	--
Net Position at End of Period	\$ 2,820,177	\$ --

The Notes to the Financial Statements are an Integral part of these Financial Statements

Notes to the Financial Statements

City of Flushing

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Flushing (the “City” or “government”) have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City’s accounting policies are described below.

Reporting Entity

The City of Flushing was incorporated in 1964, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

Jointly Governed Organization

The City has entered into a joint agreement with the Charter Township of Flushing to share in the acquisition costs and operating costs of a senior citizens center and library for Township and City residents. Operating expenses will be divided by the number of registered library users from the City and Township respectively. The City of Flushing acts as the fiduciary agent for the Senior Center and Library and records its share of the expenditures in the general fund. The City owns the building occupied by the Senior Center and Library as such it is recorded as a capital asset of the City. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Center and Library are available as of June 30, 2025 from their administrative office.

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. 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.

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*.

City of Flushing

Notes to the Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for custodial funds which do not have a measurement focus. 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.

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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, 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 City.

The City of Flushing reports two major governmental funds:

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

The ***major streets fund*** is used to account for the proceeds of the street property taxes that are restricted to repairs and maintenance of the City's streets.

City of Flushing

Notes to the Financial Statements

The City reports the following proprietary funds:

The ***sewer fund*** accounts for the activities of the City's sewage collection system and wastewater treatment plant.

The ***water fund*** accounts for the activities of the City's water distribution system.

The ***building department*** accounts for the activities of the City's building permits.

Additionally, the government reports the following 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 specific purposes other than debt service or capital projects, the major streets, local streets, and narcotic funds are special revenue funds.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Internal service funds account for the financing of goods or services provided by the City to other departments or funds on a cost reimbursement basis.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

The ***pension and benefit trust fund*** accounts for the activities of the City of Flushing Other Post-Employment Benefits Plan, which accumulates resources for retiree health care payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

City of Flushing

Notes to the Financial Statements

Property Tax Revenue Recognition

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. Taxes are considered delinquent on October 1 of the same year, at which time penalties and interest are assessed.

The City's 2024-2025 taxes are levied and collectible on July 1 with the lien on the property established on that date. The taxes are 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 City is permitted by charter to levy up to \$15.00 (15 mills) per \$1,000 of taxable value for general governmental services. However, as a result of the Headlee Amendment, that amount has been reduced to 12.1831 mills. For the year ended June 30, 2025, the City levied 12.1831 mills for general governmental services. The amounts are recognized in the respective general and capital projects fund's financial statements as tax revenue.

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Fund Equity

Cash and Cash Equivalents

The City's cash and cash equivalents 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.

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

City of Flushing

Notes to the Financial Statements

- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Restricted Cash

Certain resources of the water and sewer funds are classified as restricted investments on the statement of net position because they are restricted for the funding of certain reserves by applicable bond covenants. The bond reserve account is used to report resources set aside for debt service. The replacement account is used to report resources set aside to fund asset renewals and replacements. There was \$310,640 classified as restricted assets as of year-end.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Flushing

Notes to the Financial Statements

Capital Assets

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

The City will capitalize individual assets other than buildings, building improvements and land improvements, and infrastructure that cost \$5,000 or more and have an estimated useful life of at least two years. The capitalization threshold for buildings and building improvements shall be \$50,000 and for land improvements the capitalization threshold shall be \$25,000. However, assets acquired with debt proceeds may be capitalized regardless of cost. In addition, assets acquired prior to fiscal year ended June 30, 2023 and capitalized at a lower threshold, may continue to be depreciated on the basis of past practice.

Infrastructure projects and improvements shall be capitalized so as to substantially account for the City's investment in infrastructure and consider related debt. Individual assets that cost less than \$5,000, but that operates as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least two years. A network is determined to be where individual components may be below \$5,000 but are interdependent and the overriding value to the City on the entire network and not the individual assets (e.g. computer systems and telephone systems).

Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

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

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

Capital assets are depreciated using the straight-line method over the following useful lives:

	Years
Buildings and Structures	20 - 50
Vehicles	4 - 15
Other Equipment	3 - 25
Infrastructure	20 - 100

City of Flushing

Notes to the Financial Statements

Pension

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City of Flushing Retiree Health Care Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Flushing. For this purposes, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Deferred Outflows / Inflows of Resources

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

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability or net OPEB liability. The net pension liability or net OPEB liability amounts are related to differences between expected and actual experience, changes of assumptions, differences between projected and actual pension/OPEB plan investment earnings, and employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded

City of Flushing

Notes to the Financial Statements

on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements. Accruals include vacation, sick leave, and paid time off in accordance with the provisions of GASB Statement No. 101.

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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider

City of Flushing

Notes to the Financial Statements

restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

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

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Use of Estimates

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

City of Flushing

Notes to the Financial Statements

Note 2 - Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

1. In the month of April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general and special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than the 3rd Monday of May, the budget is adopted on a departmental (activity) basis for the general fund and fund level for most special revenue funds for the ensuing fiscal year, through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan. Management can transfer appropriations within departments for the general fund, but any budgetary amendments which affect the total department appropriations must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriation lapse at year-end. The City had no encumbrances outstanding at June 30, 2025.
6. The original budget was amended during the year in compliance with the City Charter and applicable state law. Budgeted amounts are reported in the financial statements as originally adopted and as amended by the City Council.

Excess of Expenditures Over Budget Appropriations in Budgetary Funds

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City had the following expenditures in excess of the amount appropriated during the year ended June 30, 2025:

City of Flushing

Notes to the Financial Statements

<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General Fund			
<i>Public Safety</i>			
Police Department	\$ 2,346,926	\$ 2,449,738	\$ (102,812)

Deficit Net Position

The City's governmental activities had an unrestricted net position deficit balance of \$(6,863,652) and a total net position of \$10,956,715. The City as a whole had an unrestricted net position deficit of \$(4,134,307) and a total net position of \$18,328,039.

