CITY OF KEEGO HARBOR
Oakland County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2026

CITY OF KEEGO HARBOR
For the Year Ended June 30, 2026

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For the Year Ended June 30, 2026

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Independent Auditor's Report

To the Honorable Mayor and City Council
The City of Keego Harbor, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate of all remaining fund information of the City of Keego Harbor, Michigan, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate of all remaining fund information of the City of Keego Harbor, Michigan, as of June 30, 2026, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 GAAS 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.

Honorable Mayor and
Members of the City Council
City of Keego Harbor, Michigan

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keego Harbor's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully,

PSLZ PLLC

PSLZ PLLC
Certified Public Accountants

October 7, 2026

Overview of the Financial Statements

The City's annual report consists of management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The government-wide financial statements are designed to provide a broad overview of the City's finances. The government-wide financial statements are presented on a full accrual basis, with an emphasis on measuring all economic resources and not just current financial resources, as measured in the individual fund statements. Two government-wide statements are provided.

The statement of net position presents information on all of the City's assets and liabilities with the difference shown as net position. Increases or decreases of net position from period to period provide useful information on the direction of the City's financial position over time.

The statement of activities provides information on how the government-wide net position changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net position.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds with one column provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services such as public safety and public works; business-type funds, which account for functions that are intended to recover all or a significant portion of their costs through user fees and charges, and fiduciary funds, which account for assets held for outside parties.

Reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences between the statement of net position and the fund-based balance sheet are primarily related to inclusion of capital assets and long-term liabilities in the government-wide statement of net position, which are not included in the fund-based balance sheet. The differences between the statement of activities and the statement of revenues, expenditures, and changes in fund balances primarily relate to the timing of reporting capital outlays and debt principal payments in the fund statements and a difference in the timing of the recognition of certain revenues and expenditures such as debt principal payments, and accrued employee leave time.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Keego Harbor, assets exceeded liabilities by $4,160,869 at the close of the most recent fiscal year.

The following table shows in a condensed format, the net position of the City's governmental activities as of June 30, 2026:

City of Keego Harbor - Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Current and Other Assets	$ 4,144,916	$ 4,131,350	$ 342,671	$ 303,879	$ 4,487,587	$ 4,435,229
Capital Assets	4,895,189	3,834,902	-	-	4,895,189	3,834,902
Total Assets	9,040,105	7,966,252	342,671	303,879	9,382,776	8,270,131
Deferred Outflows	390,577	160,896	-	-	390,577	160,896
Long-term Liabilities Outstanding	3,053,219	3,365,840	-	-	3,053,219	3,365,840
Other Liabilities	988,024	822,603	-	-	988,024	822,603
Total Liabilities	4,041,243	4,188,443	-	-	4,041,243	4,188,443
Deferred Inflows	15,665	81,715	-	-	15,665	81,715
Net Position:						
Net Investment in capital assets	4,275,189	3,184,902	-	-	4,275,189	3,184,902
Restricted	1,427,551	1,366,465	-	-	1,427,551	1,366,465
Unrestricted	(328,966)	(694,377)	342,671	303,879	13,705	(390,498)
Total Net Position	$ 5,373,774	$ 3,856,990	$ 342,671	$ 303,879	$ 5,716,445	$ 4,160,869

A portion of the City's net position (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Keego Harbor used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion (25%) of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $13,705 reflects a positive balance of $1,896,688 which may be used to meet the government's ongoing obligations to citizens and creditors, less the net pension liability adjustments of $1,882,983.

The following table shows the changes of the net position during the year ended June 30, 2026:

City of Keego Harbor - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Program Revenues:						
Charges for Services	$ 252,817	$ 176,691	$ 14,835	$ 19,062	$ 267,652	$ 195,753
Operating Grants & Contributions	449,182	705,856	-	-	449,182	705,856
Capital Grants & Contributions	500,000	20,000	41,949	-	541,949	20,000
General Revenues:						
Property Taxes	2,664,371	2,575,733	-	-	2,664,371	2,575,733
State Shared Revenues	336,178	333,376	-	-	336,178	333,376
Franchise Fees	28,718	41,156	-	-	28,718	41,156
Unrestricted Investment Earnings	125,224	85,797	-	-	125,224	85,797
Total Revenues	4,356,490	3,938,609	56,784	19,062	4,413,274	3,957,671
Program Expenses:						
General Government	495,557	790,533	-	-	495,557	790,533
Public Safety	1,435,959	1,523,030	-	-	1,435,959	1,523,030
Public Works	832,256	830,824	-	-	832,256	830,824
Recreation and Cultural	55,596	47,661	-	-	55,596	47,661
Interest on Long-Term Debt	20,338	23,246	-	-	20,338	23,246
Water and Sewer	-	-	17,992	15,166	17,992	15,166
Total Expenses	2,839,706	3,215,294	17,992	15,166	2,857,698	3,230,460
Change in Net Position	$ 1,516,784	$ 723,315	$ 38,792	$ 3,896	$ 1,555,576	$ 727,211

The City had an increase of $1,516,784 in net position in its governmental activities for the fiscal year ended June 30, 2026, compared to a $723,315 increase for the fiscal year ended June 30, 2025.

Governmental Funds

Of the City's governmental funds, the General, Police, Major and Local Streets, and TIFA Funds account for all significant expenditures.

General Fund expenditures exceeded revenues in fiscal year 2026 by $187,141, as compared to revenues exceeded expenditures in fiscal year 2025 by $378,540. Revenues for fiscal year 2026 decreased by $104,003 over the prior year. In the prior year, the City recognized $183,340 of American Rescue Plan Act grant funds which was the final balance of funds received. General Fund expenditures increased $56,534 over the prior year. Retirement plan contributions increased by $29,208 as compared to the prior year per actuarial requirements.

