
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplementary Information
June 30, 2023

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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, 2023 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, 2023 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.

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.

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.

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 18, 2023

Our discussion and analysis of the City of Richmond, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$203 million in 2022 to \$214 million in 2023. This was the eighth year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2023, property tax revenue, the City's largest single revenue source, totaled \$2.9 million in the General Fund, representing an increase of 3.5 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 \$726,365 in the 2022/2023 fiscal year, an increase of \$32,054, or 4.6 percent, from last year. The current year amount represents an increase of \$41,649, or 6.1 percent, from 2001/2002 funding levels.
- Total long-term liabilities for governmental activities are \$2,074,768, an increase of \$601,084, or 40.8 percent, from the previous year. This increase relates primarily to changes in the net pension liability.
- Total fund balance for the City's governmental funds decreased by \$164,635, primarily as a result of increased capital project expenditures compared to the prior year.
- This was the ninth year of a tax-based sharing agreement with the Tax Increment Finance Authority (the "TIFA"). The agreement generated approximately \$63,000 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, 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 5,596,104	\$ 6,048,859	\$ 5,356,322	\$ 5,675,473	\$ 10,952,426	\$ 11,724,332
Capital assets	11,842,445	10,865,713	13,835,824	13,634,316	25,678,269	24,500,029
Total assets	17,438,549	16,914,572	19,192,146	19,309,789	36,630,695	36,224,361
Deferred Outflows of Resources						
	569,936	362,462	-	-	569,936	362,462
Liabilities						
Current liabilities	436,372	736,507	24,497	33,891	460,869	770,398
Noncurrent liabilities	2,074,768	1,473,684	1,157,445	1,380,426	3,232,213	2,854,110
Total liabilities	2,511,140	2,210,191	1,181,942	1,414,317	3,693,082	3,624,508
Deferred Inflows of Resources						
	34,866	231,042	426	686	35,292	231,728
Net Position						
Net investment in capital assets	11,842,445	10,865,713	12,784,910	12,368,402	24,627,355	23,234,115
Restricted	1,463,399	1,039,459	742,079	721,779	2,205,478	1,761,238
Unrestricted	2,156,635	2,930,629	4,482,789	4,804,605	6,639,424	7,735,234
Total net position	<u>\$ 15,462,479</u>	<u>\$ 14,835,801</u>	<u>\$ 18,009,778</u>	<u>\$ 17,894,786</u>	<u>\$ 33,472,257</u>	<u>\$ 32,730,587</u>

The City's combined net position for both governmental and business-type activities totals \$33.5 million for fiscal year 2023. 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 \$24.6 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$6.6 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, 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 1,001,848	\$ 969,191	\$ 2,131,155	\$ 2,064,348	\$ 3,133,003	\$ 3,033,539
Operating grants and contributions	1,232,582	784,007	177,290	-	1,409,872	784,007
Capital grants and contributions	313,969	194,814	-	159,500	313,969	354,314
General revenue:						
Property taxes	2,922,659	2,824,404	-	-	2,922,659	2,824,404
State-shared revenue	743,409	729,499	-	-	743,409	729,499
Other revenue	168,253	168,813	5,510	680	173,763	169,493
Total revenue	6,382,720	5,670,728	2,313,955	2,224,528	8,696,675	7,895,256
Expenses						
General government	843,624	812,888	-	-	843,624	812,888
Public service	50,853	63,752	-	-	50,853	63,752
Public safety	2,644,284	2,380,655	-	-	2,644,284	2,380,655
Public works	1,495,646	1,277,658	-	-	1,495,646	1,277,658
Community and economic development	21,654	3,788	-	-	21,654	3,788
Recreation and culture	811,678	633,663	-	-	811,678	633,663
Water and sewer	-	-	2,198,963	2,086,922	2,198,963	2,086,922
Total expenses	5,867,739	5,172,404	2,198,963	2,086,922	8,066,702	7,259,326
Insurance recoveries	111,697	-	-	-	111,697	-
Change in Net Position	\$ 626,678	\$ 498,324	\$ 114,992	\$ 137,606	\$ 741,670	\$ 635,930

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 \$5.9 million for fiscal year 2023. Additionally, revenue for governmental activities totaled approximately \$6.4 million for fiscal year 2023. Revenue increased compared to 2022, primarily related to additional federal grant funding received during the year.