As current assets are in excess of current liabilities for each of these funds, no deficit elimination plan is necessary.

Note 3 - Deposits and Investments

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

Statement of Net Position

Cash and Investments	\$ 11,905,969
Restricted Cash, Repair, Replacement, and Improvement Fund	138,000
Restricted Cash, Bond Reserve Account	172,640

Statement of Fiduciary Net Position

Cash and Investments - Pension and Benefit Trust	2,820,177
Cash and Investments - Custodial Funds	115,267

<i>Total Cash and Investments</i>	<u>\$ 15,152,053</u>
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Deposits and Investments

Checking and Savings Accounts	\$ 7,412,663
Investments	
MERS Retiree Healthcare Funding Vehicle	2,820,177
Pooled Investments - MI Class	3,916,572
Certificates of Deposit (Matures within 1 to 5 Years)	272,378
Certificates of Deposit (Matures within 1 Year)	730,263

<i>Total Deposits and Investments</i>	<u>\$ 15,152,053</u>
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Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might 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, \$7,819,451 of the City's bank balance of \$12,511,215 was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Flushing

Notes to the Financial Statements

Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes 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.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2025:

MERS Total Market Portfolio	\$ 2,820,177
Michigan CLASS	3,916,572
Certificates of Deposit	<u>1,002,641</u>
<i>Total</i>	<u>\$ 7,739,390</u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. State law limits investments to specific government 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 mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

Credit risk ratings, where applicable, are summarized as follows:

Standards & Poor's AAAm	\$ 3,916,572
Unavailable/Not Rated	<u>3,822,818</u>
<i>Total</i>	<u>\$ 7,739,390</u>

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Flushing

Notes to the Financial Statements

Maturity dates for investments held at year-end are summarized as follows:

Less than One Year	\$ 730,263
One to Five Years	272,378
N/A	<u>6,736,749</u>
Total	<u>\$ 7,739,390</u>

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

City of Flushing

Notes to the Financial Statements

The City had the following recurring fair value measurements at year-end:

	Carried at Net Asset Value	Total
MERS Total Market Portfolio	\$ 2,820,177	\$ 2,820,177
Michigan CLASS	3,916,572	3,916,572
Totals	\$ 6,736,749	6,736,749
Investment accounts not subject to fair value disclosure requirements:		
	Certificates of Deposits	1,002,641
	Total Investments:	\$ 7,739,390

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the City's investment in the Michigan CLASS government investment pool was \$3,916,572. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government 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.

Restricted Cash

Restricted cash for USDA bond reserve requirements as of year-end were as follows:

Sanitary Sewer Junior Lien Revenue Bonds

Repair, Replacement, and Improvement Fund – \$138,000

Bond Reserve Account – \$79,040

Water Supply System Revenue Bond

Bond Reserve Account – \$93,600

The City fully funded the amount required for bond reserve and repair, replacement, and improvements in both the water and sewer funds.

City of Flushing

Notes to the Financial Statements

Note 4 - Interfund Transactions

Interfund transfers for the year ended June 30, 2025 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 244,800
Motor Vehicle	Nonmajor Governmental	7,151
Nonmajor Governmental	General	115,698
Nonmajor Governmental	Major Street	65,000
Nonmajor Governmental	Nonmajor Governmental	240,000

Interfund 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 to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Flushing

Notes to the Financial Statements

Note 5 - Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 1,060,976	\$ 150,000	\$ (500)		\$ 1,210,476
Construction in Progress	485,674	273,922	-	(485,674)	273,922
Right-of-Ways	5,137,859	-	(59,262)	-	5,078,597
<i>Subtotal</i>	<u>6,684,509</u>	<u>423,922</u>	<u>(59,762)</u>	<u>(485,674)</u>	<u>6,562,995</u>
Capital Assets being Depreciated					
Buildings and Improvements	4,025,047	191,285	-	485,674	4,702,006
Machinery and Equipment	2,362,717	253,156	-	-	2,615,873
Infrastructure	21,883,172	212,534	-	-	22,095,706
<i>Subtotal</i>	<u>28,270,936</u>	<u>656,975</u>	<u>-</u>	<u>485,674</u>	<u>29,413,585</u>
Accumulated Depreciation					
Buildings and Improvements	(3,459,748)	(125,603)	-	-	(3,585,351)
Machinery and Equipment	(1,830,062)	(112,265)	-	-	(1,942,327)
Infrastructure	(17,461,752)	(410,185)	-	-	(17,871,937)
<i>Subtotal</i>	<u>(22,751,562)</u>	<u>(648,053)</u>	<u>-</u>	<u>-</u>	<u>(23,399,615)</u>
Capital Assets being Depreciated, net	<u>5,519,374</u>	<u>8,922</u>	<u>-</u>	<u>485,674</u>	<u>6,013,970</u>
Capital Assets, net - Internal Service Fund	<u>798,573</u>	<u>(82,997)</u>	<u>-</u>	<u>-</u>	<u>715,576</u>
Capital Assets, net	<u>\$ 13,002,456</u>	<u>\$ 349,847</u>	<u>\$ (59,762)</u>	<u>\$ -</u>	<u>\$ 13,292,541</u>
Internal Service Fund	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets being Depreciated					
Machinery and Equipment	\$ 2,216,429	\$ 84,064	\$ -		\$ 2,300,493
Buildings and Improvements	53,883	-	-		53,883
<i>Subtotal</i>	<u>2,270,312</u>	<u>84,064</u>	<u>-</u>		<u>2,354,376</u>
Accumulated Depreciation					
Machinery and Equipment	(1,426,177)	(166,463)	-		(1,592,640)
Buildings and Improvements	(45,562)	(598)	-		(46,160)
<i>Subtotal</i>	<u>(1,471,739)</u>	<u>(167,061)</u>	<u>-</u>		<u>(1,638,800)</u>
Capital Assets being Depreciated, net	<u>798,573</u>	<u>(82,997)</u>	<u>-</u>		<u>715,576</u>
Capital Assets, net	<u>\$ 798,573</u>	<u>\$ (82,997)</u>	<u>\$ -</u>		<u>\$ 715,576</u>

