
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplemental Information
June 30, 2021

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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, 2021 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, 2021 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.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, net position as of July 1, 2020 of the governmental activities has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As explained in Note 1, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

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

Other Matters

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 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

September 22, 2021

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, 2021. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$189 million in 2020 to \$195 million in 2021. This was the sixth year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2021, property tax revenue, the City's largest single revenue source, totaled \$2.8 million in the General Fund, representing an increase of 3.4 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 \$591,396 in the 2020/2021 fiscal year, an increase of \$7,841, or 1.3 percent, from last year. The current year amount represents a reduction of \$93,320, or 13.6 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 \$1,509,474, an increase of \$113,610, or 8.1 percent, from the previous year. This increase relates to changes in the accrued compensated absences, total OPEB liability, and net pension liability.
- Total fund balance for the City's governmental funds increased by \$861,427, primarily as a result of decreased capital project expenditures compared to the prior year and additional funding received from various COVID-19 relief sources.
- This was the eighth year of a tax-based sharing agreement with the Tax Increment Finance Authority (the "TIFA"). The agreement generated approximately \$87,000 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, and capital projects funds. 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, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 4,923,893	\$ 3,932,893	\$ 5,366,953	\$ 5,518,138	\$ 10,290,846	\$ 9,451,031
Capital assets	11,543,325	11,509,325	15,015,318	15,138,453	26,558,643	26,647,778
Total assets	16,467,218	15,442,218	20,382,271	20,656,591	36,849,489	36,098,809
Deferred Outflows of Resources	280,909	139,646	-	-	280,909	139,646
Liabilities						
Current liabilities	130,308	110,578	5,013	76,306	135,321	186,884
Noncurrent liabilities	1,509,474	1,395,864	1,597,648	1,812,226	3,107,122	3,208,090
Total liabilities	1,639,782	1,506,442	1,602,661	1,888,532	3,242,443	3,394,974
Deferred Inflows of Resources	131,587	81,669	946	1,206	132,533	82,875
Net Position						
Net investment in capital assets	11,543,325	11,509,325	13,534,404	13,447,539	25,077,729	24,956,864
Restricted	670,246	796,261	701,479	681,179	1,371,725	1,477,440
Unrestricted	2,763,187	1,688,167	4,542,781	4,638,135	7,305,968	6,326,302
Total net position	\$ 14,976,758	\$ 13,993,753	\$ 18,778,664	\$ 18,766,853	\$ 33,755,422	\$ 32,760,606

The City's combined net position for both governmental and business-type activities totals \$33.8 million for fiscal year 2021. 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 \$7.3 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, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 880,394	\$ 800,825	\$ 1,939,668	\$ 1,853,738	\$ 2,820,062	\$ 2,654,563
Operating grants and contributions	961,058	639,729	-	131,559	961,058	771,288
Capital grants and contributions	340,866	186,006	-	-	340,866	186,006
General revenue:						
Property taxes	2,757,554	2,665,975	-	-	2,757,554	2,665,975
State-shared revenue	640,247	557,302	-	-	640,247	557,302
Other revenue	222,022	170,854	49,665	19,791	271,687	190,645
Total revenue	5,802,141	5,020,691	1,989,333	2,005,088	7,791,474	7,025,779
Expenses						
General government	1,194,086	1,076,302	-	-	1,194,086	1,076,302
Public service	60,262	53,138	-	-	60,262	53,138
Public safety	2,114,493	2,029,002	-	-	2,114,493	2,029,002
Public works	932,520	962,073	-	-	932,520	962,073
Community and economic development	4,710	13,470	-	-	4,710	13,470
Recreation and culture	513,065	561,761	-	-	513,065	561,761
Water and sewer	-	-	1,977,522	2,113,742	1,977,522	2,113,742
Total expenses	4,819,136	4,695,746	1,977,522	2,113,742	6,796,658	6,809,488
Change in Net Position	\$ 983,005	\$ 324,945	\$ 11,811	\$ (108,654)	\$ 994,816	\$ 216,291

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 2021. Additionally, revenue for governmental activities totaled approximately \$5.8 million for fiscal year 2021. Revenue increased compared to 2020, as there was more than \$275,000 in COVID-19 relief grants during 2021, but there were no such grants 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 remained consistent in 2021 compared to 2020.