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 2023 compared to 2022.

The City's Funds

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

The General Fund pays for most of the City's governmental services. The most significant is the police department, which incurred expenses of approximately \$3.4 million in 2023. 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 decreased by \$164,635. During the year ended June 30, 2023, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the City had \$25.7 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, 2023 is approximately \$1.1 million, which primarily consists of general obligation bonds. See Note 6 for additional details.

Economic Factors and Next Year's Budgets and Rates

During 2023, the economy was in a period of high inflation. The national unemployment rate has remained consistent at 3.6 percent over the last year. The national Consumer Price Index has decreased from 9.1 percent a year ago to 3.0 percent at the end of the City's current fiscal year. 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 5,216,567	\$ 4,140,112	\$ 9,356,679	\$ 487,483
Receivables:				
Receivables from sales to customers on account	-	474,131	474,131	-
Due from other governmental units	334,167	-	334,167	-
Other receivables	45,370	-	45,370	-
Restricted cash (Notes 3 and 7)	-	742,079	742,079	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,478,052	822,478	2,300,530	351,293
Assets subject to depreciation - Net	10,364,393	13,013,346	23,377,739	2,684,697
Total assets	17,438,549	19,192,146	36,630,695	3,523,473
Deferred Outflows of Resources - Deferred pension costs (Note 12)	569,936	-	569,936	-
Liabilities				
Accounts payable	247,092	24,497	271,589	37,504
Accrued liabilities and other	32,522	-	32,522	-
Unearned revenue	156,758	-	156,758	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	71,189	12,639	83,828	-
Current portion of long-term debt (Note 6)	-	220,000	220,000	-
Due in more than one year:				
Compensated absences (Note 6)	121,861	26,482	148,343	-
Total OPEB liability (Note 11)	202,258	67,410	269,668	-
Net pension liability (Note 12)	1,679,460	-	1,679,460	-
Long-term debt (Note 6)	-	830,914	830,914	-
Total liabilities	2,511,140	1,181,942	3,693,082	37,504
Deferred Inflows of Resources				
Unavailable revenue	20,820	-	20,820	-
Deferred OPEB cost reductions (Note 11)	1,288	426	1,714	-
Deferred pension cost reductions (Note 12)	12,758	-	12,758	-
Total deferred inflows of resources	34,866	426	35,292	-
Net Position				
Net investment in capital assets	11,842,445	12,784,910	24,627,355	3,035,990
Restricted for:				
Roads	1,409,279	-	1,409,279	-
Capital projects	-	742,079	742,079	-
Mausoleum	54,120	-	54,120	-
Unrestricted	2,156,635	4,482,789	6,639,424	449,979
Total net position	<u>\$ 15,462,479</u>	<u>\$ 18,009,778</u>	<u>\$ 33,472,257</u>	<u>\$ 3,485,969</u>

City of Richmond, Michigan

Functions/Programs	Program Revenue			Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 843,624	\$ 48,669	\$ 5,529	\$ -
Public service	50,853	32,861	-	-
Public safety	2,644,284	252,973	486,578	-
Public works	1,495,646	585,264	727,062	130,000
Community and economic development	21,654	-	1,623	-
Recreation and culture	811,678	82,081	11,790	183,969
Total governmental activities	5,867,739	1,001,848	1,232,582	313,969
Business-type activities:				
Water	869,116	959,668	71,779	-
Sewer	1,329,847	1,171,487	105,511	-
Total business-type activities	2,198,963	2,131,155	177,290	-
Total primary government	\$ 8,066,702	\$ 3,133,003	\$ 1,409,872	\$ 313,969
Component units - Tax Increment Finance Authority	\$ 1,104,752	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Cable franchise fees				
Investment income				
Other miscellaneous income				
Total general revenue				
Insurance recoveries				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
\$ (789,426)	\$ -	\$ (789,426)	\$ -
(17,992)	-	(17,992)	-
(1,904,733)	-	(1,904,733)	-
(53,320)	-	(53,320)	-
(20,031)	-	(20,031)	-
(533,838)	-	(533,838)	-
(3,319,340)	-	(3,319,340)	-
-	162,331	162,331	-
-	(52,849)	(52,849)	-
-	109,482	109,482	-
(3,319,340)	109,482	(3,209,858)	-
-	-	-	(1,104,752)
2,922,659	-	2,922,659	797,977
743,409	-	743,409	-
92,508	-	92,508	-
6,610	5,510	12,120	-
69,135	-	69,135	970
3,834,321	5,510	3,839,831	798,947
111,697	-	111,697	-
626,678	114,992	741,670	(305,805)
14,835,801	17,894,786	32,730,587	3,791,774
\$ 15,462,479	\$ 18,009,778	\$ 33,472,257	\$ 3,485,969