Depreciation expense was charged to the governmental functions of the City as follows:

Governmental Activities	
General Government	\$ 178,975
Public Safety	41,010
Public Works	402,865
Community and Economic	8,936
Recreation and Culture	16,267
Internal Service Fund	167,061
Total	<u>\$ 815,114</u>

City of Flushing

Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:

Business-type Activities	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 18,790	\$ -	\$ -		\$ 18,790
Construction in Progress	5,429,242	6,767	-	(5,436,009)	-
<i>Subtotal</i>	<u>5,448,032</u>	<u>6,767</u>	<u>-</u>	<u>(5,436,009)</u>	<u>18,790</u>
Capital Assets being Depreciated					
Buildings and System	13,530,418	-	-	-	13,530,418
Water and Sewer System Infrastructure	9,137,434	383,800	-	5,436,009	14,957,243
Machinery and Equipment	1,156,329	229,901	-	-	1,386,230
<i>Subtotal</i>	<u>23,824,181</u>	<u>613,701</u>	<u>-</u>	<u>5,436,009</u>	<u>29,873,891</u>
Accumulated Depreciation					
Buildings and System	(11,773,689)	(229,999)	-	-	(12,003,688)
Water and Sewer System Infrastructure	(5,057,740)	(267,845)	-	-	(5,325,585)
Machinery and Equipment	(519,135)	(71,088)	-	-	(590,223)
<i>Subtotal</i>	<u>(17,350,564)</u>	<u>(568,932)</u>	<u>-</u>	<u>-</u>	<u>(17,919,496)</u>
Capital Assets being Depreciated, net	<u>6,473,617</u>	<u>44,769</u>	<u>-</u>	<u>-</u>	<u>11,954,395</u>
Capital Assets, net	<u>\$ 11,921,649</u>	<u>\$ 51,536</u>	<u>\$ -</u>	<u>\$ (5,436,009)</u>	<u>\$ 11,973,185</u>

Depreciation expense for business-type activities was charged to sewer fund (\$357,041) and water fund (\$211,891) of the City.

Note 6 - Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2025:

	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
<i>Direct Placement</i>							
Fire Truck Installment Purchase Contract	2.480%	2024	\$ 38,975	\$ -	\$ (38,975)	\$ -	\$ -
Compensated Absences			505,836	-	(126,459)	379,377	94,844
Total Governmental Activities			<u>544,811</u>	<u>-</u>	<u>(165,434)</u>	<u>379,377</u>	<u>94,844</u>
Business-type Activities							
<i>Direct Placement</i>							
Water Revolving Fund	2.500%	2029	395,846	-	(80,000)	315,846	80,000
Water Supply System Revenue Bond, 2018	2.375%	2058	2,449,000	-	(53,000)	2,396,000	54,000
Sanitary Sewer Junior Lien Revenue Bonds, 2021A	2.125%	2061	3,087,000	-	(56,000)	3,031,000	57,000
Sanitary Sewer Junior Lien Revenue Bonds, 2021B	2.125%	2061	1,600,458	333,542	(35,000)	1,899,000	36,000
Total Business-type Activities			<u>7,532,304</u>	<u>333,542</u>	<u>(224,000)</u>	<u>7,641,846</u>	<u>227,000</u>
Total Government Long-term Debt			<u>\$ 8,077,115</u>	<u>\$ 333,542</u>	<u>\$ (389,434)</u>	<u>\$ 8,021,223</u>	<u>\$ 321,844</u>

City of Flushing

Notes to the Financial Statements

Annual debt service requirements, exclusive of compensated absences, to maturity are as follows:

	Business-type Activities		
	Principal	Interest	Total
2026	\$ 227,000	\$ 174,308	\$ 401,308
2027	229,000	168,862	397,862
2028	232,000	163,473	395,473
2029	232,846	158,584	391,430
2030	160,000	154,310	314,310
2031-2035	855,000	717,085	1,572,085
2036-2040	953,000	618,113	1,571,113
2041-2045	1,063,000	507,545	1,570,545
2046-2050	1,186,000	384,022	1,570,022
2051-2055	1,325,000	246,293	1,571,293
2056-2060	986,000	117,144	1,103,144
2061	193,000	4,113	197,113
Totals	\$ 7,641,846	\$ 3,413,852	\$ 11,055,698

Note 7 - Defined Benefit Pension Plan

Plan Description

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

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Closed	2.50%	80%	3	60	50/25	55/15	10
Police - Closed	2.50%	80%	3	60	50/25	55/15	10
Administration - Closed	2.50%	80%	5	60	50/25	55/15	10
Police - Closed	1.50%	No Max	3	60	N/A	N/A	6

City of Flushing

Notes to the Financial Statements

Employees Covered by Benefit Terms

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	44
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	2
Active Plan Members	<u>9</u>
<i>Total Employees Covered By MERS</i>	<u>55</u>

Contributions

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

For the year ended June 30, 2025, the active employee contribution rate and the City's contribution rate was a percentage of covered payroll depending on division or a flat amount per month for closed divisions, as follows:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
General - Closed	7.00%	\$29,495
Police - Closed	8.00%	\$35,115
Administration - Closed	10.00%	\$24,095
Police - Closed	2.93%	\$306

Net Pension Liability

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

Actuarial Assumptions

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

Inflation: 2.50%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

City of Flushing

Notes to the Financial Statements

Investment Rate of Return: 6.93%, net of investment and administrative expense including inflation

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

The mortality tables used were the Pub-2010 Male and Female tables with mortality improvements projected using scale MP-2024.