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 2021. 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. Fund balances related to the City's governmental funds increased by \$861,427. During the year ended June 30, 2021, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the City had \$26.6 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, 2021 is approximately \$1.5 million. Of this amount, \$1.3 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 beginning to regulate after the impact of the recent COVID-19 pandemic. The national unemployment rate has decreased from 11.1 percent a year ago to 5.9 percent at the end of the City's current fiscal year. There are anticipated increases in the state revenue-sharing constitutional portion and the statutory portion as a result of COVID-19 in the prior year, as well as 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 4,473,588	\$ 4,189,837	\$ 8,663,425	\$ 865,822
Receivables:				
Receivables from sales to customers on account	-	475,637	475,637	-
Due from other governmental units	314,225	-	314,225	-
Other receivables	136,080	-	136,080	-
Restricted cash (Notes 3 and 7)	-	701,479	701,479	-
Land held for resale	-	-	-	50,000
Capital assets: (Note 4)				
Assets not subject to depreciation	126,388	157,042	283,430	319,284
Assets subject to depreciation - Net	11,416,937	14,858,276	26,275,213	2,589,586
Total assets	16,467,218	20,382,271	36,849,489	3,824,692
Deferred Outflows of Resources - Deferred pension costs (Note 12)	280,909	-	280,909	-
Liabilities				
Accounts payable	78,403	5,013	83,416	15,524
Accrued liabilities and other	51,905	-	51,905	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	78,751	12,508	91,259	-
Current portion of long-term debt (Note 6)	-	215,000	215,000	-
Due in more than one year:				
Compensated absences (Note 6)	131,858	22,086	153,944	-
Total OPEB liability (Note 11)	246,457	82,140	328,597	-
Net pension liability (Note 12)	1,052,408	-	1,052,408	-
Long-term debt (Note 6)	-	1,265,914	1,265,914	-
Total liabilities	1,639,782	1,602,661	3,242,443	15,524
Deferred Inflows of Resources				
Deferred OPEB cost reductions (Note 11)	2,844	946	3,790	-
Deferred pension cost reductions (Note 12)	128,743	-	128,743	-
Total deferred inflows of resources	131,587	946	132,533	-
Net Position				
Net investment in capital assets	11,543,325	13,534,404	25,077,729	2,908,870
Restricted for:				
Roads	615,303	-	615,303	-
Capital projects	-	701,479	701,479	-
Mausoleum	54,943	-	54,943	-
Unrestricted	2,763,187	4,542,781	7,305,968	900,298
Total net position	<u>\$ 14,976,758</u>	<u>\$ 18,778,664</u>	<u>\$ 33,755,422</u>	<u>\$ 3,809,168</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	\$ 1,194,086	\$ 31,016	\$ 253,973	\$ -
Public service	60,262	45,618	50	-
Public safety	2,114,493	245,609	35,822	-
Public works	932,520	531,895	653,859	279,391
Community and economic development	4,710	-	7,309	-
Recreation and culture	513,065	26,256	10,045	61,475
Total governmental activities	4,819,136	880,394	961,058	340,866
Business-type activities:				
Water	703,409	858,013	-	-
Sewer	1,274,113	1,081,655	-	-
Total business-type activities	1,977,522	1,939,668	-	-
Total primary government	\$ 6,796,658	\$ 2,820,062	\$ 961,058	\$ 340,866
Component units - Tax Increment Finance Authority	\$ 566,108	\$ -	\$ -	\$ -
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, as restated (Note 1)				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
\$ (909,097)	\$ -	\$ (909,097)	\$ -
(14,594)	-	(14,594)	-
(1,833,062)	-	(1,833,062)	-
532,625	-	532,625	-
2,599	-	2,599	-
(415,289)	-	(415,289)	-
(2,636,818)	-	(2,636,818)	-
-	154,604	154,604	-
-	(192,458)	(192,458)	-
-	(37,854)	(37,854)	-
(2,636,818)	(37,854)	(2,674,672)	-
-	-	-	(566,108)
2,757,554	-	2,757,554	719,361
640,247	-	640,247	-
116,502	-	116,502	-
-	49,665	49,665	-
19,401	-	19,401	-
86,119	-	86,119	2,464
3,619,823	49,665	3,669,488	721,825
983,005	11,811	994,816	155,717
13,993,753	18,766,853	32,760,606	3,653,451
\$ 14,976,758	\$ 18,778,664	\$ 33,755,422	\$ 3,809,168

City of Richmond, Michigan

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 2,546,881	\$ 412,694	\$ 135,242	\$ 1,378,771	\$ 4,473,588
Receivables:					
Due from other governmental units	124,079	90,206	26,272	73,668	314,225
Other receivables	136,080	-	-	-	136,080
Total assets	\$ 2,807,040	\$ 502,900	\$ 161,514	\$ 1,452,439	\$ 4,923,893
Liabilities					
Accounts payable	\$ 23,263	\$ 49,074	\$ 37	\$ 6,029	\$ 78,403
Accrued liabilities and other	51,905	-	-	-	51,905
Total liabilities	75,168	49,074	37	6,029	130,308
Deferred Inflows of Resources -					
Unavailable revenue	171,852	-	-	-	171,852
Fund Balances					
Restricted:					
Roads	-	453,826	161,477	-	615,303
Mausoleum	-	-	-	54,943	54,943
Committed:					
Fire operations	-	-	-	279,173	279,173
Parks and recreation	-	-	-	86,046	86,046
Cemetery	-	-	-	92,631	92,631
Fire equipment replacement	-	-	-	105,099	105,099
Assigned:					
Subsequent year's budget	272,868	-	-	-	272,868
Capital projects	-	-	-	828,518	828,518
Unassigned	2,287,152	-	-	-	2,287,152
Total fund balances	2,560,020	453,826	161,477	1,446,410	4,621,733
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,807,040	\$ 502,900	\$ 161,514	\$ 1,452,439	\$ 4,923,893

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 4,621,733
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	11,543,325
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	171,852
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	(210,609)
Net pension liability and related deferred inflows and outflows	(900,242)
Total OPEB liability and related deferred inflows and outflows	(249,301)
Net Position of Governmental Activities	<u>\$ 14,976,758</u>