Governmental Funds
Balance Sheet

June 30, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Fire Department Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 3,225,784	\$ 618,706	\$ 819,271	\$ -	\$ 552,806	\$ 5,216,567
Receivables:						
Due from other governmental units	192,902	81,449	30,856	28,960	-	334,167
Other receivables	23,716	-	-	-	21,654	45,370
Total assets	\$ 3,442,402	\$ 700,155	\$ 850,127	\$ 28,960	\$ 574,460	\$ 5,596,104
Liabilities						
Accounts payable	\$ 69,277	\$ 24,434	\$ 116,569	\$ 9,974	\$ 26,838	\$ 247,092
Accrued liabilities and other	32,522	-	-	-	-	32,522
Unearned revenue	156,758	-	-	-	-	156,758
Total liabilities	258,557	24,434	116,569	9,974	26,838	436,372
Deferred Inflows of Resources -						
Unavailable revenue	160,236	-	-	-	20,820	181,056
Fund Balances						
Restricted:						
Roads	-	675,721	733,558	-	-	1,409,279
Mausoleum	-	-	-	-	54,120	54,120
Committed:						
Fire operations	-	-	-	18,986	-	18,986
Parks and recreation	-	-	-	-	9,989	9,989
Cemetery	-	-	-	-	73,050	73,050
Assigned:						
Subsequent year's budget	236,911	-	-	-	-	236,911
Capital projects	-	-	-	-	410,463	410,463
Unassigned	2,786,698	-	-	-	(20,820)	2,765,878
Total fund balances	3,023,609	675,721	733,558	18,986	526,802	4,978,676
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,442,402	\$ 700,155	\$ 850,127	\$ 28,960	\$ 574,460	\$ 5,596,104

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 4,978,676
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,842,445
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	160,236
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	(193,050)
Net pension liability and related deferred inflows and outflows	(1,122,282)
Total OPEB liability and related deferred inflows	<u>(203,546)</u>
Net Position of Governmental Activities	<u>\$ 15,462,479</u>

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

Year Ended June 30, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Fire Department Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 2,922,659	\$ -	\$ -	\$ -	\$ -	\$ 2,922,659
Intergovernmental revenue:						
Federal grants	457,906	-	-	-	1,623	459,529
State-shared revenue and grants	782,504	530,406	196,656	-	-	1,509,566
Charges for services	641,618	-	-	155,373	96,980	893,971
Fines and forfeitures	30,308	-	-	-	-	30,308
Licenses and permits	224,577	-	-	-	-	224,577
Interest	6,512	-	-	-	98	6,610
Other revenue:						
Donations	135,280	-	-	-	136,601	271,881
Other miscellaneous revenue	41,228	1,665	2,340	-	23,902	69,135
Total revenue	5,242,592	532,071	198,996	155,373	259,204	6,388,236
Expenditures						
Current:						
General government	760,367	-	-	-	-	760,367
Public service	-	-	-	-	50,759	50,759
Public safety	2,177,644	-	-	354,458	-	2,532,102
Public works	779,163	204,324	802,191	-	587	1,786,265
Community and economic development	-	-	-	-	21,654	21,654
Recreation and culture	364,165	-	-	-	571,709	935,874
Capital outlay	54,023	-	-	663,720	6,444	724,187
Total expenditures	4,135,362	204,324	802,191	1,018,178	651,153	6,811,208
Excess of Revenue Over (Under) Expenditures	1,107,230	327,747	(603,195)	(862,805)	(391,949)	(422,972)
Other Financing Sources (Uses)						
Transfers in (Note 5)	-	-	899,500	426,923	576,948	1,903,371
Transfers out (Note 5)	(1,003,082)	(200,000)	-	-	(700,289)	(1,903,371)
Sale of capital assets	15,701	-	-	130,500	439	146,640
Insurance recoveries	-	-	-	-	111,697	111,697
Total other financing (uses) sources	(987,381)	(200,000)	899,500	557,423	(11,205)	258,337
Net Change in Fund Balances	119,849	127,747	296,305	(305,382)	(403,154)	(164,635)
Fund Balances - Beginning of year	2,903,760	547,974	437,253	324,368	929,956	5,143,311
Fund Balances - End of year	<u>\$ 3,023,609</u>	<u>\$ 675,721</u>	<u>\$ 733,558</u>	<u>\$ 18,986</u>	<u>\$ 526,802</u>	<u>\$ 4,978,676</u>

Governmental Funds

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ (164,635)
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	(136,850)
Depreciation expense	(687,052)
Capital outlay	1,800,634
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	(8,805)
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	<u>(176,614)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 626,678</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2023

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,621,118	\$ 2,518,994	\$ 4,140,112
Receivables - Customers	219,945	254,186	474,131
Total current assets	1,841,063	2,773,180	4,614,243
Noncurrent assets:			
Restricted cash (Note 7)	-	742,079	742,079
Capital assets: (Note 4)			
Assets not subject to depreciation	760,741	61,737	822,478
Assets subject to depreciation - Net	4,704,109	8,309,237	13,013,346
Total noncurrent assets	5,464,850	9,113,053	14,577,903
Total assets	7,305,913	11,886,233	19,192,146
Liabilities			
Current liabilities:			
Accounts payable	7,077	17,420	24,497
Compensated absences (Note 6)	8,967	3,672	12,639
Current portion of long-term debt (Note 6)	-	220,000	220,000
Total current liabilities	16,044	241,092	257,136
Noncurrent liabilities:			
Compensated absences (Note 6)	18,342	8,140	26,482
Total OPEB liability (Note 11)	33,705	33,705	67,410
Long-term debt (Note 6)	-	830,914	830,914
Total noncurrent liabilities	52,047	872,759	924,806
Total liabilities	68,091	1,113,851	1,181,942
Deferred Inflows of Resources - Deferred OPEB cost reductions	213	213	426
Net Position			
Net investment in capital assets	5,464,850	7,320,060	12,784,910
Restricted	-	742,079	742,079
Unrestricted	1,772,759	2,710,030	4,482,789
Total net position	\$ 7,237,609	\$ 10,772,169	\$ 18,009,778

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

Year Ended June 30, 2023

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 894,467	\$ 1,093,306	\$ 1,987,773
Charges for services	3,608	-	3,608
Penalties	15,456	19,228	34,684
Miscellaneous	46,137	58,953	105,090
Total operating revenue	959,668	1,171,487	2,131,155
Operating Expenses			
Water production	183,212	-	183,212
Sewer treatment plant	-	510,724	510,724
Administration	137,853	223,402	361,255
Water system	373,291	-	373,291
Sewer system	-	148,363	148,363
Depreciation	174,760	422,936	597,696
Total operating expenses	869,116	1,305,425	2,174,541
Operating Income (Loss)	90,552	(133,938)	(43,386)
Nonoperating Revenue (Expense)			
Investment income	-	5,510	5,510
Interest expense	-	(24,422)	(24,422)
Grants used for operating purposes	71,779	105,511	177,290
Total nonoperating revenue	71,779	86,599	158,378
Change in Net Position	162,331	(47,339)	114,992
Net Position - Beginning of year	7,075,278	10,819,508	17,894,786
Net Position - End of year	\$ 7,237,609	\$ 10,772,169	\$ 18,009,778