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

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	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return
Global Equity	60.00%	7.00%	4.20%
Global Fixed Income	20.00%	4.66%	0.93%
Private Investments	20.00%	9.00%	1.80%
Totals	100.00%		6.93%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive

City of Flushing

Notes to the Financial Statements

employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2023	<u>\$ 24,871,175</u>	<u>\$ 14,397,249</u>	<u>\$ 10,473,926</u>
<i>Changes for the Year:</i>			
Service Cost	124,506	-	124,506
Interest on Total Pension Liability	1,737,118	-	1,737,118
Changes in Benefit Terms	723	-	723
Differences Between Expected and Actual Experience	479,414	-	479,414
Changes of Assumptions	(56,821)	-	(56,821)
Contributions - Employer	-	1,037,199	(1,037,199)
Contributions - Employee	-	63,732	(63,732)
Net Investment Income	-	1,074,856	(1,074,856)
Benefit Payments, Including Refunds	(1,479,205)	(1,479,205)	-
Administrative Expenses	-	(31,895)	31,895
<i>Net Changes</i>	<u>805,735</u>	<u>664,687</u>	<u>141,048</u>
Balance at December 31, 2024	<u>\$ 25,676,910</u>	<u>\$ 15,061,936</u>	<u>\$ 10,614,974</u>
		Allocated to:	
		Governmental Activities	\$ 8,723,370
		Business-type Activities	1,891,604
		Total	<u>\$ 10,614,974</u>

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 of 7.18%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.18%) or one percentage higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability of the City	<u>\$ 13,538,738</u>	<u>\$ 10,614,974</u>	<u>\$ 8,170,717</u>

City of Flushing

Notes to the Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2025, the City recognized pension expense of \$1,327,061. At June 30, 2025, the City reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 452,728	\$ -
Contributions Subsequent to the Measurement Date*	534,230	-
Totals	\$ 986,958	\$ -

Allocated to:		
Governmental Activities	\$ 811,081	\$ -
Business-type Activities	175,877	-
	\$ 986,958	\$ -

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

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

Year Ending June 30,	Amount
2026	\$ 208,602
2027	367,158
2028	(111,860)
2029	(11,172)

Note 8 - Other Postemployment Benefits Plan

Plan Description

The City of Flushing Other Post-Employment Benefits Plan is a single employer plan established and administered by City of Flushing and can be amended at its discretion.

Benefits Provided

The plan provides either 80% or 100% of health insurance benefits to eligible retirees and their spouse until death or Medicare eligibility. Dependents are covered until age 26. Eligibility is

City of Flushing

Notes to the Financial Statements

determined based on position and classification and is maintained until the employee's and spouse death, or the at Medicare eligibility depending on bargaining unit.

Membership of the Plan consisted of the following at the Date of the latest actuarial valuation (June 30, 2025):

Retirees and Beneficiaries	33
Inactive Plan Members	-
Active Plan Members	13
<i>Total Employees Covered By The Plan</i>	<u>46</u>

Contributions

The City of Flushing's Other Post-Employment Benefits Plan was established and is being funded under the authority of the City and under agreements with unions representing various classes of employees. Currently, the City does not have a fixed amount that will be contributed toward the OPEB Trust each year. Benefit payments made directly to retirees or on behalf of retirees from general operating funds will be counted as plan contributions. There are no long-term contracts for contributions to the plan.

Methods and Assumptions

The City's OPEB liability was measured as of June 30, 2025.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2025. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary Increases	3.00% (for purposes of allocating liabilities)
Investment Rate of Return	6.93%, including inflation
20-Year AA Municipal Bond Rate	4.81%
Mortality	Public General and Public Safety 2016 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

The long-term expected rate of return on retirement 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 retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Flushing

Notes to the Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60.00%	4.50%
Global Fixed Income	20.00%	2.16%
Private Investments	20.00%	6.50%
<i>Totals</i>	100.00%	

The sum of each target allocation times its long-term expected real rate, plus inflation, is 6.93%.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that the City would continue to contribute to the plan as necessary and make benefit payments from general operating funds such that assets will not be depleted. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members, there is no cross-over point. Therefore, all projected benefits are covered by projected assets, thus the long-term expected rate was used to discount the projected benefits. This discount rate is used to determine the Total OPEB Liability. As of June 30, 2024 the discount rate used to value OPEB liabilities was 7.00%.

City of Flushing

Notes to the Financial Statements

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 5,184,044	\$ 2,575,022	\$ 2,609,022
<i>Changes for the Year:</i>			
Service Cost	8,635	-	8,635
Interest on Total OPEB Liability	354,532	-	354,532
Differences Between Expected and Actual Experience	88,244	-	88,244
Changes of Assumptions	119,275	-	119,275
Contributions - Employer	-	255,870	(255,870)
Net Investment Income	-	250,783	(250,783)
Benefit Payments, Including Refunds	(255,870)	(255,870)	-
Administrative Expenses	-	(5,628)	5,628
<i>Net Changes</i>	<u>314,816</u>	<u>245,155</u>	<u>69,661</u>
Balance at June 30, 2025	\$ 5,498,860	\$ 2,820,177	\$ 2,678,683
		Allocated to:	
		Governmental Activities	\$ 2,142,946
		Business-type Activities	535,737
		Total	\$ 2,678,683

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Net OPEB Liability	<u>\$ 3,183,033</u>	<u>\$ 2,678,683</u>	<u>\$ 2,248,949</u>

City of Flushing

Notes to the Financial Statements

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

The following presents the net OPEB liability of the employer, calculated using the current healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	<u>\$ 2,276,724</u>	<u>\$ 2,678,683</u>	<u>\$ 3,145,019</u>

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$394,425. The employer reported deferred outflows/inflows of resources related to the OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	33,321
Totals	<u>\$ -</u>	<u>\$ 33,321</u>
Allocated as Follows:		
Governmental Activities	\$ -	\$ 26,657
Business-type Activities	-	6,664
Totals	<u>\$ -</u>	<u>\$ 33,321</u>

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

Fiscal Year Ended June 30,	Amount
2026	\$ 41,747
2027	(31,463)
2028	(29,461)
2029	(14,144)