The City received a $500,000 Michigan Enhancement grant from the Michigan Economic Development Corporation for the Willow Beach Bridge Replacement Project. The City has recorded the grant revenue along with the project expenditures of $781,257 in the Local Streets Fund.

General Fund Budgetary Highlights

The General Fund original budgeted revenues were increased by $55,000 during the fiscal year through budget amendments and the original budgeted expenditures were increased by $448,174 during the year. Budgeted expenditures were increased $223,430 for the transfer to the Local Streets Fund, $156,344 for transfers to the Police Fund, and $68,400 for transfers to the Capital Projects Fund. Total General Fund actual expenditures were $199,695 less than budgeted expenditures.

Capital Assets

Significant capital asset additions in fiscal year 2026 include the Willow Street bridge project, local street improvement project, a police vehicle and a department of public works truck purchase.

Long-term Debt

At the end of the current fiscal year, the City had total general obligation bond debt outstanding of $620,000. The City's total bonded decreased by $30,000 during the current fiscal year as a result of no new debt and annual debt payments made.

Currently Known Facts, Decisions, or Conditions

The City has budgeted for pension contributions, employee and retiree health care costs, and general insurance costs in the 2026-2027 fiscal year based on the best information known at the time. The City continues to experience increases in these costs. The City is actively seeking to reduce the costs and fund the pension and post retirement healthcare costs to the extent possible.

The City has adopted a balanced budget for the 2026-2027 fiscal year.

Contacting the City's Financial Management

This audit of the revenues and expenditures of the City is designed to depict the financial health of the City and demonstrate the uses of City resources. The audit also provides financial information to the City's investors and creditors.

If you have any questions about this report contact the City Manager, City of Keego Harbor, 2025 Beechmont, Keego Harbor, Michigan 48320.

BASIC FINANCIAL STATEMENTS

CITY OF KEEGO HARBOR
Statement of Net Position
June 30, 2026

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 3,739,723	$ 342,671	$ 4,082,394
Due from Other Governmental Units	307,450	-	307,450
Prepaid Expenses	97,743	-	97,743
Capital Assets (Net of Accumulated Depreciation):			
Nondepreciable	745,901	-	745,901
Depreciable	4,149,288	-	4,149,288
Total Assets	9,040,105	342,671	9,382,776
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Pensions	390,577	-	390,577
LIABILITIES			
Accounts Payable	792,696	-	792,696
Deposits	17,982	-	17,982
Unearned Revenue	177,346	-	177,346
Noncurrent Liabilities:			
Net OPEB Liability	106,875	-	106,875
Net Pension Liability	2,273,560	-	2,273,560
Compensated Absences	52,784	-	52,784
Long Term Debt, due within one year	30,000	-	30,000
Long Term Debt, due in more than one year	590,000	-	590,000
Total Liabilities	4,041,243	-	4,041,243
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to Pensions & OPEB	15,665	-	15,665
NET POSITION			
Net Investment in Capital Assets	4,275,189	-	4,275,189
Restricted:			
Streets and Highways	564,149	-	564,149
Tax Increment Financing Authority	852,061	-	852,061
Library	6,773	-	6,773
Police	4,568	-	4,568
Unrestricted (Deficit)	(328,966)	342,671	13,705
Total Net Position	$ 5,373,774	$ 342,671	$ 5,716,445

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 495,557	$ 123,690	$ 51,915	$ -
Public Safety	1,435,959	90,769	61,224	-
Public Works	832,256	37,056	335,512	500,000
Recreation and Cultural	55,596	1,302	531	-
Interest on Long-Term Debt	20,338	-	-	-
Total Governmental Activities	2,839,706	252,817	449,182	500,000
Business-type Activities:				
Water & Sewer	17,992	14,835	-	41,949
Total Primary Government	$ 2,857,698	$ 267,652	$ 449,182	$ 541,949

General Revenues:
Property Taxes
State Shared Revenue
Franchise Fees
Investment Earnings
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (319,952)	$ -	$ (319,952)
(1,283,966)	-	(1,283,966)
40,312	-	40,312
(53,763)	-	(53,763)
(20,338)	-	(20,338)
(1,637,707)	-	(1,637,707)
-	38,792	38,792
(1,637,707)	38,792	(1,598,915)
2,664,371	-	2,664,371
336,178	-	336,178
28,718	-	28,718
125,224	-	125,224
3,154,491	-	3,154,491
1,516,784	38,792	1,555,576
3,856,990	303,879	4,160,869
$ 5,373,774	$ 342,671	$ 5,716,445

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR
Balance Sheet
Governmental Funds
June 30, 2026

	General Fund	Police Fund	Major Streets Fund	Local Streets Fund
ASSETS				
Cash and Cash Equivalents	$ 1,877,578	$ 985	$ 408,088	$ 493,953
Due from State	-	-	40,198	267,252
Prepaid Expenditures	97,743	-	-	-
Total Assets	$ 1,975,321	$ 985	$ 448,286	$ 761,205
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 46,084	$ 985	$ 27	$ 645,315
Deposits	17,982	-	-	-
Unearned Revenue	177,346	-	-	-
Total Liabilities	241,412	985	27	645,315
Fund Balances:				
Nonspendable	97,743	-	-	-
Restricted for:				
Police Drug Forfeiture	4,568	-	-	-
Streets	-	-	448,259	115,890
Tax Increment Financing Authority	-	-	-	-
Library	-	-	-	-
Unrestricted::				
Unassigned	1,631,598	-	-	-
Total Fund Balances	1,733,909	-	448,259	115,890
Total Liabilities and Fund Balances	$ 1,975,321	$ 985	$ 448,286	$ 761,205

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Other Post Employment Benefits Liability

Deferred Inflows related to OPEB

Net Pension Liabilities are not reported in the funds

Deferred Outflows related to Pensions

Net Position of Governmental Activities

The notes to the financial statements are an integral part of this statement.

