
City of Richmond, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Richmond, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Richmond, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Council
City of Richmond, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 supplemental 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Richmond, Michigan'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.

The other supplemental information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

August 28, 2019

Our discussion and analysis of the City of Richmond, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$171 million in 2018 to \$181 million in 2019. This was the fourth year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2019, property tax revenue, the City's largest single revenue source, totaled \$2.6 million in the General Fund, representing an increase of 3.2 percent from the last fiscal year. This increase is primarily a reflection of an increase in tax collections and taxable value.
- State-shared revenue, a major source of revenue for the City's General Fund, increased slightly for the year. The City received \$566,060 in the 2018/2019 fiscal year, an increase of \$23,117, or 4.3 percent, from last year. The current year amount represents a reduction of \$118,656, or 17.3 percent, from 2001/2002 funding levels. The City's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate General Fund revenue trends, as well as expenditure trends, especially in the areas of personnel benefit costs and staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term liabilities for governmental activities are \$457,158, an increase of \$19,170, or 4.4 percent, from the previous year. This increase relates to an increase in accrued compensated absences and an increase in the net OPEB liability.
- Total fund balance for the City's governmental funds decreased by \$207,835, primarily as a result of increased capital project expenditures compared to the prior year.
- This was the seventh year of a tax-based sharing agreement with the Tax Increment Finance Authority (the "TIFA"). The agreement generated approximately \$100,000 of revenue for the General Fund over the past year.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The activities are divided between governmental and business-type activities. Governmental activities include the General Fund, special revenue funds, capital projects funds, and a permanent fund. Business-type activities include the Water and Sewer Funds.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

City of Richmond, Michigan

Management's Discussion and Analysis (Continued)

The City of Richmond, Michigan as a Whole

The following table shows a condensed format of the net position as of June 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 4,037,873	\$ 4,108,726	\$ 5,468,576	\$ 5,272,762	\$ 9,506,449	\$ 9,381,488
Noncurrent assets - Capital assets	11,249,265	10,378,099	15,507,033	15,458,323	26,756,298	25,836,422
Total assets	15,287,138	14,486,825	20,975,609	20,731,085	36,262,747	35,217,910
Liabilities						
Current liabilities	211,925	75,877	92,679	8,190	304,604	84,067
Noncurrent liabilities	457,158	437,988	2,005,957	2,201,939	2,463,115	2,639,927
Total liabilities	669,083	513,865	2,098,636	2,210,129	2,767,719	2,723,994
Deferred Inflows of Resources	4,400	5,178	1,466	1,726	5,866	6,904
Net Position						
Net investment in capital assets	11,249,265	10,378,099	13,616,119	13,367,409	24,865,384	23,745,508
Restricted	692,984	747,327	660,879	640,579	1,353,863	1,387,906
Unrestricted	2,671,406	2,842,356	4,598,509	4,511,242	7,269,915	7,353,598
Total net position	\$ 14,613,655	\$ 13,967,782	\$ 18,875,507	\$ 18,519,230	\$ 33,489,162	\$ 32,487,012

The City's combined net position for both governmental and business-type activities totals \$33.5 million for fiscal year 2019. Net position is further segregated between restricted and unrestricted net position. The restricted net position, assets that are restricted for a specific purpose/use and invested in capital assets, totals approximately \$26.2 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$7.3 million.

City of Richmond, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for the years ended June 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 878,351	\$ 887,336	\$ 1,897,148	\$ 1,851,112	\$ 2,775,499	\$ 2,738,448
Operating grants and contributions	701,110	635,099	217,754	105,427	918,864	740,526
Capital grants and contributions	459,069	153,697	369,570	-	828,639	153,697
General revenue:						
Property taxes	2,590,553	2,511,198	-	-	2,590,553	2,511,198
State-shared revenue	579,596	560,712	-	-	579,596	560,712
Interest	21,921	9,875	16,653	12,122	38,574	21,997
Other revenue	169,682	350,893	-	-	169,682	350,893
Total revenue	5,400,282	5,108,810	2,501,125	1,968,661	7,901,407	7,077,471
Expenses						
General government	959,882	1,016,340	-	-	959,882	1,016,340
Public service	50,285	57,134	-	-	50,285	57,134
Public safety	2,031,741	1,850,574	-	-	2,031,741	1,850,574
Public works	1,108,928	916,130	-	-	1,108,928	916,130
Community and economic development	-	14,176	-	-	-	14,176
Recreation and culture	603,573	565,989	-	-	603,573	565,989
Water and sewer	-	-	2,144,848	1,940,454	2,144,848	1,940,454
Total program expenses	4,754,409	4,420,343	2,144,848	1,940,454	6,899,257	6,360,797
Change in Net Position	\$ 645,873	\$ 688,467	\$ 356,277	\$ 28,207	\$ 1,002,150	\$ 716,674

Governmental Activities

Governmental activities are those activities (such as public safety or recreation and culture) provided to the constituents of the City and supported by financing from property taxes and state-shared revenue.

The cost of providing services for governmental activities was approximately \$4.8 million for fiscal year 2019. Additionally, revenue for governmental activities totaled approximately \$5.4 million for fiscal year 2019.

Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer funds; these types of operations are most similar to private businesses.

The City's Funds

Our analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. This includes the General Fund, Major Streets Fund, Local Streets Fund, Fire Department Fund, Water Fund, and Sewer Fund. The other nonmajor governmental funds are consolidated and reported under the column with that heading. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages and restricted revenue from grants or fees.