City of Flushing

Notes to the Financial Statements

Note 9 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

	General	Major Streets	Nonmajor Governmental Funds	Total
Nonspendable for:				
Prepaid Items	\$ 75,964	\$ -	\$ -	\$ 75,964
Cemetery Care	-	-	415,848	415,848
Total Nonspendable	<u>75,964</u>	<u>-</u>	<u>415,848</u>	<u>491,812</u>
Restricted for:				
Police and Fire	-	-	14,593	14,593
Emergency Management Services	193,718	-	-	193,718
Streets and Highways	-	1,882,458	688,199	2,570,657
Drug Law Enforcement	-	-	5,888	5,888
Capital Projects	-	-	1,221,880	1,221,880
Total Restricted	<u>193,718</u>	<u>1,882,458</u>	<u>1,930,560</u>	<u>4,006,736</u>
Committed for:				
Community Development	184,090	-	-	184,090
Parks and Recreation	28,132	-	-	28,132
Total Committed	<u>212,222</u>	<u>-</u>	<u>-</u>	<u>212,222</u>
Unassigned	<u>3,196,403</u>	<u>-</u>	<u>-</u>	<u>3,196,403</u>
Total Fund Balances	<u>\$ 3,678,307</u>	<u>\$ 1,882,458</u>	<u>\$ 2,346,408</u>	<u>\$ 7,907,173</u>

Note 10 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the City. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2025, the City's property taxes were reduced by \$7,761 under this program.

City of Flushing

Notes to the Financial Statements

Note 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 has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League ("MML") risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

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

Note 12 - Subsequent Events

As of December 18, 2025, the date these financial statements were available to be issued, management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

Note 13 - New Accounting Pronouncement

The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, Compensated Absences, during the fiscal year ended June 30, 2025. The adoption of this standard did not have a material impact on the City's financial statements.

Required Supplementary Information

City of Flushing
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the year Ended June 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,652,137	\$ 2,664,137	\$ 2,678,700	\$ 14,563
Special Assessments	543,505	543,505	539,276	(4,229)
Licenses and Permits	120,750	111,250	110,976	(274)
Intergovernmental	1,143,842	1,215,433	1,167,027	(48,406)
Charges for Services	1,206,558	1,271,558	1,297,742	26,184
Fines and Forfeits	6,350	15,350	16,451	1,101
Interest and Rentals	56,804	203,804	146,557	(57,247)
Other Revenue	96,300	96,300	102,210	5,910
Total Revenues	5,826,246	6,121,337	6,058,939	(62,398)
Other Financing Sources				
Sale of Capital Assets	--	93,115	93,115	--
Transfers In	224,800	244,800	244,800	--
Total Revenues and Other Financing Sources	6,051,046	6,459,252	6,396,854	(62,398)
Expenditures				
General Government				
City Council	11,350	11,350	11,344	6
City Manager	168,277	167,277	165,805	1,472
Elections	61,660	37,290	30,074	7,216
Assessor	42,885	43,420	43,009	411
City Attorney	41,000	41,000	29,730	11,270
City Clerk/Treasurer	346,032	369,032	357,096	11,936
City Hall	65,656	65,656	64,439	1,217
Cemetery	136,760	136,760	113,182	23,578
General Administration	636,128	656,128	649,698	6,430
Total General Government	1,509,748	1,527,913	1,464,377	63,536
Public Safety				
Police Department	2,169,144	2,346,926	2,449,738	(102,812)
Fire Department	297,881	297,881	265,861	32,020
Emergency Management	581,453	531,453	500,312	31,141
Total Public Safety	3,048,478	3,176,260	3,215,911	(39,651)
Public Works				
Department of Public Works	114,850	347,828	300,494	47,334
Sanitation	833,274	833,274	831,936	1,338
Solid Waste Recycling	198,810	160,810	148,961	11,849
Total Public Works	1,146,934	1,341,912	1,281,391	60,521
Community and Economic Development				
Planning	20,479	20,479	11,101	9,378
Recreation and Culture				
Parks and Recreation	169,091	169,091	168,447	644
Library	95,627	215,627	186,526	29,101
Parks and Recreation Committee	13,750	13,750	7,027	6,723
Community Services	7,000	8,200	7,644	556
Total Recreation and Culture	285,468	406,668	369,644	37,024
Debt Service	39,939	39,939	39,939	--
Total Expenditures	6,051,046	6,513,171	6,382,363	130,808
Other Financing Uses				
Transfers Out	--	5,000	115,698	(110,698)
Total Expenditures and Other Financing Uses	6,051,046	6,518,171	6,498,061	20,110
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	(58,919)	(101,207)	(42,288)
Net Change in Fund Balance	--	(58,919)	(101,207)	(42,288)
<i>Fund Balance at Beginning of Period</i>	<i>3,779,514</i>	<i>3,779,514</i>	<i>3,779,514</i>	<i>--</i>
Fund Balance at End of Period	\$ 3,779,514	\$ 3,720,595	\$ 3,678,307	\$ (42,288)

City of Flushing
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Streets
For the year Ended June 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 836,956	\$ 881,312	\$ 890,838	\$ 9,526
Interest and Rentals	300	300	21,976	21,676
Total Revenues	837,256	881,612	912,814	31,202
Expenditures				
Routine Maintenance	955,465	891,732	802,039	89,693
Total Expenditures	955,465	891,732	802,039	89,693
Other Financing Uses				
Transfers Out	40,000	65,000	65,000	--
Total Expenditures and Other Financing Uses	995,465	956,732	867,039	89,693
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(158,209)	(75,120)	45,775	120,895
Net Change in Fund Balance	(158,209)	(75,120)	45,775	120,895
<i>Fund Balance at Beginning of Period</i>	1,836,683	1,836,683	1,836,683	--
Fund Balance at End of Period	\$ 1,678,474	\$ 1,761,563	\$ 1,882,458	\$ 120,895

