
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplemental Information
June 30, 2022

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Fund - Tax Collection Fund:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20-38
Required Supplemental Information	39
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Major Special Revenue Funds	41-42
Schedule of Changes in the Total OPEB Liability and Related Ratios	43
Schedule of Changes in the Net Pension Liability and Related Ratios	44
Schedule of Pension Contributions	45
Notes to Required Supplemental Information	46
Other Supplemental Information	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48-49
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	50-51

Independent Auditor's Report

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

Opinions

We have audited the financial statements of the 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, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, capital assets of the Water Fund, Sewer Fund, business-type activities, and governmental activities as of July 1, 2021 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 17, 2022

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, 2022. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$195 million in 2021 to \$203 million in 2022. This was the seventh year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2022, property tax revenue, the City's largest single revenue source, totaled \$2.8 million in the General Fund, representing an increase of 2.4 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 \$694,311 in the 2021/2022 fiscal year, an increase of \$102,915, or 17 percent, from last year. The current year amount represents an increase of \$9,595, or 1.4 percent, from 2001/2002 funding levels.
- Total long-term liabilities for governmental activities are \$1,473,684, a decrease of \$35,790, or 2.4 percent, from the previous year. This decrease relates primarily to changes in the accrued compensated absences.
- Total fund balance for the City's governmental funds increased by \$521,578, 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 \$68,000 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 project 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 and 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, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 6,048,859	\$ 4,923,893	\$ 5,675,473	\$ 5,366,953	\$ 11,724,332	\$ 10,290,846
Capital assets	10,865,713	10,904,044	13,634,316	13,993,834	24,500,029	24,897,878
Total assets	16,914,572	15,827,937	19,309,789	19,360,787	36,224,361	35,188,724
Deferred Outflows of Resources						
	362,462	280,909	-	-	362,462	280,909
Liabilities						
Current liabilities	736,507	130,308	33,891	5,013	770,398	135,321
Noncurrent liabilities	1,473,684	1,509,474	1,380,426	1,597,648	2,854,110	3,107,122
Total liabilities	2,210,191	1,639,782	1,414,317	1,602,661	3,624,508	3,242,443
Deferred Inflows of Resources						
	231,042	131,587	686	946	231,728	132,533
Net Position						
Net investment in capital assets	10,865,713	10,904,044	12,368,402	12,512,920	23,234,115	23,416,964
Restricted	1,039,459	670,246	721,779	701,479	1,761,238	1,371,725
Unrestricted	2,930,629	2,763,187	4,804,605	4,542,781	7,735,234	7,305,968
Total net position (as restated)	\$ 14,835,801	\$ 14,337,477	\$ 17,894,786	\$ 17,757,180	\$ 32,730,587	\$ 32,094,657

The City's combined net position for both governmental and business-type activities totals \$32.7 million for fiscal year 2022. 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 \$25 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$7.7 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, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 969,191	\$ 880,394	\$ 2,064,348	\$ 1,939,668	\$ 3,033,539	\$ 2,820,062
Operating grants and contributions	784,007	961,058	-	-	784,007	961,058
Capital grants and contributions	194,814	340,866	159,500	-	354,314	340,866
General revenue:						
Property taxes	2,824,404	2,757,554	-	-	2,824,404	2,757,554
State-shared revenue	729,499	640,247	-	-	729,499	640,247
Other revenue	168,813	222,022	680	49,665	169,493	271,687
Total revenue	5,670,728	5,802,141	2,224,528	1,989,333	7,895,256	7,791,474
Expenses						
General government	812,888	1,194,086	-	-	812,888	1,194,086
Public service	63,752	60,262	-	-	63,752	60,262
Public safety	2,380,655	2,114,493	-	-	2,380,655	2,114,493
Public works	1,277,658	932,520	-	-	1,277,658	932,520
Community and economic development	3,788	4,710	-	-	3,788	4,710
Recreation and culture	633,663	513,065	-	-	633,663	513,065
Water and sewer	-	-	2,086,922	1,977,522	2,086,922	1,977,522
Total expenses	5,172,404	4,819,136	2,086,922	1,977,522	7,259,326	6,796,658
Change in Net Position	\$ 498,324	\$ 983,005	\$ 137,606	\$ 11,811	\$ 635,930	\$ 994,816

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 \$5.2 million for fiscal year 2022. Additionally, revenue for governmental activities totaled approximately \$5.7 million for fiscal year 2022. Revenue decreased compared to 2021, as there was more than \$275,000 in COVID-19 relief grants during 2021, but there were no such grants in 2022.

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 2022 compared to 2021.

The City's Funds

Our analysis of the City's major funds begins on page 11, 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 \$2.4 million in 2022. 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 \$521,578. During the year ended June 30, 2022, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the City had \$24.5 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, 2022 is approximately \$1.3 million. Of this amount, \$1.2 million represents general obligation bonds. See Note 6 for additional details.