The General Fund pays for most of the City's governmental services. The most significant is the police department, which incurred expenses of approximately \$1.3 million in 2019. The General Fund is supported primarily by property taxes and state-shared revenue.

Budgetary Highlights

Over the course of the year, city administration and the City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. As previously stated, fund balances related to the City's governmental funds decreased by approximately \$207,835. During the year ended June 30, 2019, the only significant budget amendments consisted of an increase in General Fund transfers out totaling \$296,200, a corresponding increase in Fire Department Fund transfers in of \$296,200, and an increase in Fire Department Fund equipment acquisition expenses totaling \$302,195. The budget amendments were related to the purchase of a new fire truck during the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the City had \$27 million invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the City. See Note 4 for additional details.

Long-term Debt

The City's total long-term indebtedness as of June 30, 2019 is approximately \$2.1 million. Of this amount, \$1.9 million represents general obligation bonds. See Note 6 for additional details.

Economic Factors and Next Year's Budgets and Rates

At this time, the national economy continues to show signs of improvement. The national unemployment rate has decreased from 4.0 percent a year ago to 3.7 percent at the end of the City's current fiscal year. The State has turned around its previous depletion of fiscal reserves by adding to the fund balance in recent years. During fiscal year 2020, the City anticipates a modest increase in the level of state-shared revenue. As property tax values appear to be slowly increasing following years of decline, the City is anticipating a corresponding increase in property tax revenue and will again utilize a sharing agreement with the TIFA. To ensure sustainability of our operations, the City is closely monitoring reserve balances, revenue, and expenditures.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the City of Richmond, Michigan's finance department.

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 3,773,754	\$ 4,350,975	\$ 8,124,729	\$ 430,767
Receivables:				
Receivables from sales to customers on account	-	456,722	456,722	-
Due from other governmental units	264,119	-	264,119	-
Prepaid expenses and other assets	-	-	-	8,901
Restricted cash (Notes 3 and 7)	-	660,879	660,879	-
Land held for resale	-	-	-	50,000
Capital assets: (Note 4)				
Assets not subject to depreciation	120,000	157,042	277,042	319,284
Assets subject to depreciation	11,129,265	15,349,991	26,479,256	2,655,915
Total assets	15,287,138	20,975,609	36,262,747	3,464,867
Liabilities				
Accounts payable	188,099	92,679	280,778	5,441
Accrued liabilities and other	23,826	-	23,826	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	85,830	12,088	97,918	-
Current portion of long-term debt (Note 6)	-	200,000	200,000	-
Due in more than one year:				
Compensated absences (Note 6)	126,852	21,475	148,327	-
Total OPEB liability (Note 11)	244,476	81,480	325,956	-
Long-term debt (Note 6)	-	1,690,914	1,690,914	-
Total liabilities	669,083	2,098,636	2,767,719	5,441
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	4,400	1,466	5,866	-
Net Position				
Net investment in capital assets	11,249,265	13,616,119	24,865,384	2,975,199
Restricted for:				
Roads	572,741	-	572,741	-
Capital projects	-	660,879	660,879	-
Library - Nonexpendable	10,000	-	10,000	-
Library - Expendable	55,228	-	55,228	-
Mausoleum	55,015	-	55,015	-
Unrestricted	2,671,406	4,598,509	7,269,915	484,227
Total net position	<u>\$ 14,613,655</u>	<u>\$ 18,875,507</u>	<u>\$ 33,489,162</u>	<u>\$ 3,459,426</u>

City of Richmond, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 959,882	\$ 32,052	\$ 4,407	\$ -
Public service	50,285	53,398	-	-
Public safety	2,031,741	206,273	10,851	-
Public works	1,108,928	476,181	673,792	395,763
Recreation and culture	603,573	110,447	12,060	63,306
Total governmental activities	4,754,409	878,351	701,110	459,069
Business-type activities:				
Water	678,118	798,125	-	201,720
Sewer	1,466,730	1,099,023	217,754	167,850
Total business-type activities	2,144,848	1,897,148	217,754	369,570
Total primary government	\$ 6,899,257	\$ 2,775,499	\$ 918,864	\$ 828,639
Component units - Tax Increment Finance Authority	\$ 521,030	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Tax Increment Finance Authority
Governmental Activities	Business-type Activities	Total	
\$ (923,423)	\$ -	\$ (923,423)	\$ -
3,113	-	3,113	-
(1,814,617)	-	(1,814,617)	-
436,808	-	436,808	-
(417,760)	-	(417,760)	-
(2,715,879)	-	(2,715,879)	-
-	321,727	321,727	-
-	17,897	17,897	-
-	339,624	339,624	-
(2,715,879)	339,624	(2,376,255)	-
-	-	-	(521,030)
2,590,553	-	2,590,553	660,027
579,596	-	579,596	-
21,921	16,653	38,574	1,160
95,629	-	95,629	-
74,053	-	74,053	5,755
3,361,752	16,653	3,378,405	666,942
645,873	356,277	1,002,150	145,912
13,967,782	18,519,230	32,487,012	3,313,514
\$ 14,613,655	\$ 18,875,507	\$ 33,489,162	\$ 3,459,426