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

Year Ended June 30, 2021

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 2,757,554	\$ -	\$ -	\$ -	\$ 2,757,554
Intergovernmental revenue:					
Federal grants	249,137	-	-	33,309	282,446
State-shared revenue and grants	623,157	480,181	173,678	-	1,277,016
Charges for services	552,251	-	-	201,399	753,650
Fines and forfeitures	32,915	-	-	-	32,915
Licenses and permits	231,655	-	-	-	231,655
Interest	17,842	-	-	1,559	19,401
Other revenue:					
Donations	60,975	-	-	130,550	191,525
Other miscellaneous revenue	82,495	1,323	1,436	865	86,119
Total revenue	4,607,981	481,504	175,114	367,682	5,632,281
Expenditures					
Current:					
General government	623,497	-	-	-	623,497
Public service	-	-	-	60,262	60,262
Public safety	1,793,575	-	-	280,706	2,074,281
Public works	615,059	390,548	392,624	393	1,398,624
Community and economic development	-	-	-	4,710	4,710
Recreation and culture	305,533	-	-	164,505	470,038
Capital outlay	98,120	-	-	78,822	176,942
Total expenditures	3,435,784	390,548	392,624	589,398	4,808,354
Excess of Revenue Over (Under) Expenditures	1,172,197	90,956	(217,510)	(221,716)	823,927
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	100,000	497,749	597,749
Transfers out (Note 5)	(495,150)	(100,000)	-	(2,599)	(597,749)
Sale of capital assets	37,500	-	-	-	37,500
Total other financing (uses) sources	(457,650)	(100,000)	100,000	495,150	37,500
Net Change in Fund Balances	714,547	(9,044)	(117,510)	273,434	861,427
Fund Balances - Beginning of year, as restated (Note 1)	1,845,473	462,870	278,987	1,172,976	3,760,306
Fund Balances - End of year	<u>\$ 2,560,020</u>	<u>\$ 453,826</u>	<u>\$ 161,477</u>	<u>\$ 1,446,410</u>	<u>\$ 4,621,733</u>

Governmental Funds

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 861,427
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:	
Net book value of assets disposed	(129,971)
Depreciation expense	(634,289)
Capital outlay	798,260
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	109,843
Change in employee compensated absences, retiree health care benefits, and pension benefits does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	(22,265)
Change in Net Position of Governmental Activities	<u>\$ 983,005</u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,629,075	\$ 2,560,762	\$ 4,189,837
Receivables - Customers	218,466	257,171	475,637
Total current assets	1,847,541	2,817,933	4,665,474
Noncurrent assets:			
Restricted cash (Note 7)	-	701,479	701,479
Capital assets: (Note 4)			
Assets not subject to depreciation	128,983	28,059	157,042
Assets subject to depreciation - Net	5,349,897	9,508,379	14,858,276
Total noncurrent assets	5,478,880	10,237,917	15,716,797
Total assets	7,326,421	13,055,850	20,382,271
Liabilities			
Current liabilities:			
Accounts payable	2,784	2,229	5,013
Compensated absences (Note 6)	7,169	5,339	12,508
Current portion of long-term debt (Note 6)	-	215,000	215,000
Total current liabilities	9,953	222,568	232,521
Noncurrent liabilities:			
Compensated absences (Note 6)	12,991	9,095	22,086
Total OPEB liability (Note 11)	41,070	41,070	82,140
Long-term debt (Note 6)	-	1,265,914	1,265,914
Total noncurrent liabilities	54,061	1,316,079	1,370,140
Total liabilities	64,014	1,538,647	1,602,661
Deferred Inflows of Resources - Deferred OPEB cost reductions	473	473	946
Net Position			
Net investment in capital assets	5,478,880	8,055,524	13,534,404
Restricted	-	701,479	701,479
Unrestricted	1,783,054	2,759,727	4,542,781
Total net position	\$ 7,261,934	\$ 11,516,730	\$ 18,778,664

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

Year Ended June 30, 2021

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 812,312	\$ 1,010,769	\$ 1,823,081
Charges for services	2,500	-	2,500
Penalties	12,619	16,027	28,646
Miscellaneous	30,582	54,859	85,441
Total operating revenue	858,013	1,081,655	1,939,668
Operating Expenses			
Water production	127,536	-	127,536
Sewer treatment plant	-	494,209	494,209
Administration	115,185	165,142	280,327
Water system	295,342	-	295,342
Sewer system	-	158,808	158,808
Depreciation	165,346	423,414	588,760
Total operating expenses	703,409	1,241,573	1,944,982
Operating Income (Loss)	154,604	(159,918)	(5,314)
Nonoperating (Expense) Revenue			
Interest expense	-	(32,540)	(32,540)
Gain on disposal of assets	-	49,665	49,665
Total nonoperating revenue	-	17,125	17,125
Change in Net Position	154,604	(142,793)	11,811
Net Position - Beginning of year	7,107,330	11,659,523	18,766,853
Net Position - End of year	\$ 7,261,934	\$ 11,516,730	\$ 18,778,664

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2021

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 852,224	\$ 1,073,327	\$ 1,925,551
Receipts (payments) between the Water Fund and Sewer Fund for charges for services	22,165	(22,165)	-
Payments to suppliers, employees, and other funds	(563,381)	(866,318)	(1,429,699)
Net cash provided by operating activities	311,008	184,844	495,852
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	-	49,665	49,665
Purchase of capital assets	(44,783)	(420,842)	(465,625)
Principal and interest paid on capital debt	-	(242,540)	(242,540)
Net cash used in capital and related financing activities	(44,783)	(613,717)	(658,500)
Cash Flows Provided by Investing Activities - Proceeds from sale and maturities of investment securities	-	140,604	140,604
Net Increase (Decrease) in Cash	266,225	(288,269)	(22,044)
Cash - Beginning of year	1,362,850	3,146,260	4,509,110
Cash - End of year	<u>\$ 1,629,075</u>	<u>\$ 2,857,991</u>	<u>\$ 4,487,066</u>
Statement of Net Position Classification of Cash			
Cash and investments	\$ 1,629,075	\$ 2,560,762	\$ 4,189,837
Restricted cash	-	701,479	701,479
Less amounts classified as investments	-	(404,250)	(404,250)
Total cash	<u>\$ 1,629,075</u>	<u>\$ 2,857,991</u>	<u>\$ 4,487,066</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 154,604	\$ (159,918)	\$ (5,314)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	165,346	423,414	588,760
Changes in assets and liabilities:			
Receivables	(5,789)	(5,674)	(11,463)
Accounts payable	(3,153)	(72,978)	(76,131)
Net cash provided by operating activities	<u>\$ 311,008</u>	<u>\$ 184,844</u>	<u>\$ 495,852</u>

City of Richmond, Michigan

**Fiduciary Fund - Tax Collection Fund
Statement of Fiduciary Net Position**

	June 30, 2021
Assets	\$ -
Liabilities	<u>-</u>
Net Position	<u><u>\$ -</u></u>

City of Richmond, Michigan

**Fiduciary Fund - Tax Collection Fund
Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2021

Additions - Tax collections for others	\$ 5,759,796
Deductions - Tax distributions to others	<u>5,759,796</u>
Net Increase (Decrease) in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</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.

Note 1 - Significant Accounting Policies (Continued)

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

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 three 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.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. The City maintains a Tax Collection Fund, which collects taxes on behalf of certain taxing authorities (state, county, and school districts). There were no assets, liabilities, or net position within the fiduciary statement of net position, as all tax collections had been disbursed to the corresponding taxing authorities as of June 30, 2021.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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 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.

Note 1 - Significant Accounting Policies (Continued)

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.

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

<u>Capital Asset Class</u>	<u>Depreciable Life</u>
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 reports deferred outflows of resources related to the defined benefit pension plan, as detailed in Note 12.

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, and the defined benefit pension plan, as detailed in Note 12.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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 2020 taxable valuation of the City totaled \$195 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 16.0873 mills for operating purposes. This resulted in \$2.8 million for operating purposes, which is recognized in the General Fund financial statements as tax revenue.

Note 1 - Significant Accounting Policies (Continued)

Pension

The City offers a defined benefit pension plan to certain employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund is responsible for making the City's portion of the actuarially determined contributions, which is capped at 10 percent of covered payroll.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to certain employees. The City records a total OPEB liability determined by a calculation in accordance with the alternative measurement method. Benefit payments are recognized when due and payable in accordance with the benefit terms. Benefit payments will be made from the fund(s) in which retirees previously worked (primarily the General Fund, Water Fund, and Sewer Fund).

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, Major Streets, Local Streets, Cemetery, Parks and Recreation, Water, and Sewer funds, primarily) are used to liquidate the obligations.

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.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance/Net Position Adjustments

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following changes were made:

- The activity within the Tax Collection Fund that was not previously reported in the financial statements now is required to be reported within a separate fiduciary fund. There was no impact to beginning fund balance/net position among opinion units.
- The Library Endowment Fund was previously reported within governmental funds but is no longer required to be reported by the City and has been removed.

In addition, net position of the governmental activities as of June 30, 2020 has been restated to adjust for the net pension liability, deferred outflows, and deferred inflows related to the City's pension plan disclosed in Note 12 but not previously reported in the financial statements.

The effect of these adjustments on fund balance/net position was as follows:

	Governmental Activities	Other Nonmajor Governmental Funds
Net position/fund balance - June 30, 2020 - As previously reported	\$ 14,938,600	\$ 1,238,204
Adjustment for GASB Statement No. 84 - Library Endowment Fund	(65,228)	(65,228)
Net adjustment for net pension liability and related deferred inflows/outflows	(879,619)	-
Net position/fund balance - June 30, 2020 - As restated	<u>\$ 13,993,753</u>	<u>\$ 1,172,976</u>

Upcoming Accounting Pronouncements

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 ended 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 January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 1 - Significant Accounting Policies (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

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, 2021 is as follows:

Accumulated expenditures over revenue - July 1, 2020	\$ (542,954)
Current year revenue	83,169
Current year expenditures - Direct costs	<u>(95,064)</u>
Accumulated expenditures over revenue - June 30, 2021	<u><u>\$ (554,849)</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 no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The 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 \$8,061,702 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 \$851,886 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, 2021

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, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Construction in progress	258,907	(258,907)	6,388	-	6,388
Subtotal	378,907	(258,907)	6,388	-	126,388
Capital assets being depreciated:					
Infrastructure	6,844,412	258,907	558,861	-	7,662,180
Buildings and improvements	6,098,530	-	42,675	(200,000)	5,941,205
Vehicles and equipment	5,516,524	-	190,336	(294,940)	5,411,920
Subtotal	18,459,466	258,907	791,872	(494,940)	19,015,305
Accumulated depreciation:					
Infrastructure	1,976,261	-	300,715	-	2,276,976
Buildings and improvements	2,005,507	-	83,613	(128,000)	1,961,120
Vehicles and equipment	3,347,280	-	249,961	(236,969)	3,360,272
Subtotal	7,329,048	-	634,289	(364,969)	7,598,368
Net capital assets being depreciated	11,130,418	258,907	157,583	(129,971)	11,416,937
Net governmental activities capital assets	<u>\$ 11,509,325</u>	<u>\$ -</u>	<u>\$ 163,971</u>	<u>\$ (129,971)</u>	<u>\$ 11,543,325</u>

Business-type Activities

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 157,042	\$ -	\$ -	\$ 157,042
Capital assets being depreciated:				
Utility systems	17,817,461	73,800	-	17,891,261
Buildings	9,586,038	19,783	-	9,605,821
Vehicles and equipment	1,014,672	372,042	(213,000)	1,173,714
Subtotal	28,418,171	465,625	(213,000)	28,670,796
Accumulated depreciation:				
Utility systems	7,725,378	350,620	-	8,075,998
Buildings	4,831,455	181,460	-	5,012,915
Vehicles and equipment	879,927	56,680	(213,000)	723,607
Subtotal	13,436,760	588,760	(213,000)	13,812,520
Net capital assets being depreciated	14,981,411	(123,135)	-	14,858,276
Net business-type activities capital assets	<u>\$ 15,138,453</u>	<u>\$ (123,135)</u>	<u>\$ -</u>	<u>\$ 15,015,318</u>

June 30, 2021

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 319,284	\$ -	\$ -	\$ 319,284
Capital assets being depreciated:				
Infrastructure	2,386,501	-	-	2,386,501
Buildings and improvements	265,800	-	-	265,800
Furniture and fixtures	288,788	16,416	-	305,204
Land improvements	729,704	-	-	729,704
Subtotal	3,670,793	16,416	-	3,687,209
Accumulated depreciation:				
Infrastructure	491,942	38,253	-	530,195
Buildings and improvements	181,574	9,112	-	190,686
Furniture and fixtures	179,908	27,271	-	207,179
Land improvements	157,824	11,739	-	169,563
Subtotal	1,011,248	86,375	-	1,097,623
Net capital assets being depreciated	2,659,545	(69,959)	-	2,589,586
Net capital assets	<u>\$ 2,978,829</u>	<u>\$ (69,959)</u>	<u>\$ -</u>	<u>\$ 2,908,870</u>

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

Governmental activities:	
General government	\$ 525,570
Public safety	79,810
Recreation and culture	28,909
Total governmental activities	<u>\$ 634,289</u>
Business-type activities:	
Water	\$ 165,346
Sewer	423,414
Total business-type activities	<u>\$ 588,760</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	\$ 495,150
Major Streets Fund	Local Streets Fund	100,000
Nonmajor governmental funds	Nonmajor governmental funds	2,599
	Total	<u>\$ 597,749</u>

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

June 30, 2021

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, 2021 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 210,029	\$ 78,985	\$ (78,405)	\$ 210,609	\$ 78,751

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	\$ 540,000	\$ -	\$ (50,000)	\$ 490,000	\$ 50,000
General obligation bonds - 2007 Sewage Disposal System Revolving Loan:							
Amount of issue - \$3,010,914, Maturing through 2027	1.625%	\$145,000 - \$170,000	1,150,914	-	(160,000)	990,914	165,000
Total bonds payable			1,690,914	-	(210,000)	1,480,914	215,000
Compensated absences			39,786	11,385	(16,577)	34,594	12,508
Total business-type activities			\$ 1,730,700	\$ 11,385	\$ (226,577)	\$ 1,515,508	\$ 227,508

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 \$32,200. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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	225,000	12,340	237,340
2027-2030	380,914	17,077	397,991
Total	\$ 1,480,914	\$ 119,157	\$ 1,600,071

Note 7 - Restricted Net Position

Restricted assets at June 30, 2021 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 \$146,307 during the year ended June 30, 2021 when the taxable value of the area was approximately \$40.6 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 two defined contribution plans: (1) 401 Money Purchase Plan and 457 Deferred Compensation Plan administered by ICMA-RC Retirement Trust and (2) Pension Trust administered by Lincoln Financial Group and John Hancock Financial. 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 \$93,754 during the current year, and employees contributed \$106,375.

June 30, 2021

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.

Employees Covered by Benefit Terms

As of June 30, 2021, 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, 2021, there was \$18,328 in benefit premiums expense 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, 2021 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2021 measurement date. The June 30, 2021 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, 2020	\$ 326,143
Changes for the year:	
Service cost	12,990
Interest	9,901
Differences between expected and actual experience	(27,037)
Changes in assumptions	24,928
Benefit payments	(18,328)
Net changes	2,454
Balance at June 30, 2021	<u>\$ 328,597</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$19,744.

At June 30, 2021, the City reported deferred inflows of resources related to OPEB of \$3,790 from changes in assumptions.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2022	\$ (1,038)
2023	(1,038)
2024	(1,038)
2025	(676)
2026	-
Total	<u>\$ (3,790)</u>

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2021, 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 Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 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 4.9 percent initially, reaching an ultimate rate of 4.3 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 2021 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.

Note 11 - Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.14 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 2.14 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 (1.14%)	Current Discount Rate (2.14%)	1 Percentage Point Increase (3.14%)
Total OPEB liability of the Employees' OPEB Plan	\$ 360,255	\$ 328,597	\$ 299,811

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 4.3 to 4.9 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 (3.3% to 3.9%)	Current Health Care Cost Trend Rate (4.3% to 4.9%)	1 Percentage Point Increase (5.3% to 5.9%)
Total OPEB liability of the Employees' OPEB Plan	\$ 291,095	\$ 328,597	\$ 371,994

Note 12 - Pension Plan

Plan Description

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The MERS plan provides retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amended the benefit provisions of the participants in MERS.

The MERS plan covers all full-time employees of the City's police department.

Benefit payments are calculated as final average compensation (based on a 5-year period) and a multiplier of 1.7 percent. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Early retirement options are available at age 50 with 25 or more years of service or 55 with 15 years of service with a reduced benefit.

Benefit terms are generally established and amended by authority of the honorable mayor and members of the City Council, generally after negotiations of these terms with the affected unions.

Note 12 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	5
Active plan members	<u>11</u>
Total employees covered by the plan	<u><u>16</u></u>

Contributions

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

For the year ended June 30, 2021, the City's contributions are expressed as a percentage of covered payroll and amount to 10 percent of covered payroll. The active employees make up the remaining required contribution, which averaged 12.44 percent of covered payroll.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2021 fiscal year-end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 3,204,512	\$ 2,263,293	\$ 941,219
Changes for the year:			
Service cost	68,904	-	68,904
Interest	241,306	-	241,306
Changes in benefits	(14,399)	-	(14,399)
Differences between expected and actual experience	64,098	-	64,098
Changes in assumptions	163,461	-	163,461
Contributions - Employer	-	55,551	(55,551)
Contributions - Employee	-	65,423	(65,423)
Net investment income	-	295,813	(295,813)
Benefit payments, including refunds	(127,761)	(127,761)	-
Administrative expenses	-	(4,606)	4,606
Net changes	<u>395,609</u>	<u>284,420</u>	<u>111,189</u>
Balance at December 31, 2020	<u><u>\$ 3,600,121</u></u>	<u><u>\$ 2,547,713</u></u>	<u><u>\$ 1,052,408</u></u>

Note 12 - Pension Plan (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense of \$73,413.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,626	\$ 41,238
Changes in assumptions	198,859	-
Net difference between projected and actual earnings on pension plan investments	-	87,505
Employer contributions to the plan subsequent to the measurement date	27,424	-
Total	<u>\$ 280,909</u>	<u>\$ 128,743</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$27,424), which will impact the net pension liability in fiscal year 2022, rather than pension expense.

Years Ending June 30	Amount
2022	\$ 26,126
2023	49,224
2024	(1,614)
2025	13,079
2026	37,927
Total	<u>\$ 124,742</u>

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3 percent, an investment rate of return (gross of investment expenses) of 7.60 percent, and the PUB-2010 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from January 1, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that city contributions will be made at the current contribution rate of 10 percent of covered wages and that employee contributions will be made at rates equal to the difference between actuarially determined contribution rates and the City's rate.

Investment Rate of Return

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

Note 12 - Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2020 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 1,494,115	\$ 1,052,408	\$ 681,386

Pension Plan Fiduciary Net Position

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

Assumption Changes

In the 2020 valuation, a new five-year experience study was used which resulted in changes with the mortality table used and changes in the retirement, disability, and termination rates.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,738,415	\$ 2,738,415	\$ 2,757,554	\$ 19,139
State-shared revenue and grants	506,600	506,600	872,294	365,694
Charges for services:				
Trash collection	340,823	340,823	353,562	12,739
Fees	9,500	26,500	20,356	(6,144)
Rentals	130,000	130,000	178,333	48,333
Fines and forfeitures:				
Traffic fines and penalties	27,000	27,000	14,692	(12,308)
Library fines	20,400	20,400	18,223	(2,177)
Licenses and permits	169,850	169,850	231,655	61,805
Interest	7,000	7,000	17,842	10,842
Other revenue:				
Donations	55,000	55,000	60,975	5,975
Other miscellaneous revenue	39,000	39,000	82,495	43,495
Total revenue	4,043,588	4,060,588	4,607,981	547,393
Expenditures				
Current services:				
General government:				
City Council	24,402	24,402	21,535	2,867
City manager	97,390	97,390	79,431	17,959
Cable television	69,293	69,293	63,443	5,850
Treasurer	59,290	61,064	58,209	2,855
Assessor	37,908	37,908	36,035	1,873
Board of Review	12,035	12,035	1,650	10,385
Clerk	110,620	110,620	104,975	5,645
Buildings and grounds	36,912	36,912	30,339	6,573
Attorney	26,000	26,000	22,620	3,380
Elections	15,364	15,364	18,824	(3,460)
Building and grounds - Police	55,985	55,985	40,129	15,856
Annexation agreement	146,307	146,307	146,307	-
Public safety:				
Police	1,426,586	1,426,586	1,273,660	152,926
Communications	318,491	318,491	276,387	42,104
Traffic safety	32,729	32,729	15,518	17,211
Civil defense/Emergency preparedness	1,700	1,700	3,200	(1,500)
Planning	72,813	72,813	73,262	(449)
Public service director	57,489	60,020	56,149	3,871
Building and trade inspections	97,804	97,804	95,399	2,405
Public works:				
Refuse collection and disposal	311,150	311,150	294,951	16,199
Street lighting	133,164	133,164	108,809	24,355
Department of Public Works	203,048	208,248	211,299	(3,051)
Recreation and culture - Library	396,206	396,206	305,533	90,673
Capital outlay	70,550	70,550	98,120	(27,570)
Total expenditures	3,813,236	3,822,741	3,435,784	386,957
Excess of Revenue Over Expenditures	230,352	237,847	1,172,197	934,350
Other Financing Uses - Transfers out	(555,227)	(555,227)	(457,650)	97,577
Net Change in Fund Balance	(324,875)	(317,380)	714,547	1,031,927
Fund Balance - Beginning of year	1,845,473	1,845,473	1,845,473	-
Fund Balance - End of year	\$ 1,520,598	\$ 1,528,093	\$ 2,560,020	\$ 1,031,927

City of Richmond, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 369,169	\$ 369,169	\$ 480,181	\$ 111,012
Other revenue	-	-	1,323	1,323
Total revenue	369,169	369,169	481,504	112,335
Expenditures - Current services - Public works:				
Street construction	222,895	222,895	206,094	16,801
Routine maintenance	84,223	84,223	97,341	(13,118)
Winter maintenance	82,776	82,776	64,814	17,962
Administration	10,400	10,729	10,172	557
Traffic services	27,054	27,054	12,127	14,927
Total expenditures	427,348	427,677	390,548	37,129
Excess of Revenue (Under) Over Expenditures	(58,179)	(58,508)	90,956	149,464
Other Financing Uses - Transfers out	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	(158,179)	(158,508)	(9,044)	149,464
Fund Balance - Beginning of year	462,870	462,870	462,870	-
Fund Balance - End of year	<u>\$ 304,691</u>	<u>\$ 304,362</u>	<u>\$ 453,826</u>	<u>\$ 149,464</u>

City of Richmond, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 125,722	\$ 125,722	\$ 173,678	\$ 47,956
Other revenue	100	100	1,436	1,336
Total revenue	125,822	125,822	175,114	49,292
Expenditures - Current services - Public works:				
Street construction	237,125	237,125	273,589	(36,464)
Routine maintenance	84,524	84,524	73,018	11,506
Winter maintenance	9,413	9,413	3,842	5,571
Traffic services	42,195	42,195	35,139	7,056
Administration	7,019	7,229	7,036	193
Total expenditures	380,276	380,486	392,624	(12,138)
Excess of Expenditures Over Revenue	(254,454)	(254,664)	(217,510)	37,154
Other Financing Sources - Transfers in	366,000	366,000	100,000	(266,000)
Net Change in Fund Balance	111,546	111,336	(117,510)	(228,846)
Fund Balance - Beginning of year	278,987	278,987	278,987	-
Fund Balance - End of year	<u>\$ 390,533</u>	<u>\$ 390,323</u>	<u>\$ 161,477</u>	<u>\$ (228,846)</u>

City of Richmond, Michigan

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

	Last Four Fiscal Years			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 12,990	\$ 9,208	\$ 9,208	\$ 9,691
Interest	9,901	10,055	9,709	9,408
Differences between expected and actual experience	(27,037)	(38,400)	-	-
Changes in assumptions	24,928	19,324	-	(7,942)
Benefit payments	(18,328)	-	(3,129)	(8,918)
Net Change in Total OPEB Liability	2,454	187	15,788	2,239
Total OPEB Liability - Beginning of year	326,143	325,956	310,168	307,929
Total OPEB Liability - End of year	\$ 328,597	\$ 326,143	\$ 325,956	\$ 310,168

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

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Seven Fiscal Years
(Schedule is built prospectively upon implementation of GASB Statement No. 68)
Measurement Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 68,904	\$ 59,725	\$ 56,354	\$ 46,212	\$ 49,908	\$ 49,921	\$ 49,457
Interest	241,306	237,802	224,418	212,907	204,724	191,296	177,180
Changes in benefit terms	(14,399)	(19,774)	(4,880)	(13,874)	(4,336)	(16,280)	-
Differences between expected and actual experience	64,098	(63,790)	3,028	(14,822)	(82,549)	(72,360)	-
Changes in assumptions	163,461	104,403	-	-	-	144,728	-
Benefit payments, including refunds	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Total Pension Liability	395,609	205,325	165,347	160,796	110,148	240,927	171,479
Total Pension Liability - Beginning of year	3,204,512	2,999,187	2,833,840	2,673,044	2,562,896	2,321,969	2,150,490
Total Pension Liability - End of year	<u>\$ 3,600,121</u>	<u>\$ 3,204,512</u>	<u>\$ 2,999,187</u>	<u>\$ 2,833,840</u>	<u>\$ 2,673,044</u>	<u>\$ 2,562,896</u>	<u>\$ 2,321,969</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 55,551	\$ 54,494	\$ 49,094	\$ 48,468	\$ 50,617	\$ 54,262	\$ 53,757
Contributions - Member	65,423	53,070	38,544	34,034	36,024	42,068	35,453
Net investment income (loss)	295,813	273,658	(83,312)	249,412	190,543	(25,466)	96,206
Administrative expenses	(4,606)	(4,715)	(4,108)	(3,941)	(3,756)	(3,652)	(3,554)
Benefit payments, including refunds	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Plan Fiduciary Net Position	284,420	263,466	(113,355)	258,346	215,829	10,834	126,704
Plan Fiduciary Net Position - Beginning of year	2,263,293	1,999,827	2,113,182	1,854,836	1,639,007	1,628,173	1,501,469
Plan Fiduciary Net Position - End of year	<u>\$ 2,547,713</u>	<u>\$ 2,263,293</u>	<u>\$ 1,999,827</u>	<u>\$ 2,113,182</u>	<u>\$ 1,854,836</u>	<u>\$ 1,639,007</u>	<u>\$ 1,628,173</u>
City's Net Pension Liability - Ending	<u>\$ 1,052,408</u>	<u>\$ 941,219</u>	<u>\$ 999,360</u>	<u>\$ 720,658</u>	<u>\$ 818,208</u>	<u>\$ 923,889</u>	<u>\$ 693,796</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.77 %	70.63 %	66.68 %	74.57 %	69.39 %	63.95 %	70.12 %
Covered Payroll	\$ 574,201	\$ 544,939	\$ 524,714	\$ 459,363	\$ 506,169	\$ 542,615	\$ 537,574
City's Net Pension Liability as a Percentage of Covered Payroll	183.28 %	172.72 %	190.46 %	156.88 %	161.65 %	170.27 %	129.06 %