Economic Factors and Next Year's Budgets and Rates

At the beginning of 2022, the national economy was beginning to regulate after the impact of the recent COVID-19 pandemic. However, toward the end of 2022, the economy was in a period of high inflation. The national unemployment rate has decreased from 5.9 percent a year ago to 3.6 percent at the end of the City's current fiscal year. The national Consumer Price Index has increased from 5.4 percent a year ago to 9.1 percent at the end of the City's current fiscal year. There are anticipated increases in federal grants from the American Rescue Plan Act. 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 5,712,399	\$ 4,500,635	\$ 10,213,034	\$ 832,118
Receivables:				
Receivables from sales to customers on account	-	453,059	453,059	-
Due from other governmental units	296,377	-	296,377	-
Other receivables	40,083	-	40,083	-
Restricted cash (Notes 3 and 7)	-	721,779	721,779	-
Capital assets: (Note 4)				
Assets not subject to depreciation	206,735	157,042	363,777	583,094
Assets subject to depreciation - Net	10,658,978	13,477,274	24,136,252	2,405,508
Total assets	16,914,572	19,309,789	36,224,361	3,820,720
Deferred Outflows of Resources - Deferred pension costs (Note 12)	362,462	-	362,462	-
Liabilities				
Accounts payable	96,345	33,891	130,236	28,946
Accrued liabilities and other	25,498	-	25,498	-
Unearned revenue	614,664	-	614,664	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	60,807	12,265	73,072	-
Current portion of long-term debt (Note 6)	-	215,000	215,000	-
Due in more than one year:				
Compensated absences (Note 6)	113,282	27,347	140,629	-
Total OPEB liability (Note 11)	224,734	74,900	299,634	-
Net pension liability (Note 12)	1,074,861	-	1,074,861	-
Long-term debt (Note 6)	-	1,050,914	1,050,914	-
Total liabilities	2,210,191	1,414,317	3,624,508	28,946
Deferred Inflows of Resources				
Deferred OPEB cost reductions (Note 11)	2,066	686	2,752	-
Deferred pension cost reductions (Note 12)	228,976	-	228,976	-
Total deferred inflows of resources	231,042	686	231,728	-
Net Position				
Net investment in capital assets	10,865,713	12,368,402	23,234,115	2,988,602
Restricted for:				
Roads	985,227	-	985,227	-
Capital projects	-	721,779	721,779	-
Mausoleum	54,232	-	54,232	-
Unrestricted	2,930,629	4,804,605	7,735,234	803,172
Total net position	<u>\$ 14,835,801</u>	<u>\$ 17,894,786</u>	<u>\$ 32,730,587</u>	<u>\$ 3,791,774</u>

City of Richmond, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 812,888	\$ 18,028	\$ 16,037	\$ -
Public service	63,752	60,898	-	-
Public safety	2,380,655	258,396	21,786	-
Public works	1,277,658	568,572	728,979	130,000
Community and economic development	3,788	-	5,778	-
Recreation and culture	633,663	63,297	11,427	64,814
Total governmental activities	5,172,404	969,191	784,007	194,814
Business-type activities:				
Water	804,774	926,909	-	159,500
Sewer	1,282,148	1,137,439	-	-
Total business-type activities	2,086,922	2,064,348	-	159,500
Total primary government	\$ 7,259,326	\$ 3,033,539	\$ 784,007	\$ 354,314
Component units - Tax Increment Finance Authority	\$ 721,389	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 State-shared revenue
 Cable franchise fees
 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, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
\$ (778,823)	\$ -	\$ (778,823)	\$ -
(2,854)	-	(2,854)	-
(2,100,473)	-	(2,100,473)	-
149,893	-	149,893	-
1,990	-	1,990	-
(494,125)	-	(494,125)	-
(3,224,392)	-	(3,224,392)	-
-	281,635	281,635	-
-	(144,709)	(144,709)	-
-	136,926	136,926	-
(3,224,392)	136,926	(3,087,466)	-
-	-	-	(721,389)
2,824,404	-	2,824,404	703,995
729,499	-	729,499	-
94,775	-	94,775	-
3,463	680	4,143	-
70,575	-	70,575	-
3,722,716	680	3,723,396	703,995
498,324	137,606	635,930	(17,394)
14,337,477	17,757,180	32,094,657	3,809,168
\$ 14,835,801	\$ 17,894,786	\$ 32,730,587	\$ 3,791,774

City of Richmond, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 3,547,686	\$ 475,794	\$ 424,443	\$ 1,264,476	\$ 5,712,399
Receivables:					
Due from other governmental units	189,136	80,153	27,088	-	296,377
Other receivables	40,083	-	-	-	40,083
Total assets	\$ 3,776,905	\$ 555,947	\$ 451,531	\$ 1,264,476	\$ 6,048,859
Liabilities					
Accounts payable	\$ 63,942	\$ 7,973	\$ 14,278	\$ 10,152	\$ 96,345
Accrued liabilities and other	25,498	-	-	-	25,498
Unearned revenue	614,664	-	-	-	614,664
Total liabilities	704,104	7,973	14,278	10,152	736,507
Deferred Inflows of Resources -					
Unavailable revenue	169,041	-	-	-	169,041
Fund Balances					
Restricted:					
Roads	-	547,974	437,253	-	985,227
Mausoleum	-	-	-	54,232	54,232
Committed:					
Fire operations	-	-	-	163,346	163,346
Parks and recreation	-	-	-	4,640	4,640
Cemetery	-	-	-	90,688	90,688
Fire equipment replacement	-	-	-	161,022	161,022
Assigned:					
Subsequent year's budget	381,640	-	-	-	381,640
Capital projects	-	-	-	780,396	780,396
Unassigned	2,522,120	-	-	-	2,522,120
Total fund balances	2,903,760	547,974	437,253	1,254,324	5,143,311
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,776,905	\$ 555,947	\$ 451,531	\$ 1,264,476	\$ 6,048,859