City of Flushing
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Calendar Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 124,506	\$ 146,930	\$ 176,219	\$ 154,491	\$ 139,558	\$ 137,346	\$ 139,676	\$ 132,491	\$ 154,811	\$ 181,086
Interest on Total Pension Liability	1,737,118	1,708,791	1,678,744	1,663,889	1,586,795	1,539,133	1,585,623	1,543,627	1,512,939	1,431,731
Changes in Benefit Terms	723	(3,396)	-	-	1,922	-	(23,684)	(10,154)	324	(12,084)
Differences Between Expected and Actual Experience	479,414	12,190	(110,915)	(147,285)	(145,696)	(587,491)	45,700	102,675	(118,799)	26,317
Changes of Assumptions	(56,821)	183,382	-	881,914	730,123	745,771	(25,249)	-	-	1,044,347
Benefit Payments, Including Refunds	(1,479,205)	(1,345,532)	(1,284,459)	(1,319,653)	(1,291,842)	(1,287,677)	(1,291,175)	(1,203,411)	(1,105,615)	(1,096,055)
Other Changes	-	-	-	-	-	81,006	-	-	-	-
Net Change in Pension Liability	805,735	702,365	459,589	1,233,356	1,020,860	628,088	430,891	565,228	443,660	1,575,342
<i>Total Pension Liability - Beginning</i>	<i>24,871,175</i>	<i>24,168,810</i>	<i>23,709,221</i>	<i>22,475,865</i>	<i>21,455,005</i>	<i>20,826,917</i>	<i>20,396,026</i>	<i>19,830,798</i>	<i>19,387,138</i>	<i>17,811,796</i>
Total Pension Liability - Ending (a)	\$ 25,676,910	\$ 24,871,175	\$ 24,168,810	\$ 23,709,221	\$ 22,475,865	\$ 21,455,005	\$ 20,826,917	\$ 20,396,026	\$ 19,830,798	\$ 19,387,138
Plan Fiduciary Net Position										
Contributions - Employer	\$ 1,037,199	\$ 2,246,556	\$ 984,066	\$ 962,813	\$ 1,015,328	\$ 1,057,079	\$ 1,002,776	\$ 968,504	\$ 1,104,834	\$ 787,717
Contributions - Employee	63,732	110,934	77,030	75,226	69,899	76,593	68,612	60,808	46,030	23,483
Net Investment Income (Loss)	1,074,856	1,409,435	(1,413,247)	1,712,744	1,411,101	1,344,950	(410,593)	1,253,713	968,218	(134,705)
Benefit Payments, Including Refunds	(1,479,205)	(1,345,532)	(1,284,459)	(1,319,653)	(1,291,842)	(1,287,677)	(1,291,175)	(1,203,411)	(1,105,615)	(1,096,055)
Administrative Expenses	(31,895)	(29,293)	(25,199)	(19,655)	(22,261)	(23,175)	(20,381)	(19,848)	(19,141)	(19,447)
Net Change in Plan Fiduciary Net Position	664,687	2,392,100	(1,661,809)	1,411,475	1,182,225	1,167,770	(650,761)	1,059,766	994,326	(439,007)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>14,397,249</i>	<i>12,005,149</i>	<i>13,666,958</i>	<i>12,255,483</i>	<i>11,073,258</i>	<i>9,905,488</i>	<i>10,556,249</i>	<i>9,496,483</i>	<i>8,502,157</i>	<i>8,941,164</i>
Plan Fiduciary Net Position - Ending (b)	\$ 15,061,936	\$ 14,397,249	\$ 12,005,149	\$ 13,666,958	\$ 12,255,483	\$ 11,073,258	\$ 9,905,488	\$ 10,556,249	\$ 9,496,483	\$ 8,502,157
Net Pension Liability - Ending (a) - (b)	\$ 10,614,974	\$ 10,473,926	\$ 12,163,661	\$ 10,042,263	\$ 10,220,382	\$ 10,381,747	\$ 10,921,429	\$ 9,839,777	\$ 10,334,315	\$ 10,884,981
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.66%	57.89%	49.67%	57.64%	54.53%	51.61%	47.56%	51.76%	47.89%	43.85%
Covered Payroll	\$ 755,063	\$ 901,669	\$ 1,077,253	\$ 1,034,421	\$ 938,716	\$ 938,716	\$ 965,175	\$ 930,915	\$ 1,098,575	\$ 1,274,583
Net Pension Liability as a Percentage of Covered Payroll	1405.84%	1161.62%	1129.14%	970.81%	1088.76%	1105.95%	1131.55%	1057.00%	940.70%	854.00%

Notes to Schedule:

See Notes to the Required Supplementary Information immediately following pension and OPEB schedules.

City of Flushing
Required Supplementary Information
Schedule of Contributions
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 1,068,263	\$ 1,004,325	\$ 1,026,216	\$ 941,916	\$ 852,693	\$ 1,025,109	\$ 1,071,388	\$ 968,504	\$ 1,104,835	\$ 722,184
Contributions in Relation to the Actuarially Determined Contribution	1,068,263	2,234,361	1,026,216	941,916	927,693	1,025,109	1,071,388	1,168,504	1,104,835	722,184
Contribution Deficiency (Excess)	\$ -	\$ (1,230,036)	\$ -	\$ -	\$ (75,000)	\$ -	\$ -	\$ (200,000)	\$ -	\$ -
Covered Payroll	\$ 836,256	\$ 891,858	\$ 1,026,587	\$ 954,814	\$ 891,576	\$ 1,022,098	\$ 984,479	\$ 930,915	\$ 1,098,575	\$ 1,274,583
Contributions as a Percentage of Covered Payroll	127.74%	250.53%	99.96%	98.65%	104.05%	100.29%	108.83%	125.52%	100.57%	56.66%

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	14 Years
Asset Valuation Method	5-year, Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	6.93%, Net of Investment Expense, including Inflation
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