City of Richmond, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Fire Department Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 1,651,201	\$ 388,507	\$ 213,925	\$ 317,554	\$ 1,202,567	\$ 3,773,754
Receivables - Due from other governmental units	128,137	103,332	24,298	8,352	-	264,119
Total assets	<u>\$ 1,779,338</u>	<u>\$ 491,839</u>	<u>\$ 238,223</u>	<u>\$ 325,906</u>	<u>\$ 1,202,567</u>	<u>\$ 4,037,873</u>
Liabilities						
Accounts payable	\$ 21,952	\$ 64,072	\$ 93,249	\$ 2,369	\$ 6,457	\$ 188,099
Accrued liabilities and other	23,826	-	-	-	-	23,826
Total liabilities	45,778	64,072	93,249	2,369	6,457	211,925
Deferred Inflows of Resources -						
Unavailable revenue	97,994	-	-	-	-	97,994
Fund Balances						
Nonspendable - Library endowment	-	-	-	-	10,000	10,000
Restricted:						
Roads	-	427,767	144,974	-	-	572,741
Library	-	-	-	-	55,228	55,228
Mausoleum	-	-	-	-	55,015	55,015
Committed:						
Fire operations	-	-	-	323,537	-	323,537
Parks and recreation	-	-	-	-	85,576	85,576
Cemetery	-	-	-	-	123,293	123,293
Assigned:						
Subsequent year's budget	182,359	-	-	-	-	182,359
Capital projects	-	-	-	-	866,998	866,998
Unassigned	1,453,207	-	-	-	-	1,453,207
Total fund balances	<u>1,635,566</u>	<u>427,767</u>	<u>144,974</u>	<u>323,537</u>	<u>1,196,110</u>	<u>3,727,954</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,779,338</u>	<u>\$ 491,839</u>	<u>\$ 238,223</u>	<u>\$ 325,906</u>	<u>\$ 1,202,567</u>	<u>\$ 4,037,873</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 3,727,954
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 are not reported in the funds	11,249,265
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	97,994
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(212,682)
Retiree healthcare benefits	(248,876)
Net Position of Governmental Activities	<u>\$ 14,613,655</u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Fire Department Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 2,590,553	\$ -	\$ -	\$ -	\$ -	\$ 2,590,553
Intergovernmental revenue:						
Federal grants	-	-	-	-	3,186	3,186
State-shared revenue and grants	601,016	462,754	211,038	-	-	1,274,808
Charges for services	517,481	-	-	117,579	143,380	778,440
Fines and forfeitures	58,893	-	-	-	-	58,893
Licenses and permits	177,592	-	-	-	-	177,592
Interest	17,310	758	410	103	3,340	21,921
Other revenue:						
Donations	62,306	-	-	-	141,000	203,306
Other miscellaneous revenue	66,917	440	3,341	490	1,087	72,275
Special assessments	1,778	-	-	-	-	1,778
Total revenue	4,093,846	463,952	214,789	118,172	291,993	5,182,752
Expenditures						
Current:						
General government	461,911	-	-	-	-	461,911
Public service	-	-	-	-	56,444	56,444
Public safety	1,796,619	-	-	837,228	-	2,633,847
Public works	570,325	352,977	373,129	-	-	1,296,431
Recreation and culture	335,014	-	-	-	240,410	575,424
Capital outlay	68,931	8,276	-	-	149,101	226,308
Debt service - Principal	140,222	-	-	-	-	140,222
Total expenditures	3,373,022	361,253	373,129	837,228	445,955	5,390,587
Excess of Revenue Over (Under) Expenditures	720,824	102,699	(158,340)	(719,056)	(153,962)	(207,835)
Other Financing Sources (Uses)						
Transfers in (Note 5)	-	-	100,000	734,962	428,165	1,263,127
Transfers out (Note 5)	(1,163,127)	(100,000)	-	-	-	(1,263,127)
Total other financing (uses) sources	(1,163,127)	(100,000)	100,000	734,962	428,165	-
Net Change in Fund Balances	(442,303)	2,699	(58,340)	15,906	274,203	(207,835)
Fund Balances - Beginning of year	2,077,869	425,068	203,314	307,631	921,907	3,935,789
Fund Balances - End of year	<u>\$ 1,635,566</u>	<u>\$ 427,767</u>	<u>\$ 144,974</u>	<u>\$ 323,537</u>	<u>\$ 1,196,110</u>	<u>\$ 3,727,954</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (207,835)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures and do not report capital donations of assets; however, in the statement of activities, these costs and donations are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(584,932)
Capital outlay	1,198,557
Capital donations	257,541
Special assessment revenue is not reported in the funds until received; this revenue is recorded as revenue when the project is substantially completed in the government-wide statements	(1,778)
Intergovernmental revenue is recognized in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	2,712
Increase in employee compensated absences and retiree healthcare benefits does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	(18,392)
Change in Net Position of Governmental Activities	<u>\$ 645,873</u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,263,377	\$ 3,087,598	\$ 4,350,975
Receivables - Customers	199,457	257,265	456,722
Total current assets	1,462,834	3,344,863	4,807,697
Noncurrent assets:			
Restricted cash (Note 7)	-	660,879	660,879
Capital assets: (Note 4)			
Assets not subject to depreciation	128,983	28,059	157,042
Assets subject to depreciation	5,495,537	9,854,454	15,349,991
Total noncurrent assets	5,624,520	10,543,392	16,167,912
Total assets	7,087,354	13,888,255	20,975,609
Liabilities			
Current liabilities:			
Accounts payable	11,116	81,563	92,679
Compensated absences (Note 6)	7,237	4,851	12,088
Current portion of long-term debt (Note 6)	-	200,000	200,000
Total current liabilities	18,353	286,414	304,767
Noncurrent liabilities:			
Compensated absences (Note 6)	13,000	8,475	21,475
Total OPEB liability (Note 11)	40,740	40,740	81,480
Long-term debt (Note 6)	-	1,690,914	1,690,914
Total noncurrent liabilities	53,740	1,740,129	1,793,869
Total liabilities	72,093	2,026,543	2,098,636
Deferred Inflows of Resources - Deferred OPEB cost reductions	733	733	1,466
Net Position			
Net investment in capital assets	5,624,520	7,991,599	13,616,119
Restricted	-	660,879	660,879
Unrestricted	1,390,008	3,208,501	4,598,509
Total net position	\$ 7,014,528	\$ 11,860,979	\$ 18,875,507

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 765,841	\$ 996,464	\$ 1,762,305
Tap-in fees	-	9,385	9,385
Charges for services	14,081	-	14,081
Penalties	10,907	14,710	25,617
Miscellaneous	7,296	78,464	85,760
Total operating revenue	798,125	1,099,023	1,897,148
Operating Expenses			
Water production	133,767	-	133,767
Sewer treatment plant	-	415,804	415,804
Administration	111,823	157,916	269,739
Water system	270,523	-	270,523
Sewer system	-	479,041	479,041
Depreciation	162,005	371,719	533,724
Total operating expenses	678,118	1,424,480	2,102,598
Operating Income (Loss)	120,007	(325,457)	(205,450)
Nonoperating Revenue (Expense)			
Investment income	2,466	14,187	16,653
Interest expense	-	(39,490)	(39,490)
Loss on disposal of assets	-	(2,760)	(2,760)
Grants used for operating purposes	-	217,754	217,754
Total nonoperating revenue	2,466	189,691	192,157
Capital Contributions	201,720	167,850	369,570
Change in Net Position	324,193	32,084	356,277
Net Position - Beginning of year	6,690,335	11,828,895	18,519,230
Net Position - End of year	<u>\$ 7,014,528</u>	<u>\$ 11,860,979</u>	<u>\$ 18,875,507</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 797,486	\$ 1,089,546	\$ 1,887,032
Receipts (payments) between the Water Fund and Sewer Fund for charges for services	22,454	(22,454)	-
Payments to suppliers, employees, and other funds	<u>(530,850)</u>	<u>(949,777)</u>	<u>(1,480,627)</u>
Net cash and cash equivalents provided by operating activities	289,090	117,315	406,405
Cash Flows Provided by Noncapital Financing Activities - Operating grants	-	217,754	217,754
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(51,000)	(164,624)	(215,624)
Principal and interest paid on capital debt	<u>-</u>	<u>(239,490)</u>	<u>(239,490)</u>
Net cash and cash equivalents used in capital and related financing activities	(51,000)	(404,114)	(455,114)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>2,466</u>	<u>14,187</u>	<u>16,653</u>
Net Increase (Decrease) in Cash and Cash Equivalents	240,556	(54,858)	185,698
Cash and Cash Equivalents - Beginning of year	<u>1,022,821</u>	<u>3,803,335</u>	<u>4,826,156</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,263,377</u></u>	<u><u>\$ 3,748,477</u></u>	<u><u>\$ 5,011,854</u></u>
Statement of Net Position Classification of Cash and Cash Equivalents			
Cash and investments	\$ 1,263,377	\$ 3,087,598	\$ 4,350,975
Restricted cash	<u>-</u>	<u>660,879</u>	<u>660,879</u>
Total cash and cash equivalents	<u><u>\$ 1,263,377</u></u>	<u><u>\$ 3,748,477</u></u>	<u><u>\$ 5,011,854</u></u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 120,007	\$ (325,457)	\$ (205,450)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation and amortization	162,005	371,719	533,724
Changes in assets and liabilities:			
Receivables	(639)	(9,477)	(10,116)
Accounts payable	<u>7,717</u>	<u>80,530</u>	<u>88,247</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 289,090</u></u>	<u><u>\$ 117,315</u></u>	<u><u>\$ 406,405</u></u>
Significant Noncash Transactions - Donated capital assets	\$ 201,720	\$ 167,850	\$ 369,570

Note 1 - Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Richmond, Michigan (the "City"):

Reporting Entity

The City of Richmond, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Units

The Tax Increment Finance Authority (the "Authority" or the "TIFA") was created to promote capital expansion within the City. The Authority's governing body is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. There are no separately issued financial statements for the Tax Increment Finance Authority.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation was inactive during the year and has no assets or liabilities.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Major Streets Fund is a special revenue fund because it accounts for all financial resources received from the State of Michigan under Act 51 in order to provide maintenance of major streets.
- The Local Streets Fund is a special revenue fund because it accounts for all financial resources received from the State of Michigan under Act 51 in order to provide maintenance of local streets.
- The Fire Department Fund is a special revenue fund because it accounts for all financial resources received from participating Townships to provide fire protection services.

Proprietary Funds

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise funds:

- The Water Fund provides water to customers in exchange for user charges.
- The Sewer Fund provides sewer services to customers in exchange for user charges.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Note 1 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, state gas and weight tax revenue, franchise fees, licenses, and interest associated with the current fiscal period. Conversely, some state-shared revenue and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a “deferred inflow of resources.”

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value, based on quoted market prices or estimated fair value.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The Sewer Fund has restricted assets relating to the future capital needs for the sewer treatment plant, as required by Environmental Protection Agency regulations.

Land Held for Resale

The land held for resale in the Tax Increment Finance Authority Fund consists of real property purchased by the TIFA. The TIFA plans to sell the land. The land is recorded at the lower of cost or fair market value.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1 - Significant Accounting Policies (Continued)

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

Capital Asset Class	Depreciable Life
Buildings and improvements	5 - 50 years
Vehicles and equipment	5 - 40 years
Utility systems	50 years
Infrastructure - Roads	25 years

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an “other financing source” and bond discounts as “other financing uses.”

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from state-shared revenue. This amount is deferred and recognized as an inflow of resources in the period that it becomes available. In addition, the City reports a deferred inflow of resources related to the other postemployment benefit (OPEB) plan. The deferred inflow of resources related to the OPEB plan is reported in the government-wide financial statements, Water Fund, and Sewer Fund. The deferred inflow of resources results from changes in assumptions.

Net Position

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

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council has not authorized anyone 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.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed on July 1 and become an enforceable lien on December 1 of the following year. These taxes are due on September 30 with the final collection date of February 28 before they are added to the county tax rolls.

The 2018 taxable valuation of the City totaled \$181.3 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 16.3117 mills for operating purposes. This resulted in \$2.5 million for operating purposes, which is recognized in the General Fund financial statements as tax revenue.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when time is taken off or employees terminate. Generally, the funds that report each employee's compensation (the General Fund, Major Streets Fund, Local Streets Fund, Cemetery, Parks and Recreation, Water, and Sewer funds, primarily) are used to liquidate the obligations.

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City’s financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City’s financial statements for the year ending June 30, 2021.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under a provision of the act, the City adopted this accounting treatment effective January 1, 2000. Activity for the year ended June 30, 2019 is as follows:

Accumulated expenditures over revenue - July 1, 2018	\$ (455,096)
Current year revenue	50,266
Current year expenditures - Direct costs	<u>92,372</u>
Excess of expenditures over revenue	<u>(42,106)</u>
Accumulated expenditures over revenue - June 30, 2019	<u><u>\$ (497,202)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has adopted an investment policy in accordance with state law.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the investment options as allowed under the state statutory authority, as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to custodial credit risk, which is examined in more detail below:

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 returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,750,042 of uninsured and uncollateralized bank deposits (certificates of deposit and checking and savings accounts). The City also holds bank deposits on behalf of its component unit. At year end, the City had \$427,410 of component unit bank deposits that were uninsured and uncollateralized. The City and its component unit believe that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City and its component unit evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2019

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities and its component unit was as follows:

Governmental Activities

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Capital assets being depreciated:				
Infrastructure	5,968,195	482,006	-	6,450,201
Buildings and improvements	5,876,355	170,547	-	6,046,902
Vehicles and equipment	4,572,736	803,545	(14,151)	5,362,130
Subtotal	16,417,286	1,456,098	(14,151)	17,859,233
Accumulated depreciation:				
Infrastructure	1,448,406	258,668	-	1,707,074
Buildings and improvements	1,810,157	108,490	-	1,918,647
Vehicles and equipment	2,900,624	217,774	(14,151)	3,104,247
Subtotal	6,159,187	584,932	(14,151)	6,729,968
Net capital assets being depreciated	10,258,099	871,166	-	11,129,265
Net capital assets	<u>\$ 10,378,099</u>	<u>\$ 871,166</u>	<u>\$ -</u>	<u>\$ 11,249,265</u>

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 157,042	\$ -	\$ -	\$ -	\$ 157,042
Construction in progress	125,192	(125,192)	-	-	-
Subtotal	282,234	(125,192)	-	-	157,042
Capital assets being depreciated:					
Utility systems	17,036,508	125,192	548,089	(24,004)	17,685,785
Buildings	9,569,433	-	24,605	(8,000)	9,586,038
Vehicles and equipment	953,622	-	12,500	-	966,122
Subtotal	27,559,563	125,192	585,194	(32,004)	28,237,945
Accumulated depreciation:					
Utility systems	7,055,338	-	348,268	(21,244)	7,382,362
Buildings	4,486,721	-	175,153	(8,000)	4,653,874
Vehicles and equipment	841,415	-	10,303	-	851,718
Subtotal	12,383,474	-	533,724	(29,244)	12,887,954
Net capital assets being depreciated	15,176,089	125,192	51,470	(2,760)	15,349,991
Net capital assets	<u>\$ 15,458,323</u>	<u>\$ -</u>	<u>\$ 51,470</u>	<u>\$ (2,760)</u>	<u>\$ 15,507,033</u>

June 30, 2019

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 319,284	\$ -	\$ -	\$ -	\$ 319,284
Construction in progress	3,067	(3,067)	-	-	-
Subtotal	322,351	(3,067)	-	-	319,284
Capital assets being depreciated:					
Infrastructure	2,295,877	-	-	-	2,295,877
Buildings and improvements	255,264	3,067	7,469	-	265,800
Furniture and fixtures	251,089	-	37,699	-	288,788
Land improvements	729,704	-	-	-	729,704
Subtotal	3,531,934	3,067	45,168	-	3,580,169
Accumulated depreciation:					
Infrastructure	415,436	-	38,253	-	453,689
Buildings and improvements	163,350	-	9,112	-	172,462
Furniture and fixtures	124,195	-	28,390	-	152,585
Land improvements	133,212	-	12,306	-	145,518
Subtotal	836,193	-	88,061	-	924,254
Net capital assets being depreciated	2,695,741	3,067	(42,893)	-	2,655,915
Net capital assets	<u>\$ 3,018,092</u>	<u>\$ -</u>	<u>\$ (42,893)</u>	<u>\$ -</u>	<u>\$ 2,975,199</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 366,634
Public safety	192,900
Recreation and culture	25,398
Total governmental activities	<u>\$ 584,932</u>
Business-type activities:	
Water	\$ 162,005
Sewer	371,719
Total business-type activities	<u>\$ 533,724</u>

June 30, 2019

Note 5 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Fire Department Fund	\$ 734,962
	Nonmajor governmental funds	428,165
	Total General Fund	1,163,127
Major Streets Fund	Local Streets Fund	100,000
	Total	<u>\$ 1,263,127</u>

Transfers provided funding for capital projects, capital acquisitions, and program services in accordance with budgetary authorizations.

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 205,362	\$ 91,120	\$ (83,800)	\$ 212,682	\$ 85,830

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements:							
General obligation bonds - 2010 Sewage Disposal System Revolving Loan: Amount of issue - \$1,585,000, Maturing through 2030	2.5%	\$40,000 - \$60,000	\$ 630,000	-	\$ (45,000)	\$ 585,000	\$ 45,000
General obligation bonds - 2007 Sewage Disposal System Revolving Loan: Amount of issue - \$3,010,914, Maturing through 2027	1.625%	\$145,000 - \$170,000	1,460,914	-	(155,000)	1,305,914	155,000
Total bonds payable			2,090,914	-	(200,000)	1,890,914	200,000
Compensated absences			33,483	12,823	(12,743)	33,563	12,088
Total business-type activities			<u>\$ 2,124,397</u>	<u>\$ 12,823</u>	<u>\$ (212,743)</u>	<u>\$ 1,924,477</u>	<u>\$ 212,088</u>

The Sewage Disposal System Revolving Loans represent the City's obligations under State Revolving Fund loans related to sewer construction projects. The City has pledged its full faith and credit related to the repayment of these obligations.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$39,500. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2020	\$ 200,000	\$ 35,846	\$ 235,846
2021	210,000	32,202	242,202
2022	215,000	28,352	243,352
2023	215,000	24,421	239,421
2024	220,000	20,490	240,490
2025-2029	770,914	44,395	815,309
2030	60,000	1,500	61,500
Total	<u>\$ 1,890,914</u>	<u>\$ 187,206</u>	<u>\$ 2,078,120</u>

Note 7 - Restricted Net Position

Restricted assets at June 30, 2019 consist of cash and cash equivalents that are restricted for future capital needs for the sewer treatment plant, as required by Environmental Protection Agency regulations. Net position has been restricted for capital improvement related to this requirement.

Note 8 - Commitments

The City entered into an agreement with Lenox Township for the annexation of land to be paid for by property taxes levied on the taxable value of the land. This agreement was modified and approved by the City Council and the Lenox Township board during the year ended June 30, 2019. The modified agreement requires annual payments through September 1, 2038 totaling 3.6 mills of the total taxable value of the area annexed. The City paid \$140,222 during the year ended June 30, 2019 when the taxable value of the area was approximately \$39 million. It is anticipated that the City's annual payments to Lenox Township will continue to increase by approximately 2 percent per year through June 30, 2039 as taxable values of the annexed land increase.

Note 9 - 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 property loss, torts, errors and omissions, and medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 10 - Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees through three defined contribution plans: (1) 401 Money Purchase Plan and 457 Deferred Compensation Plan administered by ICMA-RC Retirement Trust, (2) Pension Trust administered by Lincoln Financial Group and John Hancock Financial, and (3) MERS Defined Contribution Plan administered by the Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by council resolution, the City contributes 10 percent of employees' gross earnings, and employees have to contribute at least 5 percent. In accordance with these requirements, the City contributed \$143,702 during the current year, and employees contributed \$145,593.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The City provides other postemployment benefits (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the City of Richmond Employees' OPEB Plan (the "Plan"), a single-employer plan administered by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The Plan provides healthcare benefits for retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. The length of benefits begins after retirement with 25 or more years of service and lasts until age 65.

Employees Covered by Benefit Terms

As of July 1, 2017, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Active plan members	27
	28
Total plan members	28

Contributions

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, it was estimated the City would pay approximately \$23,400 for postemployment health benefit premiums; however, approximately \$3,100 in actual premium expenses were incurred.

Total OPEB Liability

The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of July 1, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2019.

June 30, 2019

Note 11 - Other Postemployment Benefit Plan (Continued)

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

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2018	\$ 310,168
Changes for the year:	
Service cost	9,208
Interest	9,709
Benefit payments	(3,129)
Net changes	15,788
Balance at June 30, 2019	<u>\$ 325,956</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$14,750.

At June 30, 2019, the City reported deferred inflows of resources related to OPEB of \$5,866 from changes in assumptions.

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

Years Ending June 30	Amount
2020	\$ 1,038
2021	1,038
2022	1,038
2023	1,038
2024	1,038
Thereafter	676
Total	<u>\$ 5,866</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases of 2.50 percent; a healthcare cost trend rate of 8.50 percent for 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2028 and later years; and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.45 percent. The discount rate was based on the S&P municipal bond 20-year high grade rate index.

June 30, 2019

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.45 percent, as well as what the City's total 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 Percent Decrease (2.45%)	Current Discount Rate (3.45%)	1 Percent Increase (4.45%)
Total OPEB liability of the employees' OPEB plan	\$ 355,956	\$ 325,956	\$ 299,228

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

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 8.50 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.50%)	Current Healthcare Cost Trend Rate (8.50%)	1 Percent Increase (9.50%)
Total OPEB liability of the employees' OPEB plan	\$ 297,766	\$ 325,956	\$ 358,409

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,594,325	\$ 2,594,325	\$ 2,590,553	\$ (3,772)
State-shared revenue and grants	582,100	582,100	601,016	18,916
Charges for services:				
Trash collection	310,000	310,000	322,298	12,298
Fees	21,000	21,000	41,300	20,300
Rentals	130,000	130,000	153,883	23,883
Fines and forfeitures:				
Traffic fines and penalties	23,100	23,100	38,428	15,328
Library fines	22,200	22,200	20,465	(1,735)
Licenses and permits	218,312	218,312	177,592	(40,720)
Interest	6,000	6,000	17,310	11,310
Other revenue:				
Donations	4,000	4,000	62,306	58,306
Other miscellaneous revenue	38,900	38,900	66,917	28,017
Special assessments	1,778	1,778	1,778	-
Total revenue	3,951,715	3,951,715	4,093,846	142,131
Expenditures				
Current services:				
General government:				
City Council	24,290	25,290	22,165	3,125
City manager	71,085	71,589	72,777	(1,188)
Cable television	63,212	63,212	59,790	3,422
Treasurer	60,347	60,347	54,083	6,264
Assessor	35,739	35,739	34,565	1,174
Board of Review	12,035	12,035	1,629	10,406
Clerk	104,026	104,087	106,523	(2,436)
Buildings and grounds	31,449	33,616	29,116	4,500
Attorney	25,700	27,500	28,277	(777)
Elections	9,363	9,363	8,302	1,061
Building and grounds - Police	49,692	44,962	44,684	278
Public safety:				
Police	1,249,655	1,316,272	1,311,844	4,428
Communications	297,696	246,567	244,401	2,166
Traffic safety	29,591	26,192	24,511	1,681
Civil defense/Emergency preparedness	1,411	1,411	850	561
Planning	67,824	69,670	68,801	869
Public service director	53,744	53,764	53,388	376
Building and trade inspections	94,227	94,227	92,824	1,403
Public works:				
Department of Public Works	193,811	193,680	178,084	15,596
Refuse collection and disposal	287,076	287,076	292,813	(5,737)
Street lighting	140,554	142,200	99,428	42,772
Recreation and culture - Library	344,037	358,723	335,014	23,709
Capital outlay	65,620	69,458	68,931	527
Debt service - Principal	140,222	140,222	140,222	-
Total expenditures	3,452,406	3,487,202	3,373,022	114,180
Excess of Revenue Over Expenditures	499,309	464,513	720,824	256,311
Other Financing Uses - Transfers out	(907,411)	(1,203,611)	(1,163,127)	40,484
Net Change in Fund Balance	(408,102)	(739,098)	(442,303)	296,795
Fund Balance - Beginning of year	2,077,869	2,077,869	2,077,869	-
Fund Balance - End of year	\$ 1,669,767	\$ 1,338,771	\$ 1,635,566	\$ 296,795

City of Richmond, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Streets Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 605,965	\$ 605,965	\$ 462,754	\$ (143,211)
Interest	-	-	758	758
Other revenue	-	-	440	440
Total revenue	605,965	605,965	463,952	(142,013)
Expenditures				
Current services -				
Public works:				
Street construction	408,154	408,534	145,838	262,696
Routine maintenance	79,743	73,475	74,282	(807)
Winter maintenance	81,026	105,370	101,154	4,216
Administration	10,227	10,397	10,035	362
Traffic services	26,376	26,555	21,668	4,887
Capital outlay	-	8,277	8,276	1
Total expenditures	605,526	632,608	361,253	271,355
Excess of Revenue Over (Under)				
Expenditures	439	(26,643)	102,699	129,342
Other Financing Uses - Transfers out	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	(99,561)	(126,643)	2,699	129,342
Fund Balance - Beginning of year	425,068	425,068	425,068	-
Fund Balance - End of year	<u>\$ 325,507</u>	<u>\$ 298,425</u>	<u>\$ 427,767</u>	<u>\$ 129,342</u>

City of Richmond, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Local Streets Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 138,722	\$ 138,722	\$ 211,038	\$ 72,316
Interest	-	-	410	410
Other revenue	100	100	3,341	3,241
Total revenue	138,822	138,822	214,789	75,967
Expenditures -				
Current services -				
Public works:				
Street construction	220,000	220,000	253,593	(33,593)
Routine maintenance	71,185	78,864	77,977	887
Winter maintenance	9,567	7,567	5,531	2,036
Traffic services	67,988	62,139	29,323	32,816
Administration	7,057	7,227	6,705	522
Total expenditures	375,797	375,797	373,129	2,668
Excess of Expenditures Over Revenue	(236,975)	(236,975)	(158,340)	78,635
Other Financing Sources - Transfers in	175,000	175,000	100,000	(75,000)
Net Change in Fund Balance	(61,975)	(61,975)	(58,340)	3,635
Fund Balance - Beginning of year	203,314	203,314	203,314	-
Fund Balance - End of year	<u>\$ 141,339</u>	<u>\$ 141,339</u>	<u>\$ 144,974</u>	<u>\$ 3,635</u>

City of Richmond, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Fire Department Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 129,997	\$ 129,997	\$ 117,579	\$ (12,418)
Interest	-	-	103	103
Other revenue	-	-	490	490
Total revenue	129,997	129,997	118,172	(11,825)
Expenditures -				
Current services -				
Public safety:				
Fire	517,856	814,056	809,228	4,828
Dispatch	28,000	28,000	28,000	-
Total expenditures	545,856	842,056	837,228	4,828
Excess of Expenditures Over Revenue	(415,859)	(712,059)	(719,056)	(6,997)
Other Financing Sources (Uses)				
Transfers in	463,859	760,059	734,962	(25,097)
Transfers out	(48,000)	(48,000)	-	48,000
Total other financing sources	415,859	712,059	734,962	22,903
Net Change in Fund Balance	-	-	15,906	15,906
Fund Balance - Beginning of year	307,631	307,631	307,631	-
Fund Balance - End of year	<u>\$ 307,631</u>	<u>\$ 307,631</u>	<u>\$ 323,537</u>	<u>\$ 15,906</u>

Required Supplemental Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last Two Fiscal Years	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 9,208	\$ 9,691
Interest	9,709	9,408
Changes in assumptions	-	(7,942)
Benefit payments	<u>(3,129)</u>	<u>(8,918)</u>
Net Change in Total OPEB Liability	15,788	2,239
Total OPEB Liability - Beginning of year	<u>310,168</u>	<u>307,929</u>
Total OPEB Liability - End of year	<u>\$ 325,956</u>	<u>\$ 310,168</u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Currently, two years of information are available; additional years of information will be displayed in future years, as it becomes available.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 23,433	\$ 21,202	\$ 29,570	\$ 24,824	\$ 26,913	\$ 22,474	\$ 19,043	\$ 16,541	\$ 14,954	\$ 14,954
Contributions in relation to the actuarially determined contribution	3,129	-	-	-	3,285	5,930	3,098	-	-	-
Contribution Deficiency	\$ (20,304)	\$ (21,202)	\$ (29,570)	\$ (24,824)	\$ (23,628)	\$ (16,544)	\$ (15,945)	\$ (16,541)	\$ (14,954)	\$ (14,954)

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date The actuarially determined contribution for the current year was calculated in a valuation as of July 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	N/A
Inflation	2.50 percent
Healthcare cost trend rates	8.50 percent for 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2028 and later years
Salary increase	2.50 percent
Investment rate of return	N/A
Retirement age	65 years
Mortality	RP-2014 mortality tables

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The City adopts its budget on a departmental basis, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

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

- Prior to the first regular board meeting in 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.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the second Monday in June, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.
- The city manager is authorized to transfer budgeted amounts within the budgetary center (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City's General Fund, Major Streets Fund, and Local Streets Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund - City manager	\$ 71,589	\$ 72,777	\$ (1,188)
General Fund - Clerk	104,087	106,523	(2,436)
General Fund - Attorney	27,500	28,277	(777)
General Fund - Refuse collection and disposal	287,076	292,813	(5,737)
Major Streets Fund - Routine maintenance	73,475	74,282	(807)
Local Streets Fund - Street construction	220,000	253,593	(33,593)

Other Supplemental Information

City of Richmond, Michigan

	Special Revenue Funds		
	Mausoleum	Cemetery	Parks and Recreation
Assets - Cash and cash equivalents	\$ 55,015	\$ 123,293	\$ 92,033
Liabilities - Accounts payable	\$ -	\$ -	\$ 6,457
Fund Balances			
Nonspendable - Library endowment	-	-	-
Restricted:			
Library	-	-	-
Mausoleum	55,015	-	-
Committed:			
Parks and recreation	-	-	85,576
Cemetery	-	123,293	-
Assigned - Capital projects	-	-	-
Total fund balances	55,015	123,293	85,576
Total liabilities and fund balances	\$ 55,015	\$ 123,293	\$ 92,033

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Capital Project Funds		Permanent Fund	
Vehicle and Repairs	Street Improvement	Library Endowment	Total
\$ 33,389	\$ 833,609	\$ 65,228	\$ 1,202,567
\$ -	\$ -	\$ -	\$ 6,457
-	-	10,000	10,000
-	-	55,228	55,228
-	-	-	55,015
-	-	-	85,576
-	-	-	123,293
33,389	833,609	-	866,998
33,389	833,609	65,228	1,196,110
\$ 33,389	\$ 833,609	\$ 65,228	\$ 1,202,567

City of Richmond, Michigan

	Special Revenue Funds		
	Mausoleum	Cemetery	Parks and Recreation
Revenue			
Intergovernmental revenue	\$ -	\$ -	\$ 3,186
Charges for services	2,563	50,835	89,982
Interest	116	1,719	15
Other revenue:			
Donations	-	-	1,000
Other miscellaneous revenue	-	-	1,087
Total revenue	2,679	52,554	95,270
Expenditures			
Current services:			
Public service	1,381	55,063	-
Recreation and culture	-	-	240,410
Capital outlay	-	-	-
Total expenditures	1,381	55,063	240,410
Excess of Revenue Over (Under) Expenditures	1,298	(2,509)	(145,140)
Other Financing Sources - Transfers in	-	-	148,000
Net Change in Fund Balances	1,298	(2,509)	2,860
Fund Balances - Beginning of year	53,717	125,802	82,716
Fund Balances - End of year	\$ 55,015	\$ 123,293	\$ 85,576

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019

Capital Project Funds		Permanent Fund	Total
Vehicle and Repairs	Street Improvement	Library Endowment	
\$ -	\$ -	\$ -	\$ 3,186
-	-	-	143,380
38	1,452	-	3,340
-	140,000	-	141,000
-	-	-	1,087
38	141,452	-	291,993
-	-	-	56,444
-	-	-	240,410
149,101	-	-	149,101
149,101	-	-	445,955
(149,063)	141,452	-	(153,962)
150,165	130,000	-	428,165
1,102	271,452	-	274,203
32,287	562,157	65,228	921,907
\$ 33,389	\$ 833,609	\$ 65,228	\$ 1,196,110