	TIFA Fund	Other Governmental Funds	Total Governmental Funds
	$ 875,874	$ 83,245	$ 3,739,723
	-	-	307,450
	-	-	97,743
	$ 875,874	$ 83,245	$ 4,144,916
	$ 23,813	$ 76,472	$ 792,696
	-	-	17,982
	-	-	177,346
	23,813	76,472	988,024
	-	-	97,743
	-	-	4,568
	-	-	564,149
	852,061	-	852,061
	-	6,773	6,773
	-	-	1,631,598
	852,061	6,773	3,156,892
	$ 875,874	$ 83,245	$ 4,144,916
			4,895,189
			(672,784)
			(106,875)
			(15,665)
			(2,273,560)
			390,577
			$ 5,373,774

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2026

	General	Police Fund	Major Streets Fund	Local Streets Fund
Revenues				
Property Taxes	$ 1,832,867	$ 467,686	$ -	$ -
Licenses and Permits	6,442	-	-	-
Intergovernmental:				
Federal, State and Local	387,828	61,224	225,722	607,514
Charges for Services	205,325	10,742	-	-
Franchise Fees	28,718	-	-	-
Interest	125,206	-	10	8
Other	21,810	-	4,307	4,987
Total Revenues	2,608,196	539,652	230,039	612,509
Expenditures				
Current:				
General Government	827,798	-	-	-
Public Safety	473,390	1,137,434	-	-
Public Works	433,297	-	57,221	69,518
Recreation and Cultural	11,416	-	-	-
Debt Service	50,338	-	-	-
Capital Outlay	-	-	-	1,007,956
Total Expenditures	1,796,239	1,137,434	57,221	1,077,474
Excess (Deficiency) of Revenues Over Expenditures	811,957	(597,782)	172,818	(464,965)
Other Financing Sources (Uses)				
Transfers In	-	675,750	-	403,430
Transfers Out	(999,098)	(77,968)	(180,000)	-
Total Other Financing Sources (Uses)	(999,098)	597,782	(180,000)	403,430
Net Change in Fund Balances	(187,141)	-	(7,182)	(61,535)
Fund Balances - Beginning	1,921,050	-	455,441	177,425
Fund Balances - Ending	$ 1,733,909	$ -	$ 448,259	$ 115,890

The notes to the financial statements are an integral part of this statement.

TIFA Fund	Other Governmental Funds	Total Governmental Funds
$ 326,244	$ 37,574	$ 2,664,371
-	-	6,442
2,276	-	1,284,564
-	-	216,067
-	-	28,718
-	-	125,224
-	-	31,104
328,520	37,574	4,356,490
-	-	827,798
-	-	1,610,824
179,480	-	739,516
-	38,301	49,717
-	-	50,338
-	222,196	1,230,152
179,480	260,497	4,508,345
149,040	(222,923)	(151,855)
-	177,886	1,257,066
-	-	(1,257,066)
-	177,886	-
149,040	(45,037)	(151,855)
703,021	51,810	3,308,747
$ 852,061	$ 6,773	$ 3,156,892

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2026

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

Net change in fund balances - total governmental funds		$ (151,855)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
	Capital Outlay	1,230,152
	Depreciation Expense	(169,865)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
	Principal Paid on Long Term Debt	30,000
	Change in Compensated Absences Payable	(15,377)
	Change in Net Pension Liability	602,228
	Change in Other Post Employment Benefit Liability	(8,499)
Change in net position in governmental activities		$ 1,516,784

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR
Statement of Net Position
Proprietary Fund
June 30, 2026

		Enterprise Fund Water & Sewer
ASSETS		
Cash	$	342,671
LIABILITIES		
Accounts Payable		-
NET POSITION		
Unrestricted	$	342,671

CITY OF KEEGO HARBOR
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2026

		Enterprise Fund Water & Sewer
Operating Revenues:		
Charges for Services	$	14,835
Operating Expenses		17,992
Operating Income (Loss)		(3,157)
Noncapital Subsidies:		
Grant Revenue		41,949
Increase in Fund Net Position		38,792
Net Position, Beginning		303,879
Net Position, Ending	$	342,671

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2026

		Enterprise Fund Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	14,835
Payments to suppliers		(17,992)
Net Cash Provided by Operating Activities		(3,157)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant Subsidies		41,949
Net Increase (Decrease) in Cash and Cash Equivalents		38,792
Cash and Cash Equivalents, Beginning		303,879
Cash and Cash Equivalents, Ending	$	342,671
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$	(3,157)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Increase (Decrease) in Accounts Payable		-
Net Cash Provided (Used) by Operating Activities	$	(3,157)

The notes to the financial statements are an integral part of this statement.

CITY OF KEEGO HARBOR
Fiduciary Fund
Statement of Net Position
June 30, 2026

	Custodial Funds
ASSETS:	
Cash	$ 3,000
LIABILITIES:	
Due to Other Governmental Units	3,000
NET POSITION	$ -

CITY OF KEEGO HARBOR
Fiduciary Fund
Statement of Changes in Net Position
June 30, 2026

	Custodial Funds
Additions:	
Taxes Collected for Other Governments	$ 4,711,607
Deductions:	
Payments of Taxes to Other Governments	4,711,607
Change in Net Position	-
Net Position - Beginning of year	-
Net Position - End of year	$ -

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Keego Harbor, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component unit, the City of Keego Harbor Tax Increment Financing Authority, an entity for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations.

The City of Keego Harbor Tax Increment Financing Authority is governed by a board that is appointed by the Keego Harbor City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and expand a road on behalf of the City's Major Streets Fund.

Jointly Governed Organization

The City is a member of the Tri-City Fire Department, which provides fire protection services to the residents of the City of Keego Harbor, the City of Sylvan Lake, and the City of Orchard Lake. The Tri-City Fire Department along with the participating communities have entered into an agreement with the West Bloomfield Township Fire Department to provide fire and emergency services. During the current year, the City contributed approximately $380,772 to the Tri-City Fire Department. Complete financial statements for the Tri-City Fire Department can be obtained from the administrative offices at 3300 Orchard Lake Road, Orchard Lake, Michigan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) 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 revenue*.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Funds
The City reports the following major governmental funds:

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

The Police Fund is a special revenue fund used to account for the dedicated police millage approved by the voters along with the police expenditures.

The Major Street and Local Street Funds are special revenue funds used to account for the repair, maintenance, and construction of the City's streets as identified by the State of Michigan Department of Transportation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

The Tax Increment Financing Authority Fund (TIFA) accounts for the financing of a road on behalf of the City's Major Streets Fund, and debt related to theses projects and the new city hall/police facility construction. The activity is approved by the TIFA Board.

Additionally, the City reports the following fund types:
Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Debt Service Funds are used to account for the proceeds of principal, interest, and expenditures in connection with certain long-term debt obligations.

Capital Project Funds are used to account for capital improvement, equipment purchases, and construction activity funded by general revenues of the City.

Proprietary Funds
Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City has one enterprise fund which is the Water and Sewer Fund.

Fiduciary Funds
Custodial Funds are used to account for assets held by the City in a trustee capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, and when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position

1. Deposits and Investments

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 authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the City, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

3. Prepaid Expenses

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

4. Capital Assets

Capital assets, which include property, plant, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	25-40
Furnishings, Fixtures, and Equipment	10-40
Vehicles	10-20

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, along with the City's employee policy manual, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

7. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the City Council for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned – Intent to spend resources on specific purposes expressed by the City Council.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

a. Budgets must be adopted for the General and Special Revenue Funds.
b. Budgets must be balanced.
c. Budgets must be amended as necessary.
d. Public hearings must be held prior to adoption.
e. Expenditures cannot exceed budget appropriations.
f. Expenditures must be authorized by a budget appropriation prior to being incurred.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The City Charter requires one regular council meeting per month. Not later than the regular meeting in May, a proposed operating budget must be submitted to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.

2. A public hearing and adoption of the budget is required by the regular meeting in May.

3. Not later than the regular meeting in May, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).

4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and the Special Revenue Fund budgets are adopted at the activity level.

5. Budget appropriations lapse at year end.

6. The City Council may authorize supplemental appropriations (budget amendments) during the year. Budget amendments that were made are reflected in the financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The City has no deficit fund balances as of June 30, 2026.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General Fund and the Special Revenue Funds are adopted at the activity level. The City's expenditures did not exceed the final budgeted amounts at year end.

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the City must account for cumulative revenues over or under expenditures generated by the City's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2026 are as follows:

Cumulative Shortfall at June 30, 2025	$ 5,683
Fees Collected in Fiscal Year 2026	80,012
Expenditures in Fiscal Year 2026	(83,755)
Revenues Over (Under) Expenditures	(3,743)
Cumulative Shortfall at June 30, 2026	$ 9,426

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. The City's cash and investments are subject to several types of risk, which are detailed as follows:

Custodial Credit Risk of Bank Deposits. Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2026, the City's balance of its deposits was $4,085,394, of which $3,585,394 was uninsured and uncollateralized.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments consisted of the following:

Investments	Fair Value	Weighted Average Maturity
MI Class Fund	$2,260,392	83 days
Government Investment Pool	296,992	619 days

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of fiscal year end, the credit qualify ratings of debt securities are as follows:

Investments	Fair Value	Rating	Rating Organization
MI Class Fund	$2,260,392	N/A	N/A
Government Investment Pool	296,992	N/A	N/A

Investments in Entities that Calculate Net Asset Value per Share. As of the fiscal year ended June 30, 2026, the City holds shares or interests in investment pools where the fair value of the investments are measured on a recurring basis using net asset value per share of the investment pools as follows:

Investments	Fair Value
MI Class Fund	$2,260,392
Government Investment Pool	296,992

The Oakland County LGIP and MI Class Fund have no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period.

III. DETAILED NOTES ON ALL FUNDS

B. Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not depreciated:				
Land	$ 745,901	$ -	$ -	$ 745,901
Capital Assets, being depreciated:				
Infrastructure	3,025,137	1,007,956	-	4,033,093
Building and Improvements	1,292,849	-	-	1,292,849
Furnishings, Fixtures, and Equipment	679,780	92,377	-	772,157
Vehicles	478,542	129,819	-	608,361
	5,476,308	1,230,152	-	6,706,460
Less: Accumulated Depreciation:				
Infrastructure	(872,359)	(74,553)	-	(946,912)
Building and Improvements	(399,816)	(24,144)	-	(423,960)
Furnishings, Fixtures, and Equipment	(647,497)	(62,261)	-	(709,758)
Vehicles	(467,635)	(8,907)	-	(476,542)
	(2,387,307)	(169,865)	-	(2,557,172)
Governmental Activities Capital Assets, net	$ 3,834,902	$ 1,060,287	$ -	$ 4,895,189

Depreciation expense was charged on the Statement of Activities as follows:

General Government	$ 39,140
Public Safety	32,106
Public Works	92,740
Recreation and Cultural	5,879
	$ 169,865

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Transfers

Transfers Out	Transfers In	Total
General Fund	Police Fund	$ 675,750
General Fund	Local Streets Fund	223,430
General Fund	Capital Project Fund	99,918
Police Fund	Capital Project Fund	77,968
Major Streets Fund	Local Streets Fund	180,000
		$ 1,257,066

Transfer to the Police Fund from the General Fund is to help fund operations of the police department.
Transfer to the Local Streets Fund from the Major Streets Fund is to fund current year local street projects.
Transfer from the Police Fund to the Capital Project Fund was for police equipment purchases.

D. Long-Term Debt

The City had issued Building Authority Bonds, Series 2010G, through the Oakland County Building Authority in the amount of $1,120,000 to be paid over 30 years with interest rates from 2.00% - 4.25%. In accordance with the requirement of the Building Authority Bonds, the City deeded the City Hall Administration Building and the DPW Building to the Oakland County Building Authority who leases these buildings back to Oakland County. The City then entered into an agreement with the County to sublease the City Hall Administration Building and the DPW Building over the 30 year period of the bonds for rental payments which will equal an amount sufficient to pay the debt service requirements and other related costs. The ownership of the buildings will be transferred at no additional cost to the City upon full payment and retirement of the bonds and the receipt of all rental payments from the City.

On May 27, 2020, the County issued the Oakland County Building Authority Refunding Bonds to defease the 2010 bonds with this refunding issue in the amount of $835,000 at interest rate of 2.0-5.0%. Debt payments are due semi-annually commencing on September 1, 2020 and maturing on November 1, 2039.

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2026:

	Interest Rates	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
Oakland County Building Authority Refunding Bonds Issue Amount: $835,000 Maturing through 2040	2.00-5.00%	$ 650,000	$ -	$ 30,000	$ 620,000	$ 30,000
Compensated Absences		37,407	15,377	-	52,784	52,784
Total Long-term Debt		$ 687,407	$ 15,377	$ 30,000	$ 672,784	$ 82,784

The annual debt service requirements to maturity for general obligation bonds and installment notes outstanding as of June 30, 2026 are as follows:

	Governmental Activities	
Year Ended	Principal	Interest
2027	$ 30,000	$ 18,638
2028	40,000	16,888
2029	40,000	14,888
2030	40,000	12,888
2031	40,000	10,888
2030-2036	225,000	34,140
2037-2040	205,000	9,332
	$ 620,000	$ 117,662

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year. Taxes are considered delinquent on July 31, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 20 mills. The City's tax levy includes General Operating, Police, Publicity, and Library millages.

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description
The City contributes to the Municipal Employees' Retirement System of Michigan (MERS), which is an agent multiple-employer defined benefit pension plan that covers all full time employees of the City. MERS was established by the Michigan Legislature in 1945 and is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained at *mersofmich.com*.

Benefits Provided
The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries, as established by Public Act 427 of 1984, as amended. The Plan covers all full-time employees at the City including union and non-union employees. Benefits are calculated as 2.5 percent of the employee's five-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred if the member had remained an employee.

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

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – Continued

Employees Covered by Benefit Terms
At the December 31, 2025 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	3
Active Plan Members	2
Total Employees covered by MERS	25

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

For the year ended June 30, 2026, the average active employee contribution rate was 5 percent of gross wages for police union employees and 10 percent of gross wages for all other employees. The City's contribution rate was a monthly flat rate of $27,250.

Net Pension Liability
The net pension liability reported at June 30, 2026 was determined using a measure of the total pension liability and the plan net position as of December 31, 2025. The December 31, 2025 total pension liability was determined by an actuarial valuation performed as of that date.

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – Continued

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

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2025	$ 5,823,282	$ 3,251,942	$ 2,571,340
Service Cost	32,329	-	32,329
Interest	404,712	-	404,712
Contributions-Employer	-	344,396	(344,396)
Contributions-Employee	-	9,399	(9,399)
Net Investment Income(Loss)	-	499,442	(499,442)
Differences between expected and actual experience	37,943	-	37,943
Changes in Assumptions	73,908	-	73,908
Benefit Payments, including refunds	(405,571)	(405,571)	-
Administrative Expenses	-	(6,565)	6,565
Net Changes	143,321	441,101	(297,780)
Balance at December 31, 2025	$ 5,966,603	$ 3,693,043	$ 2,273,560

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

At June 30, 2026, 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	$ 182,482	$ -
Employer contributions to the plan subsequent to the measurement date	208,095	-
Total	$ 390,577	$ -

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – Continued

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($208,095), which will impact the net pension liability in fiscal year 2027, rather than pension expense.

Years Ending June 30	Amount
2027	$ (10,680)
2028	80,135
2029	58,258
2030	54,769
2031	-

Actuarial Assumptions

The total pension liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.79%

Mortality rates were based on a blend of the Pub-2010 Juvenile Mortality Tables, PubG-2010 Employee Mortality Tables, and PubG-2010 Healthy Retiree Tables. For disabled retirees, mortality rates were based on a blend of the Pub-2010 Juvenile Mortality Tables and the PubNS-2010 Disabled Retiree Tables.

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of the most recent actuarial experience study conducted for the period January 1, 2019 through December 31, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.04 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – Continued

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2025, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60%	4.50%
Global Fixed Income	20%	2.16%
Private Investments	20%	6.50%

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – Continued

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 7.04 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.04%)	Current Discount Rate (7.04%)	1% Increase (8.04%)
Net Pension Liability	$ 2,850,305	$ 2,273,560	$ 1,777,969

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

B. Post Retirement Health Care Benefits

Plan Description

The City provides health care insurance coverage to all eligible full-time employees who retire from the City, in accordance with labor contracts and City policy. The City includes pre-Medicare retirees and their dependents in its insured health care plan. Currently 6 retirees are covered by this plan and all are eligible for Medicare. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

Benefits Provided

General employees are eligible to receive health insurance benefits upon retirement and 15 years of full-time employment. Police union employees receive benefits upon retirement and 8 years of service. The City pays a fixed amount of the monthly premium, and the employee is responsible for the balance of the premium.

Employees Covered by Benefit Terms

At the June 30, 2025 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active Plan Members	5
Total	6

Contributions

Active service members are not required to make contributions to the plan. During the year ended June 30, 2026, the City made no contributions to the plan.

Summary of Significant Accounting Policies

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB (if applicable), and OPEB expenses, have been determined on the same basis as they are reported for the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

Actuarial Assumptions

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

Actuarial Cost Method	Entry-age normal
Inflation	3.00%
Salary Increases	1.00%
Investment Rate of Return	n/a
Retirement Age	General: Immediate pension and 15 years full-time employment Union: 8 years of service
Mortality	Pub-2010 Safety Tables
Health care trend rates	7.50% initially grading to 4.50% in 2037

Discount Rate

The discount rate of 5.20% is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2025	$ 107,093	$ -	$ 107,093
Service Cost	8,029	-	8,029
Interest	4,420	-	4,420
Change in Assumptions	(9,667)	-	(9,667)
Benefit Payments, including refunds	(3,000)	-	(3,000)
Net Changes	(218)	-	(218)
Balance at June 30, 2026	$ 106,875	$ -	$ 106,875

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the City recognized OPEB expense of $10,192. At June 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Inflows of Resources
Changes of Assumptions	$ 15,665

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

Years Ending June 30	Amount
2027	$ (2,257)
2028	(2,257)
2029	(2,257)
2030	(2,257)
2031	(2,257)
Thereafter	(4,380)

The net OPEB liability is generally liquidated by the General Fund.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 5.20 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Net OPEB Liability	$ 113,466	$ 106,875	$ 100,868

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 102,364	$ 106,875	$ 111,787

C. Risk Management

The City is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The City pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund. In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with the City and the pools to which it belongs in any of the past three fiscal years.

D. Upcoming Accounting Pronouncements

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events and enhances consistency in their application. This standard clarifies the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. This statement is effective for the City's financial statements beginning with the fiscal year ending June 30, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEEGO HARBOR

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability:										
Service Cost	$ 32,329	$ 31,155	$ 31,263	$ 34,542	$ 39,680	$ 41,853	$ 39,068	$ 47,590	$ 45,051	$ 40,648
Interest	404,712	399,333	390,741	391,716	369,367	350,938	360,350	360,101	343,055	328,779
Experience Differences	37,943	51,154	122,579	(35,792)	320,204	38,018	(97,888)	(64,177)	126,780	85,056
Change in assumptions	73,908	(4,884)	37,534	-	187,212	162,676	157,719	-	-	-
Benefit payments, including refunds	(405,571)	(399,259)	(420,488)	(384,024)	(358,015)	(341,785)	(353,065)	(319,188)	(286,984)	(269,503)
Net Change in Total Pension Liability	143,321	77,499	161,629	6,442	558,448	251,700	106,184	24,326	227,902	184,980
Total Pension Liability, Beg. of year	5,823,282	5,745,783	5,584,154	5,577,712	5,019,264	4,767,564	4,661,380	4,637,054	4,409,152	4,224,172
Total Pension Liability, End of year	$ 5,966,603	$ 5,823,282	$ 5,745,783	$ 5,584,154	$ 5,577,712	$ 5,019,264	$ 4,767,564	$ 4,661,380	$ 4,637,054	$ 4,409,152
Plan Fiduciary Net Position:										
Contributions - Employer	$ 344,396	$ 291,576	$ 990,201	$ 262,961	$ 223,146	$ 198,318	$ 175,044	$ 149,388	$ 123,900	$ 109,770
Contributions - Employee	9,399	9,013	14,381	20,210	137,324	22,007	21,279	29,763	24,560	32,476
Net Investment Income(Loss)	499,442	232,501	287,750	(273,132)	321,730	268,910	269,281	(85,400)	277,354	228,946
Administrative Expenses	(6,565)	(6,895)	(5,783)	(4,797)	(3,688)	(4,276)	(4,633)	(4,321)	(4,404)	(4,523)
Benefit payments, including refunds	(405,571)	(399,259)	(420,488)	(384,024)	(358,015)	(341,785)	(353,065)	(319,188)	(286,984)	(269,503)
Net Change in Plan Fiduciary Net Position	441,101	126,936	866,061	(378,782)	320,497	143,174	107,906	(229,758)	134,426	97,166
Plan Fiduciary Net Position, Beg. of year	3,251,942	3,125,006	2,258,945	2,637,727	2,317,230	2,174,056	2,066,150	2,295,908	2,161,482	2,064,316
Plan Fiduciary Net Position, End of year	$ 3,693,043	$ 3,251,942	$ 3,125,006	$ 2,258,945	$ 2,637,727	$ 2,317,230	$ 2,174,056	$ 2,066,150	$ 2,295,908	$ 2,161,482
City's Net Pension Liability - Ending	$ 2,273,560	$ 2,571,340	$ 2,620,777	$ 3,325,209	2,939,985	$ 2,702,034	$ 2,593,508	$ 2,595,230	$ 2,341,146	$ 2,247,670
Plan Fiduciary Net Position as a Percent of Total Pension Liability	61.9%	55.8%	54.4%	40.5%	47.3%	46.2%	45.6%	44.3%	49.5%	49.0%
Covered Employee Payroll	$ 186,439	$ 176,116	$ 179,469	$ 230,684	286,025	$ 330,234	$ 311,043	$ 415,232	$ 354,951	$ 328,135
City's Net Pension Liability as a Percent of Covered Employee Payroll	1219.5%	1460.0%	1460.3%	1441.5%	1027.9%	818.2%	833.8%	625.0%	659.6%	685.0%

CITY OF KEEGO HARBOR
Required Supplemental Information
Schedule of City Pension Contributions
Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 327,000	$ 297,792	$ 285,360	$ 271,008	$ 240,384	$ 205,908	$ 190,728	$ 159,360	$ 139,416	$ 108,384
Contributions in relation to the actuarially determined contribution	347,000	309,792	285,360	271,008	240,384	205,908	190,728	159,360	139,416	108,384
Contribution Excess (Deficiency)	$ 20,000	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 186,439	$ 176,116	$ 179,469	$ 230,684	$ 286,025	$ 330,234	$ 311,043	$ 415,232	$ 408,588	$ 328,135
Contributions as a Percentage of Covered Employee Payroll	186.1%	175.9%	159.0%	117.5%	84.0%	62.4%	61.3%	38.4%	34.1%	33.0%

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months 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	Fixed period, closed
Remaining Amortization Period	13 years
Asset Valuation Method	5 year smoothed market
Inflation	2.50%
Salary Increases	3.00% including inflation
Investment Rate of Return	6.79%
Retirement Age	Experience based tables of rates that are specific to the type of eligibility condition
Mortality	Blend of Pub-2010 Juvenile Mortality Tables, PubG-2010 Employee Mortality Tables, and PubG Healthy Retiree Tables. For disabled retirees, a blend of the Pub-2010 Juvenile Mortality Tables and the PubNS-2010

CITY OF KEEGO HARBOR

Required Supplemental Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Nine Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:									
Service Cost	$ 8,029	$ 7,752	$ 7,970	$ 7,802	$ 7,637	$ 5,331	$ 5,331	$ 5,257	$ 6,301
Interest	4,420	2,647	2,289	2,197	2,048	1,631	1,538	1,413	-
Change in Assumptions	(9,667)	-	-	(9,933)	35,293	-	-	-	-
Benefit payments	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	-	-	-	-
Net Change in Total OPEB Liability	(218)	7,399	7,259	(2,934)	41,978	6,962	6,869	6,670	6,301
Total OPEB Liability, Beg. of year	107,093	99,694	92,435	95,369	53,391	46,429	39,560	32,890	26,589
Total OPEB Liability, End of year	$ 106,875	$ 107,093	$ 99,694	$ 92,435	$ 95,369	$ 53,391	$ 46,429	$ 39,560	$ 32,890
Plan Fiduciary Net Position:									
Contributions - Employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan Net Position, Beg. of year	-	-	-	-	-	-	-	-	-
Plan Net Position, End of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Net OPEB Liability - Ending	$ 106,875	$ 107,093	$ 99,694	$ 92,435	$ 95,369	$ 53,391	$ 46,429	$ 39,560	$ 32,890
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 408,588
City's Net OPEB Liability as a Percent of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.0%

CITY OF KEEGO HARBOR
Required Supplemental Information
Schedule of City OPEB Contributions
Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 9,605	$ 9,274	$ 9,004	$ 9,004	$ 6,962	$ 6,962	$ 6,869	$ 6,869	$ 6,481	$ 13,254
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency	$ 9,605	$ 9,274	$ 9,004	$ 9,004	$ 6,962	$ 6,962	$ 6,869	$ 6,869	$ 6,481	$ 13,254
Covered Employee Payroll	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a	$ n/a
Contributions as a Percentage of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months 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 percent of payroll
Discount Rate	5.20%
Salary Increases, including inflation	3.00%
Retirement Age	General: Immediate pension and 15 years of full-time employment Union: 8 years of service
Mortality	Pub-2010 General and Safety Headcount-weighted
Health care trend rates	7.50% initially grading to 4.50% in 2037

CITY OF KEEGO HARBOR
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Property Taxes	$ 1,837,952	$ 1,837,952	$ -	$ 1,832,867	$ (5,085)
Licenses and Permits	8,100	8,100	-	6,442	(1,658)
Intergovernmental	356,285	356,285	-	387,828	31,543
Charges for Services	217,708	217,708	-	205,325	(12,383)
Franchise Fees	37,000	37,000	-	28,718	(8,282)
Interest	45,000	100,000	55,000	125,206	25,206
Other	27,650	27,650	-	21,810	(5,840)
Total Revenues	2,529,695	2,584,695	55,000	2,608,196	23,501
Expenditures:					
General Government	836,725	836,725	-	824,290	12,435
Public Safety:					
Fire	380,772	380,772	-	380,772	-
Inspection Services	83,940	83,940	-	76,155	7,785
Code Enforcement	28,150	28,150	-	16,463	11,687
Total Public Safety	492,862	492,862	-	473,390	19,472
Public Works	480,502	480,502	-	433,297	47,205
Recreation	16,200	16,200	-	11,416	4,784
Other Functions	11,675	11,675	-	3,508	8,167
Debt Service	50,888	50,888	-	50,338	550
Total Expenditures	1,888,852	1,888,852	-	1,796,239	92,613
Excess (Deficiency) of Revenues Over Expenditures	640,843	695,843	55,000	811,957	116,114
Other Financing Uses:					
Transfers Out	(658,006)	(1,106,180)	(448,174)	(999,098)	107,082
Net Change in Fund Balance	(17,163)	(410,337)	(393,174)	(187,141)	223,196
Fund Balance - Beginning	1,921,050	1,921,050	-	1,921,050	-
Fund Balance - Ending	$ 1,903,887	$ 1,510,713	$ (393,174)	$ 1,733,909	$ 223,196

CITY OF KEEGO HARBOR

Budgetary Comparison Schedule

Police Special Revenue Fund

For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Property Taxes	$ 459,200	$ 459,200	$ -	$ 467,686	$ 8,486
Intergovernmental-State	56,800	56,800	-	61,224	4,424
Charges for Services	5,450	5,450	-	10,742	5,292
Total Revenues	521,450	521,450	-	539,652	18,202
Expenditures:					
Public Safety	1,112,356	1,212,600	100,244	1,137,434	75,166
Total Expenditures	1,112,356	1,212,600	100,244	1,137,434	75,166
Excess (Deficiency) of Revenues Over Expenditures	(590,906)	(691,150)	(100,244)	(597,782)	93,368
Other Financing Sources(Uses):					
Transfer In	624,006	780,350	156,344	675,750	(104,600)
Transfer Out	(33,100)	(89,200)	(56,100)	(77,968)	11,232
	590,906	691,150	100,244	597,782	(93,368)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-
Fund Balance - Ending	$ -	$ -	$ -	$ -	$ -

CITY OF KEEGO HARBOR
Budgetary Comparison Schedule
Major Streets Special Revenue Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
State	$ 217,482	$ 217,482	$ -	$ 225,722	$ 8,240
Interest	10	10	-	10	-
Other	9,200	9,200	-	4,307	(4,893)
Total Revenues	226,692	226,692	-	230,039	3,347
Expenditures:					
Public Works:					
Streets	159,532	159,532	-	57,221	102,311
Excess (Deficiency) of Revenues Over Expenditures	67,160	67,160	-	172,818	105,658
Other Financing Uses:					
Transfers Out	(180,000)	(180,000)	-	(180,000)	-
Total Other Financing Uses	(180,000)	(180,000)	-	(180,000)	-
Net Change in Fund Balance	(112,840)	(112,840)	-	(7,182)	105,658
Fund Balance - Beginning	455,441	455,441	-	455,441	-
Fund Balance - Ending	$ 342,601	$ 342,601	$ -	$ 448,259	$ 105,658

CITY OF KEEGO HARBOR
Budgetary Comparison Schedule
Local Streets Special Revenue Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
State	$ 93,278	$ 93,278	$ -	$ 96,876	$ 3,598
State-Metro Act	9,000	9,000	-	10,638	1,638
State Grant	500,000	500,000	-	500,000	-
Interest	10	10	-	8	(2)
Other	5,000	5,000	-	4,987	(13)
Total Revenues	607,288	607,288	-	612,509	5,221
Expenditures:					
Public Works:					
Streets	95,994	95,994	-	69,518	26,476
Capital Outlay	780,000	1,003,430	223,430	1,007,956	(4,526)
	875,994	1,099,424	223,430	1,077,474	21,950
Excess (Deficiency) of Revenues Over Expenditures	(268,706)	(492,136)	(223,430)	(464,965)	27,171
Other Financing Sources:					
Transfers In	180,000	403,430	223,430	403,430	-
Net Change in Fund Balance	(88,706)	(88,706)	-	(61,535)	27,171
Fund Balance - Beginning	177,425	177,425	-	177,425	-
Fund Balance - Ending	$ 88,719	$ 88,719	$ -	$ 115,890	$ 27,171

CITY OF KEEGO HARBOR

Budgetary Comparison Schedule

TIFA Special Revenue Fund

For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Property Taxes	$ 337,700	$ 337,700	$ -	$ 326,244	$ (11,456)
State	2,500	2,500	-	2,276	(224)
Total Revenues	340,200	340,200	-	328,520	(11,680)
Expenditures:					
Public Works	363,518	363,518	-	179,480	184,038
Total Expenditures	363,518	363,518	-	179,480	184,038
Net Change in Fund Balance	(23,318)	(23,318)	-	149,040	172,358
Fund Balance - Beginning	703,021	703,021	-	703,021	-
Fund Balance - Ending	$ 679,703	$ 679,703	$ -	$ 852,061	$ 172,358

OTHER SUPPLEMENTARY INFORMATION

CITY OF KEEGO HARBOR
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Fund Library	Capital Project Fund	Total
Assets			
Cash and Cash Equivalents	$ 6,773	$ 76,472	$ 83,245
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	$ -	$ 76,472	$ 76,472
Fund Balance:			
Restricted for Library	6,773	-	6,773
Total Liabilities and Fund Balance	$ 6,773	$ 76,472	$ 83,245

CITY OF KEEGO HARBOR
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Fund		
	Library	Capital Project Fund	Total
Revenues:			
Property Taxes	$ 37,574	$ -	$ 37,574
Expenditures:			
Library Services	38,301	-	38,301
Capital Outlay	-	222,196	222,196
Total Expenditures	38,301	222,196	260,497
Excess (Deficiency) of Revenues Over Expenditures	(727)	(222,196)	(222,923)
Other Financing Sources:			
Transfers In	-	177,886	177,886
Net Change in Fund Balance	(727)	(44,310)	(45,037)
Fund Balance - Beginning	7,500	44,310	51,810
Fund Balance - Ending	$ 6,773	$ -	$ 6,773