City of Flushing
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios*
Last Nine Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability									
Service Cost	\$ 8,635	\$ 15,998	\$ 26,690	\$ 23,815	\$ 76,849	\$ 74,832	\$ 116,188	\$ 148,569	\$ 185,946
Interest on Total OPEB Liability	354,532	350,349	354,426	346,468	483,539	473,267	499,539	487,232	449,831
Differences Between Expected and Actual Experience	88,244	(88,101)	(486,448)	(6,862)	(3,296,895)	(61,511)	(2,005,970)	(28,005)	82,326
Changes of Assumptions	119,275	21,621	(103,943)	170,565	(1,242,477)	46,345	(1,186,159)	-	(39,622)
Changes in Benefit Terms	-	-	349,429	-	(424,029)	-	-	-	72,391
Benefit Payments, Including Refunds	(255,870)	(209,625)	(165,789)	(209,190)	(229,205)	(230,097)	(268,133)	(293,907)	(312,063)
Net Change in Pension Liability	314,816	90,242	(25,635)	324,796	(4,632,218)	302,836	(2,844,535)	313,889	438,809
<i>Total Pension Liability - Beginning</i>	<i>5,184,044</i>	<i>5,093,802</i>	<i>5,119,437</i>	<i>4,794,641</i>	<i>9,426,859</i>	<i>9,124,023</i>	<i>11,968,558</i>	<i>11,654,669</i>	<i>11,215,860</i>
Total Pension Liability - Ending (a)	\$ 5,498,860	\$ 5,184,044	\$ 5,093,802	\$ 5,119,437	\$ 4,794,641	\$ 9,426,859	\$ 9,124,023	\$ 11,968,558	\$ 11,654,669
Plan Fiduciary Net Position									
Contributions - Employer	\$ 255,870	\$ 209,625	\$ 165,789	\$ 560,124	\$ 229,205	\$ 400,000	\$ 402,717	\$ 293,907	\$ 412,063
Contributions - Employee	-	-	-	-	-	230,097	268,133	224,000	-
Net Investment Income	250,783	240,189	162,568	(203,494)	300,952	36,922	81,806	32,461	49,723
Benefit Payments, Including Refunds	(255,870)	(209,625)	(165,789)	(209,190)	(229,205)	(230,097)	(268,133)	(293,907)	(312,063)
Administrative Expenses	(5,628)	(5,125)	(4,116)	(4,054)	(3,431)	(2,664)	(2,169)	(1,645)	(999)
Net Change in Plan Fiduciary Net Position	245,155	235,064	158,452	143,386	297,521	434,258	482,354	254,816	148,724
<i>Plan Fiduciary Net Position - Beginning</i>	<i>2,575,022</i>	<i>2,339,958</i>	<i>2,181,506</i>	<i>2,038,120</i>	<i>1,740,599</i>	<i>1,306,341</i>	<i>823,987</i>	<i>569,171</i>	<i>420,447</i>
Plan Fiduciary Net Position - Ending (b)	\$ 2,820,177	\$ 2,575,022	\$ 2,339,958	\$ 2,181,506	\$ 2,038,120	\$ 1,740,599	\$ 1,306,341	\$ 823,987	\$ 569,171
Net OPEB Liability - Ending (a) - (b)	\$ 2,678,683	\$ 2,609,022	\$ 2,753,844	\$ 2,937,931	\$ 2,756,521	\$ 7,686,260	\$ 7,817,682	\$ 11,144,571	\$ 11,085,498
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	51.29%	49.67%	45.94%	42.61%	42.51%	18.46%	14.32%	6.88%	4.88%
Covered Payroll	\$ 727,162	\$ 853,811	\$ 1,062,797	\$ 924,006	\$ 901,408	\$ 965,929	\$ 834,496	N/A	N/A
Net OPEB Liability as a Percentage of Covered Payroll	368.37%	305.57%	259.11%	317.96%	305.80%	795.74%	936.81%	N/A	N/A

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No. 75. An additional year will be added each year until ten years are presented.

See Notes to the Required Supplementary Information immediately following pension and OPEB schedules.

City of Flushing
Required Supplementary Information
Schedule of Contributions - OPEB
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 337,720	\$ 257,223	\$ 280,664	\$ 266,238	\$ 614,087	\$ 615,511	\$ 791,291	\$ 809,939	\$ 1,693,998	\$ 674,458
Contributions in Relation to the Actuarially Determined Contribution	255,870	209,625	165,789	209,190	229,205	630,097	670,850	517,907	412,063	-
Contribution Deficiency (Excess)	<u>\$ 81,850</u>	<u>\$ 47,598</u>	<u>\$ 114,875</u>	<u>\$ 57,048</u>	<u>\$ 384,882</u>	<u>\$ (14,586)</u>	<u>\$ 120,441</u>	<u>\$ 292,032</u>	<u>\$ 1,281,935</u>	<u>\$ 674,458</u>
Covered Employee Payroll	\$ 727,162	\$ 853,811	\$ 1,062,797	\$ 924,006	\$ 901,408	\$ 965,929	\$ 834,496	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	46.44%	30.13%	26.41%	28.81%	68.13%	63.72%	94.82%	N/A	N/A	N/A

Notes

Valuation Date: June 30, 2023

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	12 years
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	6.93%
20-year Aa Municipal Bond Rate	4.81%
Retirement Age	Varies, Depending on Plan Adoption
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021
Healthcare Cost Trend Rate	7.25%, Decreasing 0.25% Annually to 4.50%

City of Flushing
Notes to the Required Supplementary Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios

2023, summary of most significant changes impacting the total pension liability include:

- 1) The investment rate of return assumption was reduced from 7.00% to 6.93%.

2022, summary of most significant changes impacting the total pension liability include:

- 1) The investment rate of return assumption was reduced from 7.25% to 7.00%.

2021, summary of most significant changes impacting the total pension liability include:

- 1) The investment rate of return assumption was reduced from 7.60% to 7.25%.

2020, summary of most significant changes impacting the total pension liability include:

- 1) Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2019, summary of most significant changes impacting the total pension liability include:

- 1) The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2015, summary of most significant changes impacting the total pension liability include:

- 1) The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

Notes to the Schedule of Changes in Net OPEB Liability and Related Ratios

2025, summary of most significant changes impacting the total OPEB liability include:

- 1) The discount rate was changed from 7.00% to 6.93%.