Required Supplemental Information
Schedule of Pension Contributions

	Last Ten Fiscal Years									
	Year Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 52,790	\$ 55,023	\$ 51,794	\$ 48,737	\$ 49,499	\$ 52,440	\$ 54,010	\$ 53,746	\$ 52,895	\$ 54,969
Contributions in relation to the actuarially determined contribution	52,790	55,023	51,794	48,737	49,499	52,440	54,010	53,746	52,895	54,969
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 527,900	\$ 550,230	\$ 517,940	\$ 487,370	\$ 494,990	\$ 524,400	\$ 540,100	\$ 537,460	\$ 528,950	\$ 549,690
Contributions as a Percentage of Covered Payroll	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2021 were determined based on the actuarial valuation as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 percent
Investment rate of return	7.60 percent - Net of investment and administrative expense including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the RP-2014 Healthy Annuities Mortality Tables, RP-2014 Employee Mortality Tables, RP-2014 Juvenile 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 incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund - Elections	\$ 15,364	\$ 18,824	\$ (3,460)
General Fund - Civil defense/Emergency preparedness	1,700	3,200	(1,500)
General Fund - Planning	72,813	73,262	(449)
General Fund - Department of Public Works	208,248	211,299	(3,051)
General Fund - Capital outlay	70,550	98,120	(27,570)
Major Streets Fund - Routine maintenance	84,223	97,341	(13,118)
Local Streets Fund - Street construction	237,125	273,589	(36,464)

Pension Information - Changes in Assumptions

Amounts reported in 2015 reflect a change in inflation rates from a range of 3.0 to 4.0 percent to 3.25 percent. Assumed salary increases decreased from 4.5 to 3.75 percent. The assumed investment rate of return decreased from 8.25 to 8.0 percent. Lastly, the mortality assumption was updated to be based on the RP-2014 tables.

In 2019, MERS reduced the assumed investment rate of return from 8.0 to 7.6 percent and reduced assumed salary increases from 3.75 to 3.0 percent.

In 2020, the mortality assumption was updated to be based on Pub-2010 tables.

Other Supplemental Information

City of Richmond, Michigan

	Special Revenue Funds			
	Fire Department	Mausoleum	Cemetery	Parks and Recreation
Assets				
Cash and investments	\$ 312,641	\$ 54,943	\$ 92,705	\$ 89,964
Receivables	73,668	-	-	-
Total assets	\$ 386,309	\$ 54,943	\$ 92,705	\$ 89,964
Liabilities - Accounts payable	\$ 2,037	\$ -	\$ 74	\$ 3,918
Fund Balances				
Restricted - Mausoleum	-	54,943	-	-
Committed:				
Fire operations	279,173	-	-	-
Parks and recreation	-	-	-	86,046
Cemetery	-	-	92,631	-
Fire equipment replacement	105,099	-	-	-
Assigned - Capital projects	-	-	-	-
Total fund balances	384,272	54,943	92,631	86,046
Total liabilities and fund balances	\$ 386,309	\$ 54,943	\$ 92,705	\$ 89,964

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

<u>Capital Project Funds</u>		
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Total</u>
\$ 74,144	\$ 754,374	\$ 1,378,771
-	-	73,668
<u>\$ 74,144</u>	<u>\$ 754,374</u>	<u>\$ 1,452,439</u>
-	-	6,029
-	-	54,943
-	-	279,173
-	-	86,046
-	-	92,631
-	-	105,099
74,144	754,374	828,518
74,144	754,374	1,446,410
<u>\$ 74,144</u>	<u>\$ 754,374</u>	<u>\$ 1,452,439</u>

City of Richmond, Michigan

	Special Revenue Funds				
	Fire Department	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Revenue					
Intergovernmental revenue	\$ 26,000	\$ -	\$ -	\$ -	\$ 7,309
Charges for services	147,748	1,795	43,823	8,033	-
Interest	-	-	1,559	-	-
Other revenue:					
Donations	-	-	50	500	-
Other miscellaneous revenue	-	-	425	440	-
Total revenue	173,748	1,795	45,857	8,973	7,309
Expenditures					
Current services:					
Public service	-	1,256	59,006	-	-
Public safety	280,706	-	-	-	-
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	4,710
Recreation and culture	-	-	-	164,505	-
Capital outlay	-	-	-	29,958	-
Total expenditures	280,706	1,256	59,006	194,463	4,710
Excess of Revenue (Under) Over Expenditures	(106,958)	539	(13,149)	(185,490)	2,599
Other Financing Sources (Uses)					
Transfers in	128,650	-	-	185,599	-
Transfers out	-	-	-	-	(2,599)
Total other financing sources (uses)	128,650	-	-	185,599	(2,599)
Net Change in Fund Balances	21,692	539	(13,149)	109	-
Fund Balances - Beginning of year, as restated (Note 1)	362,580	54,404	105,780	85,937	-
Fund Balances - End of year	\$ 384,272	\$ 54,943	\$ 92,631	\$ 86,046	\$ -

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

Year Ended June 30, 2021

<u>Capital Project Funds</u>		
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 33,309
-	-	201,399
-	-	1,559
-	130,000	130,550
-	-	865
-	130,000	367,682
-	-	60,262
-	-	280,706
-	393	393
-	-	4,710
-	-	164,505
48,864	-	78,822
48,864	393	589,398
(48,864)	129,607	(221,716)
53,500	130,000	497,749
-	-	(2,599)
53,500	130,000	495,150
4,636	259,607	273,434
69,508	494,767	1,172,976
\$ 74,144	\$ 754,374	\$ 1,446,410