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 5,143,311
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	10,865,713
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	169,041
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	(174,089)
Net pension liability and related deferred inflows and outflows	(941,375)
Total OPEB liability and related deferred inflows	<u>(226,800)</u>
Net Position of Governmental Activities	<u>\$ 14,835,801</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 2,824,404	\$ -	\$ -	\$ -	\$ 2,824,404
Intergovernmental revenue:					
Federal grants	10,928	-	-	5,778	16,706
State-shared revenue and grants	755,695	540,308	188,671	-	1,484,674
Charges for services	605,562	-	-	259,442	865,004
Fines and forfeitures	32,480	-	-	-	32,480
Licenses and permits	201,839	-	-	-	201,839
Interest	3,463	-	-	-	3,463
Other revenue:					
Donations	62,217	-	-	132,597	194,814
Other miscellaneous revenue	46,110	1,142	4,433	18,890	70,575
Total revenue	4,542,698	541,450	193,104	416,707	5,693,959
Expenditures					
Current:					
General government	696,583	-	-	-	696,583
Public service	-	-	-	63,702	63,702
Public safety	1,985,351	-	-	354,655	2,340,006
Public works	712,120	247,302	469,128	623	1,429,173
Community and economic development	-	-	-	3,788	3,788
Recreation and culture	344,416	-	-	261,615	606,031
Capital outlay	25,802	-	-	31,208	57,010
Total expenditures	3,764,272	247,302	469,128	715,591	5,196,293
Excess of Revenue Over (Under) Expenditures	778,426	294,148	(276,024)	(298,884)	497,666
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	551,800	460,588	1,012,388
Transfers out (Note 5)	(458,598)	(200,000)	-	(353,790)	(1,012,388)
Sale of capital assets	23,912	-	-	-	23,912
Total other financing (uses) sources	(434,686)	(200,000)	551,800	106,798	23,912
Net Change in Fund Balances	343,740	94,148	275,776	(192,086)	521,578
Fund Balances - Beginning of year	2,560,020	453,826	161,477	1,446,410	4,621,733
Fund Balances - End of year	<u>\$ 2,903,760</u>	<u>\$ 547,974</u>	<u>\$ 437,253</u>	<u>\$ 1,254,324</u>	<u>\$ 5,143,311</u>

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 521,578
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	(10,900)
Depreciation expense	(704,511)
Capital outlay	677,080
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	(2,811)
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	17,888
Change in Net Position of Governmental Activities	<u>\$ 498,324</u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,943,644	\$ 2,556,991	\$ 4,500,635
Receivables - Customers	206,423	246,636	453,059
Total current assets	2,150,067	2,803,627	4,953,694
Noncurrent assets:			
Restricted cash (Note 7)	-	721,779	721,779
Capital assets: (Note 4)			
Assets not subject to depreciation	128,983	28,059	157,042
Assets subject to depreciation - Net	4,866,728	8,610,546	13,477,274
Total noncurrent assets	4,995,711	9,360,384	14,356,095
Total assets	7,145,778	12,164,011	19,309,789
Liabilities			
Current liabilities:			
Accounts payable	6,034	27,857	33,891
Compensated absences (Note 6)	8,193	4,072	12,265
Current portion of long-term debt (Note 6)	-	215,000	215,000
Total current liabilities	14,227	246,929	261,156
Noncurrent liabilities:			
Compensated absences (Note 6)	18,480	8,867	27,347
Total OPEB liability (Note 11)	37,450	37,450	74,900
Long-term debt (Note 6)	-	1,050,914	1,050,914
Total noncurrent liabilities	55,930	1,097,231	1,153,161
Total liabilities	70,157	1,344,160	1,414,317
Deferred Inflows of Resources - Deferred OPEB cost reductions	343	343	686
Net Position			
Net investment in capital assets	4,995,711	7,372,691	12,368,402
Restricted	-	721,779	721,779
Unrestricted	2,079,567	2,725,038	4,804,605
Total net position	<u>\$ 7,075,278</u>	<u>\$ 10,819,508</u>	<u>\$ 17,894,786</u>

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

Year Ended June 30, 2022

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 848,935	\$ 1,050,650	\$ 1,899,585
Charges for services	2,500	-	2,500
Penalties	13,244	16,679	29,923
Miscellaneous	62,230	70,110	132,340
Total operating revenue	926,909	1,137,439	2,064,348
Operating Expenses			
Water production	157,995	-	157,995
Sewer treatment plant	-	503,713	503,713
Administration	140,973	193,876	334,849
Water system	331,428	-	331,428
Sewer system	-	134,811	134,811
Depreciation	174,378	421,396	595,774
Total operating expenses	804,774	1,253,796	2,058,570
Operating Income (Loss)	122,135	(116,357)	5,778
Nonoperating Revenue (Expense)			
Investment income	-	680	680
Interest expense	-	(28,352)	(28,352)
Total nonoperating expense	-	(27,672)	(27,672)
Capital Contributions	159,500	-	159,500
Change in Net Position	281,635	(144,029)	137,606
Net Position - Beginning of year, as restated (Note 1)	6,793,643	10,963,537	17,757,180
Net Position - End of year	\$ 7,075,278	\$ 10,819,508	\$ 17,894,786

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 938,952	\$ 1,147,974	\$ 2,086,926
Receipts (payments) between the Water Fund and Sewer Fund for charges for services	22,454	(22,454)	-
Payments to suppliers, employees, and other funds	(646,837)	(789,563)	(1,436,400)
Net cash provided by operating activities	314,569	335,957	650,526
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	(76,756)	(76,756)
Principal and interest paid on capital debt	-	(243,352)	(243,352)
Net cash used in capital and related financing activities	-	(320,108)	(320,108)
Cash Flows from Investing Activities			
Interest received on investments	-	680	680
Purchase of investment securities	-	(820)	(820)
Net cash used in investing activities	-	(140)	(140)
Net Increase in Cash	314,569	15,709	330,278
Cash - Beginning of year	1,629,075	2,857,991	4,487,066
Cash - End of year	\$ 1,943,644	\$ 2,873,700	\$ 4,817,344
Statement of Net Position Classification of Cash			
Cash and investments	\$ 1,943,644	\$ 2,556,991	\$ 4,500,635
Restricted cash	-	721,779	721,779
Less amounts classified as investments	-	(405,070)	(405,070)
Total cash	\$ 1,943,644	\$ 2,873,700	\$ 4,817,344
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 122,135	\$ (116,357)	\$ 5,778
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	174,378	421,396	595,774
Changes in assets and liabilities:			
Receivables	12,043	10,535	22,578
Accounts payable	6,013	20,383	26,396
Net cash provided by operating activities	\$ 314,569	\$ 335,957	\$ 650,526
Significant Noncash Transactions - Donated capital assets			
assets	\$ 159,500	\$ -	\$ 159,500

City of Richmond, Michigan

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

	June 30, 2022
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, 2022

Additions - Tax collections for others	\$ 6,144,277
Deductions - Tax distributions to others	<u>6,144,277</u>
Net Change 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, 2022.

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.

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

Unearned Revenue

Unearned revenue represents money received that does not yet meet the criteria for revenue recognition. As of June 30, 2022, the General Fund balance of unearned revenue consisted of American Rescue Plan Act cash received in advance of eligibility criteria being met. Unearned amounts are reported as liabilities.

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.

Note 1 - Significant Accounting Policies (Continued)

Net Position

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

Net Position Flow Assumption

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

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.

Note 1 - Significant Accounting Policies (Continued)

The 2021 taxable valuation of the City totaled \$203 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 15.8717 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.

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)

Prior Period Adjustment

The net position for governmental activities, business-type activities, the Water Fund, and the Sewer Fund at June 30, 2021 has been restated to correct an error in the capital asset balances made in a prior year. The effect of the adjustment was to decrease capital asset balances at June 30, 2021 by \$639,281, \$1,021,484, \$468,291, and \$553,193 in the governmental activities, business-type activities, Water Fund, and Sewer Fund, respectively. Net position at the beginning of 2022 has been adjusted for the effects of the restatement on prior years. The July 1, 2021 balances for governmental activities and business-type activities in Note 4 have also been adjusted to reflect reclassifications between the capital asset classes.

Upcoming Accounting Pronouncements

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 or 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 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

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, 2022 is as follows:

Accumulated expenditures over revenue - July 1, 2021	\$ (554,849)
Current year revenue	90,669
Current year expenditures - Direct costs	<u>(98,241)</u>
Accumulated expenditures over revenue - June 30, 2022	<u>\$ (562,421)</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 uninsured and uncollateralized bank deposits of \$9,814,707 (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 component unit bank deposits of \$838,417 that were uninsured and uncollateralized. The City and its component unit believe that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City and its component unit evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2022

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, 2021 (as Restated)	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Construction in progress	6,388	80,347	-	86,735
Subtotal	126,388	80,347	-	206,735
Capital assets being depreciated:				
Infrastructure	7,930,545	366,059	-	8,296,604
Buildings and improvements	5,472,513	29,251	-	5,501,764
Vehicles and equipment	5,670,529	201,423	(43,600)	5,828,352
Subtotal	19,073,587	596,733	(43,600)	19,626,720
Accumulated depreciation:				
Infrastructure	2,072,309	319,697	-	2,392,006
Buildings and improvements	2,723,731	111,839	-	2,835,570
Vehicles and equipment	3,499,891	272,975	(32,700)	3,740,166
Subtotal	8,295,931	704,511	(32,700)	8,967,742
Net capital assets being depreciated	10,777,656	(107,778)	(10,900)	10,658,978
Net governmental activities capital assets	<u>\$ 10,904,044</u>	<u>\$ (27,431)</u>	<u>\$ (10,900)</u>	<u>\$ 10,865,713</u>

Business-type Activities

	Balance July 1, 2021 (as Restated)	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 157,042	\$ -	\$ -	\$ 157,042
Capital assets being depreciated:				
Utility systems	19,884,454	159,500	-	20,043,954
Buildings	5,160,266	57,830	-	5,218,096
Vehicles and equipment	2,733,564	18,926	-	2,752,490
Subtotal	27,778,284	236,256	-	28,014,540
Accumulated depreciation:				
Stormwater drains	9,324,331	404,111	-	9,728,442
Buildings	3,064,136	106,196	-	3,170,332
Vehicles and equipment	1,553,025	85,467	-	1,638,492
Subtotal	13,941,492	595,774	-	14,537,266
Net capital assets being depreciated	13,836,792	(359,518)	-	13,477,274
Net business-type activities capital assets	<u>\$ 13,993,834</u>	<u>\$ (359,518)</u>	<u>\$ -</u>	<u>\$ 13,634,316</u>

June 30, 2022

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 319,284	\$ -	\$ -	\$ -	\$ 319,284
Construction in progress	-	-	263,810	-	263,810
Subtotal	319,284	-	263,810	-	583,094
Capital assets being depreciated:					
Infrastructure	2,386,501	(2,386,501)	-	-	-
Buildings and improvements	265,800	205,912	-	(16,128)	455,584
Furniture and fixtures	305,204	5,871	-	(18,519)	292,556
Land improvements	729,704	2,174,718	28,209	(189,078)	2,743,553
Subtotal	3,687,209	-	28,209	(223,725)	3,491,693
Accumulated depreciation:					
Infrastructure	530,195	(530,195)	-	-	-
Buildings and improvements	190,686	(41,482)	9,112	(17,659)	140,657
Furniture and fixtures	207,179	(60,873)	16,645	(19,187)	143,764
Land improvements	169,563	632,550	64,456	(64,805)	801,764
Subtotal	1,097,623	-	90,213	(101,651)	1,086,185
Net capital assets being depreciated	2,589,586	-	(62,004)	(122,074)	2,405,508
Net capital assets	\$ 2,908,870	\$ -	\$ 201,806	\$ (122,074)	\$ 2,988,602

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

Governmental activities:	
General government	\$ 515,625
Public safety	154,282
Recreation and culture	34,604
Total governmental activities	\$ 704,511
Business-type activities:	
Water	\$ 174,378
Sewer	421,396
Total business-type activities	\$ 595,774

June 30, 2022

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	\$ 458,598
Major Streets Fund	Local Streets Fund	200,000
Nonmajor governmental funds	Nonmajor governmental funds	1,990
	Local Streets Fund	351,800
	Total nonmajor governmental funds	353,790
	Total	<u>\$ 1,012,388</u>

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

Note 6 - Long-term Debt

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

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 210,609	\$ 42,231	\$ (78,751)	\$ 174,089	\$ 60,807

June 30, 2022

Note 6 - Long-term Debt (Continued)

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	\$ 490,000	\$ -	\$ (50,000)	\$ 440,000	\$ 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	990,914	-	(165,000)	825,914	165,000
Total bonds payable			1,480,914	-	(215,000)	1,265,914	215,000
Compensated absences			34,594	17,526	(12,508)	39,612	12,265
Total business-type activities			<u>\$ 1,515,508</u>	<u>\$ 17,526</u>	<u>\$ (227,508)</u>	<u>\$ 1,305,526</u>	<u>\$ 227,265</u>

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

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$28,400. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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	205,914	8,202	214,116
2028-2030	175,000	8,875	183,875
Total	<u>\$ 1,265,914</u>	<u>\$ 90,805</u>	<u>\$ 1,356,719</u>

Note 7 - Restricted Net Position

Restricted assets at June 30, 2022 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 \$149,219 during the year ended June 30, 2022 when the taxable value of the area was approximately \$41.4 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 \$102,608 during the current year, and employees contributed \$126,037.

Note 11 - Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

Note 11 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

As of June 30, 2022, there were 30 active plan members and 3 retired 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, 2022, there was \$56,343 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, 2022 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2022 measurement date. The June 30, 2022 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, 2021	\$ 328,597
Changes for the year:	
Service cost	12,056
Interest	6,690
Differences between expected and actual experience	28,999
Changes in assumptions	(20,365)
Benefit payments	(56,343)
Net changes	(28,963)
Balance at June 30, 2022	<u>\$ 299,634</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$26,342.

At June 30, 2022, the City reported deferred inflows of resources related to OPEB of \$2,752 from changes in assumptions.