2022, summary of most significant changes impacting the total OPEB liability include:

- 1) The discount rate was changed from 7.35% to 7.00%.

2021, summary of most significant changes impacting the total OPEB liability include:

- 1) There was an actuarial gain of \$3,296,895 (differences between expected and actual experience), primarily due to the Medicare premium valued for both the current and future retirees significantly lower than expected relative to the previous rate used for both BCBS and BCN plan participant.
- 2) A change in plan provisions for future admin and DPW retirees generated a \$424,029 decrease in total pension liability.
- 3) The discount rate was updated from 5.15% to 7.35%, combined with a change in mortality, trend rate, salary scale, and timing of claims assumptions, which led to a \$1,242,477 decrease in total pension liability.

2019, summary of most significant changes impacting the total OPEB liability include:

- 1) There was an actuarial loss of \$584,615 (differences between expected and actual experience), primarily due to mortality rates table changing from IRS 1.430(h) annuitant and non-annuitant sex distinct tables to public safety 2010 headcount-weighted employee and healthy retiree table for police participants and public general 2010 headcount-weighted table for non-police participants).
- 2) The discount rate was updated from 4.18% to 5.21%, combined with a change in mortality, trend rate, salary scale, and timing of claims assumptions, which led to a \$1,648,677 decrease in total pension liability.

Combining and Individual Fund Statements and Schedules

**City of Flushing
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025**

	Special Revenue					Capital Projects		Permanent	Total Nonmajor Governmental Funds
	Local Streets	Narcotic	Community Development	Police and Fire Memorial Fund	Byrne Discretionary Grant	Public Improvement	Capital Improvement	Cemetery Trust	
ASSETS									
Cash and Investments	\$ 645,418	\$ 5,888	\$ --	\$ 14,593	\$ --	\$ 472,986	\$ 768,894	\$ 417,848	\$ 2,325,627
Due from Other Units of Government	51,585	--	--	--	105,242	--	--	--	156,827
Total Assets	\$ 697,003	\$ 5,888	\$ --	\$ 14,593	\$ 105,242	\$ 472,986	\$ 768,894	\$ 417,848	\$ 2,482,454
LIABILITIES									
Accounts Payable	\$ 6,821	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,821
Accrued Wages	1,983	--	--	--	--	--	--	--	1,983
Deposits Payable	--	--	--	--	--	--	--	2,000	2,000
Due to Other Funds	--	--	--	--	--	--	20,000	--	20,000
Total Liabilities	8,804	--	--	--	--	--	20,000	2,000	30,804
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenues	--	--	--	--	105,242	--	--	--	105,242
Total Liabilities and Deferred Inflows of Resources	8,804	--	--	--	105,242	--	20,000	2,000	136,046
FUND BALANCE									
Nonspendable	--	--	--	--	--	--	--	415,848	415,848
Restricted	688,199	5,888	--	14,593	--	472,986	748,894	--	1,930,560
Unassigned	--	--	--	--	--	--	--	--	--
Total Fund Balance	688,199	5,888	--	14,593	--	472,986	748,894	415,848	2,346,408
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 697,003	\$ 5,888	\$ --	\$ 14,593	\$ 105,242	\$ 472,986	\$ 768,894	\$ 417,848	\$ 2,482,454

City of Flushing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended June 30, 2025

	Special Revenue					Capital Projects		Permanent	Total Nonmajor Governmental Funds
	Local Streets	Narcotic	Community Development	Police and Fire Memorial Fund	Byrne Discretionary Grant	Public Improvement	Capital Improvement	Cemetery Trust	
Revenues									
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 499,670	\$ --	\$ 499,670
Intergovernmental	342,362	--	135,574	--	20,765	--	--	--	498,701
Interest and Rentals	3,401	1	--	1	--	5,886	13,127	39,623	62,039
Other Revenue	--	--	--	500	--	11,679	--	--	12,179
Total Revenues	345,763	1	135,574	501	20,765	17,565	512,797	39,623	1,072,589
Expenditures									
General Government	--	--	--	--	--	5,374	--	--	5,374
Public Safety	--	--	--	8,909	--	--	--	--	8,909
Public Works	411,664	--	--	--	--	--	25,325	--	436,989
Community and Economic Development	--	--	135,722	--	--	--	--	--	135,722
Capital Outlay	--	--	--	--	127,315	--	--	--	127,315
Total Expenditures	411,664	--	135,722	8,909	127,315	5,374	25,325	--	714,309
Excess of Revenues Over (Under) Expenditures	(65,901)	1	(148)	(8,408)	(106,550)	12,191	487,472	39,623	358,280
Other Financing Sources (Uses)									
Transfers In	65,000	--	148	9,000	106,550	240,000	--	--	420,698
Transfers Out	--	--	--	--	--	--	(485,151)	(6,800)	(491,951)
Net Other Financing Sources (Uses)	65,000	--	148	9,000	106,550	240,000	(485,151)	(6,800)	(71,253)
Net Change in Fund Balance	(901)	1	--	592	--	252,191	2,321	32,823	287,027
Fund Balance at Beginning of Period	689,100	5,887	--	14,001	--	220,795	746,573	383,025	2,059,381
Fund Balance at End of Period	\$ 688,199	\$ 5,888	\$ --	\$ 14,593	\$ --	\$ 472,986	\$ 748,894	\$ 415,848	\$ 2,346,408

December 18, 2025

To the City Council
City of Flushing, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan (the “City”) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, except as noted in Note 13 to the financial statements and the application of existing policies was not changed during the fiscal year ended June 30, 2025. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- The assumptions used in the actuarial valuation of the pension and other post-employment plans are based on historical trends and industry standards.
- The assumptions used in the calculation of the lease receivables and related deferred inflows.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the schedules for the defined benefit pension and OPEB plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI