
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplemental Information
June 30, 2020

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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, 2020 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, 2020 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 opinions 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

October 7, 2020

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, 2020. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$181 million in 2019 to \$189 million in 2020. This was the fifth year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2020, property tax revenue, the City's largest single revenue source, totaled \$2.7 million in the General Fund, representing an increase of 2.9 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 \$583,555 in the 2019/2020 fiscal year, an increase of \$17,495, or 3.1 percent, from last year. The current year amount represents a reduction of \$101,161, or 14.7 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 \$454,646, a decrease of \$2,512, or 0.5 percent, from the previous year. This decrease relates to changes in the accrued compensated absences and total OPEB liability.
- Total fund balance for the City's governmental funds increased by \$97,580, primarily as a result of decreased 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 \$85,000 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, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 3,998,121	\$ 4,037,873	\$ 5,518,138	\$ 5,468,576	\$ 9,516,259	\$ 9,506,449
Noncurrent assets - Capital assets	11,509,325	11,249,265	15,138,453	15,507,033	26,647,778	26,756,298
Total assets	15,507,446	15,287,138	20,656,591	20,975,609	36,164,037	36,262,747
Liabilities						
Current liabilities	110,578	211,925	76,306	92,679	186,884	304,604
Noncurrent liabilities	454,646	457,158	1,812,226	2,005,957	2,266,872	2,463,115
Total liabilities	565,224	669,083	1,888,532	2,098,636	2,453,756	2,767,719
Deferred Inflows of Resources	3,622	4,400	1,206	1,466	4,828	5,866
Net Position						
Net investment in capital assets	11,509,325	11,249,265	13,447,539	13,616,119	24,956,864	24,865,384
Restricted	861,489	692,984	681,179	660,879	1,542,668	1,353,863
Unrestricted	2,567,786	2,671,406	4,638,135	4,598,509	7,205,921	7,269,915
Total net position	\$ 14,938,600	\$ 14,613,655	\$ 18,766,853	\$ 18,875,507	\$ 33,705,453	\$ 33,489,162

The City's combined net position for both governmental and business-type activities totals \$33.7 million for fiscal year 2020. 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 \$26.5 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$7.2 million.

The following table shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 800,825	\$ 878,351	\$ 1,853,738	\$ 1,897,148	\$ 2,654,563	\$ 2,775,499
Operating grants and contributions	639,729	701,110	131,559	217,754	771,288	918,864
Capital grants and contributions	186,006	459,069	-	369,570	186,006	828,639
General revenue:						
Property taxes	2,665,975	2,590,553	-	-	2,665,975	2,590,553
State-shared revenue	557,302	579,596	-	-	557,302	579,596
Interest	20,104	21,921	19,791	16,653	39,895	38,574
Other revenue	150,750	169,682	-	-	150,750	169,682
Total revenue	5,020,691	5,400,282	2,005,088	2,501,125	7,025,779	7,901,407
Expenses						
General government	1,076,302	959,882	-	-	1,076,302	959,882
Public service	53,138	50,285	-	-	53,138	50,285
Public safety	2,029,002	2,031,741	-	-	2,029,002	2,031,741
Public works	962,073	1,108,928	-	-	962,073	1,108,928
Community and economic development	13,470	-	-	-	13,470	-
Recreation and culture	561,761	603,573	-	-	561,761	603,573
Water and sewer	-	-	2,113,742	2,144,848	2,113,742	2,144,848
Total program expenses	4,695,746	4,754,409	2,113,742	2,144,848	6,809,488	6,899,257
Change in Net Position	\$ 324,945	\$ 645,873	\$ (108,654)	\$ 356,277	\$ 216,291	\$ 1,002,150

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 \$4.7 million for fiscal year 2020. Additionally, revenue for governmental activities totaled approximately \$5 million for fiscal year 2020. Revenue decreased compared to 2019, as there was more than \$250,000 contributed from the Michigan Department of Transportation toward a city road project in 2019, but there was no such project in 2020.

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. Business-type activities revenue decreased in 2020, as there were no current year donations of water and sewer lines compared to \$370,000 of donated infrastructure in 2019.

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, 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 2020. 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 increased by \$97,580. During the year ended June 30, 2020, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, 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, 2020 is approximately \$1.9 million. Of this amount, \$1.7 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 is uncertain as a result of the recent COVID-19 pandemic. The national unemployment rate has increased from 3.7 percent a year ago to 11.1 percent at the end of the City's current fiscal year. There are anticipated declines in the state revenue-sharing constitutional portion and the statutory portion as a result of COVID-19. However, there are anticipated increases in operating grants from the Coronavirus Relief Fund that will be passed through the State. Further, 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 3,821,842	\$ 4,372,785	\$ 8,194,627	\$ 638,428
Receivables:				
Receivables from sales to customers on account	-	464,174	464,174	-
Due from other governmental units	176,279	-	176,279	-
Restricted cash (Notes 3 and 7)	-	681,179	681,179	-
Land held for resale	-	-	-	50,000
Capital assets: (Note 4)				
Assets not subject to depreciation	378,907	157,042	535,949	319,284
Assets subject to depreciation - Net	11,130,418	14,981,411	26,111,829	2,659,545
Total assets	15,507,446	20,656,591	36,164,037	3,667,257
Liabilities				
Accounts payable	86,532	76,306	162,838	13,806
Accrued liabilities and other	24,046	-	24,046	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	78,405	16,577	94,982	-
Current portion of long-term debt (Note 6)	-	210,000	210,000	-
Due in more than one year:				
Compensated absences (Note 6)	131,624	23,209	154,833	-
Total OPEB liability (Note 11)	244,617	81,526	326,143	-
Long-term debt (Note 6)	-	1,480,914	1,480,914	-
Total liabilities	565,224	1,888,532	2,453,756	13,806
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	3,622	1,206	4,828	-
Net Position				
Net investment in capital assets	11,509,325	13,447,539	24,956,864	2,978,829
Restricted for:				
Roads	741,857	-	741,857	-
Capital projects	-	681,179	681,179	-
Library - Nonexpendable	10,000	-	10,000	-
Library - Expendable	55,228	-	55,228	-
Mausoleum	54,404	-	54,404	-
Unrestricted	2,567,786	4,638,135	7,205,921	674,622
Total net position	<u>\$ 14,938,600</u>	<u>\$ 18,766,853</u>	<u>\$ 33,705,453</u>	<u>\$ 3,653,451</u>

City of Richmond, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,076,302	\$ 12,180	\$ 4,315	\$ -
Public service	53,138	32,115	-	-
Public safety	2,029,002	192,148	8,353	-
Public works	962,073	503,976	596,467	130,000
Community and economic development	13,470	-	13,470	-
Recreation and culture	561,761	60,406	17,124	56,006
Total governmental activities	4,695,746	800,825	639,729	186,006
Business-type activities:				
Water	725,746	816,810	-	-
Sewer	1,387,996	1,036,928	131,559	-
Total business-type activities	2,113,742	1,853,738	131,559	-
Total primary government	\$ 6,809,488	\$ 2,654,563	\$ 771,288	\$ 186,006
Component units - Tax Increment Finance Authority	\$ 512,428	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Cable franchise fees				
Gain on sale of capital assets				
Investment income				
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, 2020

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority	
\$ (1,059,807)	\$ -	\$ (1,059,807)	\$ -	-
(21,023)	-	(21,023)	-	-
(1,828,501)	-	(1,828,501)	-	-
268,370	-	268,370	-	-
-	-	-	-	-
(428,225)	-	(428,225)	-	-
(3,069,186)	-	(3,069,186)	-	-
-	91,064	91,064	-	-
-	(219,509)	(219,509)	-	-
-	(128,445)	(128,445)	-	-
(3,069,186)	(128,445)	(3,197,631)	-	-
-	-	-	(512,428)	-
2,665,975	-	2,665,975	700,515	-
557,302	-	557,302	-	-
92,281	-	92,281	-	-
2,767	-	2,767	-	-
20,104	19,791	39,895	1,022	-
55,702	-	55,702	4,916	-
3,394,131	19,791	3,413,922	706,453	-
324,945	(108,654)	216,291	194,025	-
14,613,655	18,875,507	33,489,162	3,459,426	-
\$ 14,938,600	\$ 18,766,853	\$ 33,705,453	\$ 3,653,451	-