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

Years Ending June 30	Amount
2023	\$ 1,038
2024	1,038
2025	676
Total	<u>\$ 2,752</u>

Note 11 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2022, 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 4.7 percent initially, reaching an ultimate rate of 4.2 percent after seven 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 2022 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate

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

Discount Rate

The discount rate used to measure the total OPEB liability was 2.70 percent. The discount rate was based on the S&P municipal bond 20-year high-grade rate index. The discount rate used for the June 30, 2021 valuation was 2.14 percent.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.70 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 (1.70%)	Current Discount Rate (2.70%)	1 Percentage Point Increase (3.70%)
Total OPEB liability of the Employees' OPEB Plan	\$ 337,583	\$ 299,634	\$ 267,991

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 4.2 to 4.7 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 (3.2% to 3.7%)	Current Health Care Cost Trend Rate (4.2% to 4.7%)	1 Percentage Point Increase (5.2% to 5.7%)
Total OPEB liability of the Employees' OPEB Plan	\$ 260,871	\$ 299,634	\$ 346,716

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, 2021
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>10</u>
Total employees covered by the plan	<u><u>18</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, 2022, 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 13.72 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, 2022 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, 2021 measurement date. The December 31, 2021 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, 2020	\$ 3,600,121	\$ 2,547,713	\$ 1,052,408
Changes for the year:			
Service cost	71,931	-	71,931
Interest	270,152	-	270,152
Changes in benefits	(3,893)	-	(3,893)
Differences between expected and actual experience	17,473	-	17,473
Changes in assumptions	148,757	-	148,757
Contributions - Employer	-	55,005	(55,005)
Contributions - Employee	-	72,074	(72,074)
Net investment income	-	359,008	(359,008)
Benefit payments, including refunds	(162,897)	(162,897)	-
Administrative expenses	-	(4,120)	4,120
Net changes	<u>341,523</u>	<u>319,070</u>	<u>22,453</u>
Balance at December 31, 2021	<u><u>\$ 3,941,644</u></u>	<u><u>\$ 2,866,783</u></u>	<u><u>\$ 1,074,861</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, 2022, the City recognized pension expense of \$98,579.

At June 30, 2022, 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	\$ 57,898	\$ 25,516
Changes in assumptions	274,699	-
Net difference between projected and actual earnings on pension plan investments	-	203,460
Employer contributions to the plan subsequent to the measurement date	29,865	-
Total	\$ 362,462	\$ 228,976

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 (\$29,865), which will impact the net pension liability in fiscal year 2023, rather than pension expense.

Years Ending June 30	Amount
2023	\$ 43,549
2024	(7,289)
2025	7,404
2026	32,252
2027	27,705
Total	\$ 103,621

Actuarial Assumptions

The total pension liability in the December 31, 2021 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 7.25 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 7.25 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, 2021 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 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

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 7.25 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 1,555,289	\$ 1,074,861	\$ 673,102

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 2021, MERS adopted a Dedicated Gains Policy. The purpose of the policy is to reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income. For the plan year ended December 31, 2021, the excess return was large enough to lower the assumed rate of return from 7.60 percent to 7.25 percent.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,826,262	\$ 2,826,262	\$ 2,824,404	\$ (1,858)
State-shared revenue and grants	651,278	651,278	766,623	115,345
Charges for services:				
Trash collection	350,000	350,000	352,831	2,831
Fees	24,000	24,000	36,990	12,990
Rentals	130,000	130,000	215,741	85,741
Fines and forfeitures:				
Traffic fines and penalties	17,000	17,000	13,977	(3,023)
Library fines	19,800	19,800	18,503	(1,297)
Licenses and permits	188,702	188,702	201,839	13,137
Interest	2,000	2,000	3,463	1,463
Other revenue:				
Donations	58,000	58,000	62,217	4,217
Other miscellaneous revenue	36,800	36,800	46,110	9,310
Total revenue	4,303,842	4,303,842	4,542,698	238,856
Expenditures				
Current services:				
General government:				
City Council	24,675	24,675	30,202	(5,527)
City manager	99,099	99,099	99,397	(298)
Cable television	73,557	73,557	64,528	9,029
Treasurer	70,365	82,640	77,280	5,360
Assessor	38,828	38,828	38,274	554
Board of Review	7,475	7,475	2,057	5,418
Clerk	112,684	112,684	118,307	(5,623)
Buildings and grounds	37,751	37,751	37,390	361
Attorney	24,700	24,700	21,826	2,874
Elections	6,937	6,937	8,049	(1,112)
Building and grounds - Police	56,146	56,146	50,054	6,092
Annexation agreement	149,219	149,219	149,219	-
Public safety:				
Police	1,504,210	1,504,210	1,394,704	109,506
Communications	338,562	338,562	332,903	5,659
Traffic safety	34,798	34,798	22,898	11,900
Civil defense/Emergency preparedness	1,700	1,700	1,169	531
Planning	75,996	75,996	75,543	453
Public service director	63,206	63,206	59,563	3,643
Building and trade inspections	103,970	103,970	98,571	5,399
Public works:				
Refuse collection and disposal	326,700	326,700	314,544	12,156
Street lighting	123,164	123,164	105,973	17,191
Department of Public Works	209,957	214,957	291,603	(76,646)
Recreation and culture - Library	380,834	380,834	344,416	36,418
Capital outlay	51,300	51,300	25,802	25,498
Total expenditures	3,915,833	3,933,108	3,764,272	168,836
Excess of Revenue Over Expenditures	388,009	370,734	778,426	407,692
Other Financing Uses - Transfers out	(660,877)	(660,877)	(434,686)	226,191
Net Change in Fund Balance	(272,868)	(290,143)	343,740	633,883
Fund Balance - Beginning of year	2,560,020	2,560,020	2,560,020	-
Fund Balance - End of year	<u>\$ 2,287,152</u>	<u>\$ 2,269,877</u>	<u>\$ 2,903,760</u>	<u>\$ 633,883</u>