City of Richmond, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 1,871,065	\$ 405,994	\$ 309,270	\$ 1,235,513	\$ 3,821,842
Receivables - Due from other governmental units	85,254	57,076	20,356	13,593	176,279
Total assets	<u>\$ 1,956,319</u>	<u>\$ 463,070</u>	<u>\$ 329,626</u>	<u>\$ 1,249,106</u>	<u>\$ 3,998,121</u>
Liabilities					
Accounts payable	\$ 24,791	\$ 200	\$ 50,639	\$ 10,902	\$ 86,532
Accrued liabilities and other	24,046	-	-	-	24,046
Total liabilities	48,837	200	50,639	10,902	110,578
Deferred Inflows of Resources -					
Unavailable revenue	62,009	-	-	-	62,009
Fund Balances					
Nonspendable - Library endowment	-	-	-	10,000	10,000
Restricted:					
Roads	-	462,870	278,987	-	741,857
Library	-	-	-	55,228	55,228
Mausoleum	-	-	-	54,404	54,404
Committed:					
Fire operations	-	-	-	307,446	307,446
Parks and recreation	-	-	-	85,937	85,937
Cemetery	-	-	-	105,780	105,780
Fire equipment replacement	-	-	-	55,134	55,134
Assigned:					
Subsequent year's budget	313,995	-	-	-	313,995
Capital projects	-	-	-	564,275	564,275
Unassigned	1,531,478	-	-	-	1,531,478
Total fund balances	<u>1,845,473</u>	<u>462,870</u>	<u>278,987</u>	<u>1,238,204</u>	<u>3,825,534</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,956,319</u>	<u>\$ 463,070</u>	<u>\$ 329,626</u>	<u>\$ 1,249,106</u>	<u>\$ 3,998,121</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 3,825,534
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	11,509,325
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	62,009
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	(210,029)
Retiree health care benefits	(248,239)
Net Position of Governmental Activities	<u>\$ 14,938,600</u>

City of Richmond, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 2,665,975	\$ -	\$ -	\$ -	\$ 2,665,975
Intergovernmental revenue:					
Federal grants	-	-	-	16,637	16,637
State-shared revenue and grants	619,912	437,904	158,563	-	1,216,379
Charges for services	541,704	-	-	196,601	738,305
Fines and forfeitures	48,094	-	-	-	48,094
Licenses and permits	148,522	-	-	-	148,522
Interest	16,790	515	233	2,566	20,104
Other revenue:					
Donations	55,352	-	-	130,654	186,006
Other miscellaneous revenue	37,737	195	79	17,691	55,702
Total revenue	4,134,086	438,614	158,875	364,149	5,095,724
Expenditures					
Current:					
General government	593,055	-	-	-	593,055
Public service	-	-	-	53,138	53,138
Public safety	1,766,296	-	-	236,500	2,002,796
Public works	649,402	203,511	824,862	-	1,677,775
Community and economic development	-	-	-	13,470	13,470
Recreation and culture	348,388	-	-	219,986	568,374
Capital outlay	63,345	-	-	28,958	92,303
Total expenditures	3,420,486	203,511	824,862	552,052	5,000,911
Excess of Revenue Over (Under) Expenditures	713,600	235,103	(665,987)	(187,903)	94,813
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	800,000	503,693	1,303,693
Transfers out (Note 5)	(503,693)	(200,000)	-	(600,000)	(1,303,693)
Sale of capital assets	-	-	-	2,767	2,767
Total other financing (uses) sources	(503,693)	(200,000)	800,000	(93,540)	2,767
Net Change in Fund Balances	209,907	35,103	134,013	(281,443)	97,580
Fund Balances - Beginning of year	1,635,566	427,767	144,974	1,519,647	3,727,954
Fund Balances - End of year	<u>\$ 1,845,473</u>	<u>\$ 462,870</u>	<u>\$ 278,987</u>	<u>\$ 1,238,204</u>	<u>\$ 3,825,534</u>

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$	97,580
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(605,848)
Capital outlay		865,908
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		
		(35,985)
Change in employee compensated absences and retiree health care benefits does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment		
		<u>3,290</u>
Change in Net Position of Governmental Activities	\$	<u><u>324,945</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2020

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,362,850	\$ 3,009,935	\$ 4,372,785
Receivables - Customers	212,677	251,497	464,174
Total current assets	1,575,527	3,261,432	4,836,959
Noncurrent assets:			
Restricted cash (Note 7)	-	681,179	681,179
Capital assets: (Note 4)			
Assets not subject to depreciation	128,983	28,059	157,042
Assets subject to depreciation - Net	5,470,460	9,510,951	14,981,411
Total noncurrent assets	5,599,443	10,220,189	15,819,632
Total assets	7,174,970	13,481,621	20,656,591
Liabilities			
Current liabilities:			
Accounts payable	2,476	73,830	76,306
Compensated absences (Note 6)	9,813	6,764	16,577
Current portion of long-term debt (Note 6)	-	210,000	210,000
Total current liabilities	12,289	290,594	302,883
Noncurrent liabilities:			
Compensated absences (Note 6)	13,985	9,224	23,209
Total OPEB liability (Note 11)	40,763	40,763	81,526
Long-term debt (Note 6)	-	1,480,914	1,480,914
Total noncurrent liabilities	54,748	1,530,901	1,585,649
Total liabilities	67,037	1,821,495	1,888,532
Deferred Inflows of Resources - Deferred OPEB cost reductions	603	603	1,206
Net Position			
Net investment in capital assets	5,599,443	7,848,096	13,447,539
Restricted	-	681,179	681,179
Unrestricted	1,507,887	3,130,248	4,638,135
Total net position	\$ 7,107,330	\$ 11,659,523	\$ 18,766,853

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

Year Ended June 30, 2020

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 779,499	\$ 970,445	\$ 1,749,944
Tap-in fees	-	7,375	7,375
Charges for services	9,049	-	9,049
Penalties	9,657	12,385	22,042
Miscellaneous	18,605	46,723	65,328
Total operating revenue	816,810	1,036,928	1,853,738
Operating Expenses			
Water production	146,586	-	146,586
Sewer treatment plant	-	483,699	483,699
Administration	119,718	171,914	291,632
Water system	293,927	-	293,927
Sewer system	-	304,484	304,484
Depreciation	164,639	392,053	556,692
Total operating expenses	724,870	1,352,150	2,077,020
Operating Income (Loss)	91,940	(315,222)	(223,282)
Nonoperating Revenue (Expense)			
Investment income	1,738	18,053	19,791
Interest expense	-	(35,846)	(35,846)
Loss on disposal of assets	(876)	-	(876)
Grants used for operating purposes	-	131,559	131,559
Total nonoperating revenue	862	113,766	114,628
Change in Net Position	92,802	(201,456)	(108,654)
Net Position - Beginning of year	7,014,528	11,860,979	18,875,507
Net Position - End of year	\$ 7,107,330	\$ 11,659,523	\$ 18,766,853

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2020

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 803,590	\$ 1,042,696	\$ 1,846,286
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>(587,871)</u>	<u>(942,821)</u>	<u>(1,530,692)</u>
Net cash provided by operating activities	238,173	77,421	315,594
Cash Flows Provided by Noncapital Financing Activities			
- Operating grants	-	131,559	131,559
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(140,438)	(48,550)	(188,988)
Principal and interest paid on capital debt	<u>-</u>	<u>(235,846)</u>	<u>(235,846)</u>
Net cash used in capital and related financing activities	(140,438)	(284,396)	(424,834)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>1,738</u>	<u>4,327</u>	<u>6,065</u>
Net Increase (Decrease) in Cash	99,473	(71,089)	28,384
Cash - Beginning of year	<u>1,263,377</u>	<u>3,217,349</u>	<u>4,480,726</u>
Cash - End of year	<u><u>\$ 1,362,850</u></u>	<u><u>\$ 3,146,260</u></u>	<u><u>\$ 4,509,110</u></u>
Statement of Net Position Classification of Cash			
Cash and investments	\$ 1,362,850	\$ 3,009,935	\$ 4,372,785
Restricted cash	-	681,179	681,179
Less amounts classified as investments	<u>-</u>	<u>(544,854)</u>	<u>(544,854)</u>
Total cash	<u><u>\$ 1,362,850</u></u>	<u><u>\$ 3,146,260</u></u>	<u><u>\$ 4,509,110</u></u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 91,940	\$ (315,222)	\$ (223,282)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	164,639	392,053	556,692
Changes in assets and liabilities:			
Receivables	(13,220)	5,768	(7,452)
Accounts payable	<u>(5,186)</u>	<u>(5,178)</u>	<u>(10,364)</u>
Net cash provided by operating activities	<u><u>\$ 238,173</u></u>	<u><u>\$ 77,421</u></u>	<u><u>\$ 315,594</u></u>

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 (GASB).

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.

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 health care-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 Investments

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. Certificates of deposit with a maturities greater than three months are classified as investments.

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 other financing sources 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 deferred inflows of resources related to the other postemployment benefit (OPEB) plan, as detailed in Note 11.

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 exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 2019 taxable valuation of the City totaled \$189.4 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 16.2187 mills for operating purposes. This resulted in \$2.7 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.

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 GASB 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 were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the GASB issued 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 previously were 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 were originally effective for the City's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 plan should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

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, 2020 is as follows:

Accumulated expenditures over revenue - July 1, 2019	\$ (497,202)
Current year revenue	39,974
Current year expenditures - Direct costs	<u>85,726</u>
Excess of expenditures over revenue	<u>(45,752)</u>
Accumulated expenditures over revenue - June 30, 2020	<u>\$ (542,954)</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 \$7,909,915 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 \$677,388 of component unit bank deposits that was 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, 2020

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, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Construction in progress	-	258,907	-	258,907
Subtotal	120,000	258,907	-	378,907
Capital assets being depreciated:				
Infrastructure	6,450,201	394,211	-	6,844,412
Buildings and improvements	6,046,902	51,628	-	6,098,530
Vehicles and equipment	5,362,130	161,162	(6,768)	5,516,524
Subtotal	17,859,233	607,001	(6,768)	18,459,466
Accumulated depreciation:				
Infrastructure	1,707,074	269,187	-	1,976,261
Buildings and improvements	1,918,647	86,860	-	2,005,507
Vehicles and equipment	3,104,247	249,801	(6,768)	3,347,280
Subtotal	6,729,968	605,848	(6,768)	7,329,048
Net capital assets being depreciated	11,129,265	1,153	-	11,130,418
Net capital assets	<u>\$ 11,249,265</u>	<u>\$ 260,060</u>	<u>\$ -</u>	<u>\$ 11,509,325</u>

Business-type Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 157,042	\$ -	\$ -	\$ 157,042
Capital assets being depreciated:				
Utility systems	17,685,785	140,438	(8,762)	17,817,461
Buildings	9,586,038	-	-	9,586,038
Vehicles and equipment	966,122	48,550	-	1,014,672
Subtotal	28,237,945	188,988	(8,762)	28,418,171
Accumulated depreciation:				
Utility systems	7,382,362	350,902	(7,886)	7,725,378
Buildings	4,653,874	177,581	-	4,831,455
Vehicles and equipment	851,718	28,209	-	879,927
Subtotal	12,887,954	556,692	(7,886)	13,436,760
Net capital assets being depreciated	15,349,991	(367,704)	(876)	14,981,411
Net capital assets	<u>\$ 15,507,033</u>	<u>\$ (367,704)</u>	<u>\$ (876)</u>	<u>\$ 15,138,453</u>

June 30, 2020

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 319,284	\$ -	\$ -	\$ 319,284
Capital assets being depreciated:				
Infrastructure	2,295,877	90,624	-	2,386,501
Buildings and improvements	265,800	-	-	265,800
Furniture and fixtures	288,788	-	-	288,788
Land improvements	729,704	-	-	729,704
Subtotal	3,580,169	90,624	-	3,670,793
Accumulated depreciation:				
Infrastructure	453,689	38,253	-	491,942
Buildings and improvements	172,462	9,112	-	181,574
Furniture and fixtures	152,585	27,323	-	179,908
Land improvements	145,518	12,306	-	157,824
Subtotal	924,254	86,994	-	1,011,248
Net capital assets being depreciated	2,655,915	3,630	-	2,659,545
Net capital assets	<u>\$ 2,975,199</u>	<u>\$ 3,630</u>	<u>\$ -</u>	<u>\$ 2,978,829</u>

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

Governmental activities:	
General government	\$ 500,412
Public safety	79,621
Recreation and culture	25,815
Total governmental activities	<u>\$ 605,848</u>
Business-type activities:	
Water	\$ 164,639
Sewer	392,053
Total business-type activities	<u>\$ 556,692</u>

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	Nonmajor governmental funds	\$ 503,693
Major Streets Fund	Local Streets Fund	200,000
Nonmajor governmental funds	Local Streets Fund	600,000
	Total	<u>\$ 1,303,693</u>

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

June 30, 2020

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, 2020 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 212,682	\$ 83,177	\$ (85,830)	\$ 210,029	\$ 78,405

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	\$ 585,000	\$ -	\$ (45,000)	\$ 540,000	\$ 50,000
General obligation bonds - 2007 Sewage Disposal System Revolving Loan: Amount of issue - \$3,010,914, Maturing through 2027	1.625%	\$145,0000 - \$170,000	1,305,914	-	(155,000)	1,150,914	160,000
Total bonds payable			1,890,914	-	(200,000)	1,690,914	210,000
Compensated absences			33,563	18,311	(12,088)	39,786	16,577
Total business-type activities			\$ 1,924,477	\$ 18,311	\$ (212,088)	\$ 1,730,700	\$ 226,577

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.

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$35,800. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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	225,000	16,477	241,477
2026-2030	605,914	29,417	635,331
Total	\$ 1,690,914	\$ 151,359	\$ 1,842,273

Note 7 - Restricted Net Position

Restricted assets at June 30, 2020 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 \$142,571 during the year ended June 30, 2020 when the taxable value of the area was approximately \$40 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 \$147,038 during the current year, and employees contributed \$166,314.

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 No. 75.

Benefits Provided

The Plan provides health care benefits for retirees. Benefits are provided through a third-party insurer. Retirees must contribute 50 percent of the benefits at the time they are received. The length of benefits begins after retirement with 25 or more years of service and lasts until age 65.

Note 11 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

As of June 30, 2020, there were 28 active plan members and no inactive members currently receiving benefits.

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, there were no benefit premiums expenses incurred by the City.

Furthermore, the actuary did not calculate an actuarially determined contribution under the alternative measurement method. The City believes a calculation of the actuarially determined contribution would be immaterial to the Plan and financial statements as a whole.

Total OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the total OPEB liability. The June 30, 2020 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2020 measurement date. The June 30, 2020 measurement date total OPEB liability was determined by the use of the alternative measurement method calculation as of that date.

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, 2019	\$ 325,956
Changes for the year:	
Service cost	9,208
Interest	10,055
Differences between expected and actual experience	(38,400)
Changes in assumptions	19,324
Net changes	187
Balance at June 30, 2020	<u>\$ 326,143</u>

OPEB Recovery and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized an OPEB recovery of \$851.

At June 30, 2020, the City reported deferred inflows of resources related to OPEB of \$4,828 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
2021	\$ (1,038)
2022	(1,038)
2023	(1,038)
2024	(1,038)
2025	(676)
Total	<u>\$ (4,828)</u>

Note 11 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2020, using the following assumptions applied to all periods included in the measurement unless otherwise specified:

Expected Point in Time at Which Benefit Payments Will Begin to be Made

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62 or at the first subsequent year in which the member would qualify for benefits.

Marital Status and Dependency Status

Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.

Mortality

Mortality rates were based on the RP-2000 Mortality Table for Males and Females Projected 18 years.

Turnover

The turnover assumption, or probability that an active employee will remain employed until the assumed age at which benefit payments will begin, was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Health Care Cost Trend Rate

The expected rate of increase for individual health care insurance premiums was 4.6 percent initially, reaching an ultimate rate of 4.7 percent after 10 years. Separate assumptions were made for pharmacy, dental, and vision coverage. Rates were developed using the Getzen model promulgated by the Society of Actuaries for use in long-term trend projections.

Health Insurance Premiums

Actual 2020 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate

The expected long-term payroll growth rate was assumed to be 2.5 percent, including inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.29 percent. The discount rate was based on the S&P municipal bond 20-year high-grade rate index.

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 2.29 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 Percentage Point Decrease (1.29%)	Current Discount Rate (2.29%)	1 Percentage Point Increase (3.29%)
Total OPEB liability of the Employees' OPEB Plan	\$ 354,551	\$ 326,143	\$ 299,189

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using health care cost trend rates for individual health care insurance premiums ranging from 4.6 to 4.8 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (3.6 to 3.8 Percent)	Current Health Care Cost Trend Rate (4.6 to 4.8 Percent)	1 Percentage Point Increase (5.6 to 5.8 Percent)
Total OPEB liability of the Employees' OPEB Plan	\$ 290,455	\$ 326,143	\$ 366,562

Assumption Changes

The calculation of the net OPEB liability as of June 30, 2020 included a change in the discount rate from 3.45 percent to 2.29 percent.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,683,255	\$ 2,683,255	\$ 2,665,975	\$ (17,280)
State-shared revenue and grants	602,620	602,620	619,912	17,292
Charges for services:				
Trash collection	320,000	320,000	333,351	13,351
Fees	23,500	23,500	37,728	14,228
Rentals	130,000	130,000	170,625	40,625
Fines and forfeitures:				
Traffic fines and penalties	27,000	27,000	30,082	3,082
Library fines	21,000	21,000	18,012	(2,988)
Licenses and permits	207,750	207,750	148,522	(59,228)
Interest	7,000	7,000	16,790	9,790
Other revenue:				
Donations	54,000	54,000	55,352	1,352
Other miscellaneous revenue	38,800	38,800	37,737	(1,063)
Total revenue	4,114,925	4,114,925	4,134,086	19,161
Expenditures				
Current services:				
General government:				
City Council	24,955	24,955	23,286	1,669
City manager	90,501	90,501	73,681	16,820
Cable television	65,490	65,490	54,866	10,624
Treasurer	60,566	60,583	49,541	11,042
Assessor	36,276	36,276	35,758	518
Board of Review	12,035	11,335	1,260	10,075
Clerk	107,824	107,824	104,667	3,157
Buildings and grounds	34,425	34,508	32,103	2,405
Attorney	26,500	27,200	21,993	5,207
Elections	9,663	12,899	12,506	393
Building and grounds - Police	50,365	50,365	40,823	9,542
Annexation agreement	145,282	145,282	142,571	2,711
Public safety:				
Police	1,365,497	1,366,342	1,278,183	88,159
Communications	310,972	318,943	255,076	63,867
Traffic safety	30,936	22,120	20,218	1,902
Civil defense/Emergency preparedness	1,650	1,650	1,600	50
Planning	71,687	71,687	71,139	548
Public service director	56,238	56,283	53,710	2,573
Building and trade inspections	95,874	95,874	86,370	9,504
Public works:				
Refuse collection and disposal	302,214	302,214	302,265	(51)
Street lighting	112,766	112,766	111,297	1,469
Department of Public Works	256,586	263,790	235,840	27,950
Recreation and culture - Library	388,759	389,407	348,388	41,019
Capital outlay	74,200	82,390	63,345	19,045
Total expenditures	3,731,261	3,750,684	3,420,486	330,198
Excess of Revenue Over Expenditures	383,664	364,241	713,600	349,359
Other Financing Uses - Transfers out	(566,023)	(566,023)	(503,693)	62,330
Net Change in Fund Balance	(182,359)	(201,782)	209,907	411,689
Fund Balance - Beginning of year	1,635,566	1,635,566	1,635,566	-
Fund Balance - End of year	\$ 1,453,207	\$ 1,433,784	\$ 1,845,473	\$ 411,689

City of Richmond, Michigan

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 402,212	\$ 402,212	\$ 437,904	\$ 35,692
Interest	-	-	515	515
Other revenue	-	-	195	195
Total revenue	402,212	402,212	438,614	36,402
Expenditures				
Current services -				
Public works:				
Street construction	45,583	61,670	18,707	42,963
Routine maintenance	81,964	91,082	88,336	2,746
Winter maintenance	83,044	67,094	63,575	3,519
Administration	9,890	9,890	9,652	238
Traffic services	26,983	26,923	23,241	3,682
Total expenditures	247,464	256,659	203,511	53,148
Excess of Revenue Over Expenditures	154,748	145,553	235,103	89,550
Other Financing Uses - Transfers out	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	(45,252)	(54,447)	35,103	89,550
Fund Balance - Beginning of year	427,767	427,767	427,767	-
Fund Balance - End of year	<u>\$ 382,515</u>	<u>\$ 373,320</u>	<u>\$ 462,870</u>	<u>\$ 89,550</u>

City of Richmond, Michigan

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 138,722	\$ 138,722	\$ 158,563	\$ 19,841
Interest	-	-	233	233
Other revenue	100	100	79	(21)
Total revenue	138,822	138,822	158,875	20,053
Expenditures -				
Current services -				
Public works:				
Street construction	828,200	828,200	688,016	140,184
Routine maintenance	84,516	98,735	97,096	1,639
Winter maintenance	9,303	5,273	3,636	1,637
Traffic services	41,347	31,158	29,396	1,762
Administration	6,988	6,988	6,718	270
Total expenditures	970,354	970,354	824,862	145,492
Excess of Expenditures Over Revenue	(831,532)	(831,532)	(665,987)	165,545
Other Financing Sources - Transfers in	800,000	800,000	800,000	-
Net Change in Fund Balance	(31,532)	(31,532)	134,013	165,545
Fund Balance - Beginning of year	144,974	144,974	144,974	-
Fund Balance - End of year	<u>\$ 113,442</u>	<u>\$ 113,442</u>	<u>\$ 278,987</u>	<u>\$ 165,545</u>

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

	Last Three Fiscal Years		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 9,208	\$ 9,208	\$ 9,691
Interest	10,055	9,709	9,408
Differences between expected and actual experience	(38,400)	-	-
Changes in assumptions	19,324	-	(7,942)
Benefit payments	-	(3,129)	(8,918)
Net Change in Total OPEB Liability	187	15,788	2,239
Total OPEB Liability - Beginning of year	325,956	310,168	307,929
Total OPEB Liability - End of year	\$ 326,143	\$ 325,956	\$ 310,168

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

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

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 incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund - Refuse collection and disposal	\$ 302,214	\$ 302,265	\$ (51)

Other Supplemental Information

City of Richmond, Michigan

	Special Revenue Funds			
	Fire Department	Mausoleum	Cemetery	Parks and Recreation
Assets				
Cash and investments	\$ 358,792	\$ 54,404	\$ 105,780	\$ 87,034
Receivables	12,417	-	-	1,176
Total assets	\$ 371,209	\$ 54,404	\$ 105,780	\$ 88,210
Liabilities - Accounts payable	\$ 8,629	\$ -	\$ -	\$ 2,273
Fund Balances				
Nonspendable - Library endowment	-	-	-	-
Restricted:				
Library	-	-	-	-
Mausoleum	-	54,404	-	-
Committed:				
Fire operations	307,446	-	-	-
Parks and recreation	-	-	-	85,937
Cemetery	-	-	105,780	-
Fire equipment replacement	55,134	-	-	-
Assigned - Capital projects	-	-	-	-
Total fund balances	362,580	54,404	105,780	85,937
Total liabilities and fund balances	\$ 371,209	\$ 54,404	\$ 105,780	\$ 88,210

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

Capital Project Funds		Permanent Fund	
Vehicle and Repairs	Street Improvement	Library Endowment	Total
\$ 69,508	\$ 494,767	\$ 65,228	\$ 1,235,513
-	-	-	13,593
\$ 69,508	\$ 494,767	\$ 65,228	\$ 1,249,106
\$ -	\$ -	\$ -	\$ 10,902
-	-	10,000	10,000
-	-	55,228	55,228
-	-	-	54,404
-	-	-	307,446
-	-	-	85,937
-	-	-	105,780
-	-	-	55,134
69,508	494,767	-	564,275
69,508	494,767	65,228	1,238,204
\$ 69,508	\$ 494,767	\$ 65,228	\$ 1,249,106

City of Richmond, Michigan

	Special Revenue Funds				
	Fire Department	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Revenue					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 3,167	\$ 13,470
Charges for services	122,092	400	31,715	42,394	-
Interest	394	71	886	17	-
Other revenue:					
Donations	-	-	-	654	-
Other miscellaneous revenue	17,551	-	25	115	-
Total revenue	140,037	471	32,626	46,347	13,470
Expenditures					
Current services:					
Public service	-	1,082	52,056	-	-
Public safety	236,500	-	-	-	-
Community and economic development	-	-	-	-	13,470
Recreation and culture	-	-	-	219,986	-
Capital outlay	-	-	11,083	-	-
Total expenditures	236,500	1,082	63,139	219,986	13,470
Excess of Revenue (Under) Over Expenditures	(96,463)	(611)	(30,513)	(173,639)	-
Other Financing Sources (Uses)					
Transfers in	135,506	-	13,000	174,000	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	135,506	-	13,000	174,000	-
Net Change in Fund Balances	39,043	(611)	(17,513)	361	-
Fund Balances - Beginning of year	323,537	55,015	123,293	85,576	-
Fund Balances - End of year	<u>\$ 362,580</u>	<u>\$ 54,404</u>	<u>\$ 105,780</u>	<u>\$ 85,937</u>	<u>\$ -</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2020

Capital Project Funds		Permanent Fund		
Vehicle and Repairs	Street Improvement	Library Endowment	Total	
\$ -	\$ -	\$ -	\$	16,637
-	-	-		196,601
40	1,158	-		2,566
-	130,000	-		130,654
-	-	-		17,691
40	131,158	-		364,149
-	-	-		53,138
-	-	-		236,500
-	-	-		13,470
-	-	-		219,986
17,875	-	-		28,958
17,875	-	-		552,052
(17,835)	131,158	-		(187,903)
51,187	130,000	-		503,693
-	(600,000)	-		(600,000)
2,767	-	-		2,767
53,954	(470,000)	-		(93,540)
36,119	(338,842)	-		(281,443)
33,389	833,609	65,228		1,519,647
\$ 69,508	\$ 494,767	\$ 65,228	\$	1,238,204