City of Richmond, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 406,758	\$ 406,758	\$ 540,308	\$ 133,550
Other revenue	-	-	1,142	1,142
Total revenue	406,758	406,758	541,450	134,692
Expenditures - Current services - Public works				
Street construction	62,018	49,208	40,950	8,258
Routine maintenance	85,036	91,022	82,423	8,599
Winter maintenance	86,268	86,268	93,930	(7,662)
Administration	11,496	11,496	11,763	(267)
Traffic services	25,142	31,966	18,236	13,730
Total expenditures	269,960	269,960	247,302	22,658
Excess of Revenue Over Expenditures	136,798	136,798	294,148	157,350
Other Financing Uses - Transfers out	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	(63,202)	(63,202)	94,148	157,350
Fund Balance - Beginning of year	453,826	453,826	453,826	-
Fund Balance - End of year	<u>\$ 390,624</u>	<u>\$ 390,624</u>	<u>\$ 547,974</u>	<u>\$ 157,350</u>

City of Richmond, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 128,722	\$ 128,722	\$ 188,671	\$ 59,949
Other revenue	100	100	4,433	4,333
Total revenue	128,822	128,822	193,104	64,282
Expenditures - Current services - Public works				
Street construction	554,850	554,850	349,669	205,181
Routine maintenance	90,015	90,126	68,502	21,624
Winter maintenance	7,283	7,283	1,168	6,115
Traffic services	42,730	42,619	42,050	569
Administration	7,768	7,768	7,739	29
Total expenditures	702,646	702,646	469,128	233,518
Excess of Expenditures Over Revenue	(573,824)	(573,824)	(276,024)	297,800
Other Financing Sources - Transfers in	754,850	754,850	551,800	(203,050)
Net Change in Fund Balance	181,026	181,026	275,776	94,750
Fund Balance - Beginning of year	161,477	161,477	161,477	-
Fund Balance - End of year	\$ 342,503	\$ 342,503	\$ 437,253	\$ 94,750

City of Richmond, Michigan

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

	Last Five Fiscal Years				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 12,056	\$ 12,990	\$ 9,208	\$ 9,208	\$ 9,691
Interest	6,690	9,901	10,055	9,709	9,408
Differences between expected and actual experience	28,999	(27,037)	(38,400)	-	-
Changes in assumptions	(20,365)	24,928	19,324	-	(7,942)
Benefit payments	(56,343)	(18,328)	-	(3,129)	(8,918)
Net Change in Total OPEB Liability	(28,963)	2,454	187	15,788	2,239
Total OPEB Liability - Beginning of year	<u>328,597</u>	<u>326,143</u>	<u>325,956</u>	<u>310,168</u>	<u>307,929</u>
Total OPEB Liability - End of year	<u>\$ 299,634</u>	<u>\$ 328,597</u>	<u>\$ 326,143</u>	<u>\$ 325,956</u>	<u>\$ 310,168</u>

Currently, five 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 Eight Fiscal Years
(Schedule is built prospectively upon implementation of GASB Statement No. 68)
Measurement Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 71,931	\$ 68,904	\$ 59,725	\$ 56,354	\$ 46,212	\$ 49,908	\$ 49,921	\$ 49,457
Interest	270,152	241,306	237,802	224,418	212,907	204,724	191,296	177,180
Changes in benefit terms	(3,893)	(14,399)	(19,774)	(4,880)	(13,874)	(4,336)	(16,280)	-
Differences between expected and actual experience	17,473	64,098	(63,790)	3,028	(14,822)	(82,549)	(72,360)	-
Changes in assumptions	148,757	163,461	104,403	-	-	-	144,728	-
Benefit payments, including refunds	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Total Pension Liability	341,523	395,609	205,325	165,347	160,796	110,148	240,927	171,479
Total Pension Liability - Beginning of year	3,600,121	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	\$ 3,941,644	\$ 3,600,121	\$ 3,204,512	\$ 2,999,187	\$ 2,833,840	\$ 2,673,044	\$ 2,562,896	\$ 2,321,969
Plan Fiduciary Net Position								
Contributions - Employer	\$ 55,005	\$ 55,551	\$ 54,494	\$ 49,094	\$ 48,468	\$ 50,617	\$ 54,262	\$ 53,757
Contributions - Member	72,074	65,423	53,070	38,544	34,034	36,024	42,068	35,453
Net investment income (loss)	359,008	295,813	273,658	(83,312)	249,412	190,543	(25,466)	96,206
Administrative expenses	(4,120)	(4,606)	(4,715)	(4,108)	(3,941)	(3,756)	(3,652)	(3,554)
Benefit payments, including refunds	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Plan Fiduciary Net Position	319,070	284,420	263,466	(113,355)	258,346	215,829	10,834	126,704
Plan Fiduciary Net Position - Beginning of year	2,547,713	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	\$ 2,866,783	\$ 2,547,713	\$ 2,263,293	\$ 1,999,827	\$ 2,113,182	\$ 1,854,836	\$ 1,639,007	\$ 1,628,173
City's Net Pension Liability - Ending	\$ 1,074,861	\$ 1,052,408	\$ 941,219	\$ 999,360	\$ 720,658	\$ 818,208	\$ 923,889	\$ 693,796
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.73 %	70.77 %	70.63 %	66.68 %	74.57 %	69.39 %	63.95 %	70.12 %
Covered Payroll	\$ 526,198	\$ 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	204.27 %	183.28 %	172.72 %	190.46 %	156.88 %	161.65 %	170.27 %	129.06 %

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 - City Council	\$ 24,675	\$ 30,202	\$ (5,527)
General Fund - City manager	99,099	99,397	(298)
General Fund - Clerk	112,684	118,307	(5,623)
General Fund - Elections	6,937	8,049	(1,112)
General Fund - Department of Public Works	214,957	291,603	(76,646)
Major Streets Fund - Winter maintenance	86,268	93,930	(7,662)
Major Streets Fund - Administration	11,496	11,763	(267)

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.

In 2021, MERS reduced the assumed investment rate of return from 7.6 to 7.25 percent.

Other Supplemental Information

City of Richmond, Michigan

	Special Revenue Funds				
	Fire Department	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Assets - Cash and cash equivalents	\$ 327,530	\$ 54,232	\$ 90,897	\$ 11,421	\$ -
Liabilities - Accounts payable	\$ 3,162	\$ -	\$ 209	\$ 6,781	\$ -
Fund Balances					
Restricted - Mausoleum	-	54,232	-	-	-
Committed:					
Fire operations	163,346	-	-	-	-
Parks and recreation	-	-	-	4,640	-
Cemetery	-	-	90,688	-	-
Fire equipment replacement	161,022	-	-	-	-
Assigned - Capital projects	-	-	-	-	-
Total fund balances	<u>324,368</u>	<u>54,232</u>	<u>90,688</u>	<u>4,640</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 327,530</u>	<u>\$ 54,232</u>	<u>\$ 90,897</u>	<u>\$ 11,421</u>	<u>\$ -</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Capital Project Funds

Vehicle and Repairs	Street Improvement	Total
<u>\$ 118,445</u>	<u>\$ 661,951</u>	<u>\$ 1,264,476</u>
\$ -	\$ -	\$ 10,152
-	-	54,232
-	-	163,346
-	-	4,640
-	-	90,688
-	-	161,022
<u>118,445</u>	<u>661,951</u>	<u>780,396</u>
<u>118,445</u>	<u>661,951</u>	<u>1,254,324</u>
<u>\$ 118,445</u>	<u>\$ 661,951</u>	<u>\$ 1,264,476</u>

City of Richmond, Michigan

	Special Revenue Funds				
	Fire Department	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Revenue					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 5,778
Charges for services	153,750	710	60,188	44,794	-
Other revenue:					
Donations	-	-	-	2,597	-
Other miscellaneous revenue	17,912	-	150	828	-
Total revenue	171,662	710	60,338	48,219	5,778
Expenditures					
Current services:					
Public service	-	1,421	62,281	-	-
Public safety	354,655	-	-	-	-
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	3,788
Recreation and culture	-	-	-	261,615	-
Capital outlay	-	-	-	-	-
Total expenditures	354,655	1,421	62,281	261,615	3,788
Excess of Revenue (Under) Over Expenditures	(182,993)	(711)	(1,943)	(213,396)	1,990
Other Financing Sources (Uses)					
Transfers in	123,089	-	-	131,990	-
Transfers out	-	-	-	-	(1,990)
Total other financing sources (uses)	123,089	-	-	131,990	(1,990)
Net Change in Fund Balances	(59,904)	(711)	(1,943)	(81,406)	-
Fund Balances - Beginning of year	384,272	54,943	92,631	86,046	-
Fund Balances - End of year	<u>\$ 324,368</u>	<u>\$ 54,232</u>	<u>\$ 90,688</u>	<u>\$ 4,640</u>	<u>\$ -</u>

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

Year Ended June 30, 2022

<u>Capital Project Funds</u>		
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 5,778
-	-	259,442
-	130,000	132,597
-	-	18,890
-	130,000	416,707
-	-	63,702
-	-	354,655
-	623	623
-	-	3,788
-	-	261,615
31,208	-	31,208
31,208	623	715,591
(31,208)	129,377	(298,884)
75,509	130,000	460,588
-	(351,800)	(353,790)
75,509	(221,800)	106,798
44,301	(92,423)	(192,086)
74,144	754,374	1,446,410
\$ 118,445	\$ 661,951	\$ 1,254,324