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2023

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 946,146	\$ 1,163,937	\$ 2,110,083
Receipts (payments) between the Water Fund and Sewer Fund for charges for services	22,454	(22,454)	-
Payments to suppliers, employees, and other funds	<u>(719,006)</u>	<u>(875,474)</u>	<u>(1,594,480)</u>
Net cash and cash equivalents provided by operating activities	249,594	266,009	515,603
Cash Flows Provided by Noncapital Financing Activities			
- Operating grants	71,779	105,511	177,290
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(643,899)	(155,305)	(799,204)
Principal and interest paid on capital debt	<u>-</u>	<u>(239,422)</u>	<u>(239,422)</u>
Net cash and cash equivalents used in capital and related financing activities	(643,899)	(394,727)	(1,038,626)
Cash Flows from Investing Activities			
Interest received on investments	-	5,510	5,510
Purchase of investment securities	<u>-</u>	<u>(6,182)</u>	<u>(6,182)</u>
Net cash and cash equivalents used in investing activities	<u>-</u>	<u>(672)</u>	<u>(672)</u>
Net Decrease in Cash and Cash Equivalents	(322,526)	(23,879)	(346,405)
Cash and Cash Equivalents - Beginning of year	<u>1,943,644</u>	<u>2,873,700</u>	<u>4,817,344</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,621,118</u>	<u>\$ 2,849,821</u>	<u>\$ 4,470,939</u>
Statement of Net Position Classification of Cash and Cash Equivalents			
Cash and investments	\$ 1,621,118	\$ 2,518,994	\$ 4,140,112
Restricted cash	-	742,079	742,079
Less amounts classified as investments	<u>-</u>	<u>(411,252)</u>	<u>(411,252)</u>
Total cash and cash equivalents	<u>\$ 1,621,118</u>	<u>\$ 2,849,821</u>	<u>\$ 4,470,939</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 90,552	\$ (133,938)	\$ (43,386)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	174,760	422,936	597,696
Changes in assets and liabilities:			
Receivables	(13,522)	(7,550)	(21,072)
Accounts payable	<u>(2,196)</u>	<u>(15,439)</u>	<u>(17,635)</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 249,594</u>	<u>\$ 266,009</u>	<u>\$ 515,603</u>

City of Richmond, Michigan

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

	June 30, 2023
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, 2023

Additions - Tax collections for others	\$ 6,476,453
Deductions - Tax distributions to others	<u>6,476,453</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:

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, as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

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

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

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

Separate financial statements are provided for governmental funds, 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.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into 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.
- The Fire Department Fund is a special revenue fund because it accounts for all financial resources received from several townships surrounding or adjoining the City used to provide fire prevention, fire suppression, and emergency medical services to the communities as well as the City.

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, 2023.

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, 2023, 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 bond 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 assets 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 assets 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 2022 taxable valuation of the City totaled \$214 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 15.6637 mills for operating purposes. This resulted in \$2.9 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)

Upcoming Accounting Pronouncement

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, 2023 is as follows:

Accumulated expenditures over revenue - July 1, 2022	\$ (562,421)
Current year revenue	85,254
Current year expenditures - Direct costs	<u>(119,897)</u>
Accumulated expenditures over revenue - June 30, 2023	<u>\$ (597,064)</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 \$9,816,199 (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 \$544,202 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.

June 30, 2023

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, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Construction in progress	86,735	(86,735)	1,358,052	-	1,358,052
Subtotal	206,735	(86,735)	1,358,052	-	1,478,052
Capital assets being depreciated:					
Infrastructure	8,296,604	-	196,998	-	8,493,602
Buildings and improvements	5,501,764	86,735	136,085	-	5,724,584
Vehicles and equipment	5,828,352	-	109,499	(391,000)	5,546,851
Subtotal	19,626,720	86,735	442,582	(391,000)	19,765,037
Accumulated depreciation:					
Infrastructure	2,392,006	-	324,626	-	2,716,632
Buildings and improvements	2,835,570	-	114,332	-	2,949,902
Vehicles and equipment	3,740,166	-	248,094	(254,150)	3,734,110
Subtotal	8,967,742	-	687,052	(254,150)	9,400,644
Net capital assets being depreciated	10,658,978	86,735	(244,470)	(136,850)	10,364,393
Net governmental activities capital assets	<u>\$ 10,865,713</u>	<u>\$ -</u>	<u>\$ 1,113,582</u>	<u>\$ (136,850)</u>	<u>\$ 11,842,445</u>

June 30, 2023

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 157,042	\$ -	\$ -	\$ 157,042
Construction in progress	-	665,436	-	665,436
Subtotal	157,042	665,436	-	822,478
Capital assets being depreciated:				
Utility systems	20,043,954	121,628	(12,370)	20,153,212
Buildings	5,218,096	-	-	5,218,096
Vehicles and equipment	2,752,490	12,140	-	2,764,630
Subtotal	28,014,540	133,768	(12,370)	28,135,938
Accumulated depreciation:				
Utility systems	9,728,442	406,198	(12,370)	10,122,270
Buildings	3,170,332	101,831	-	3,272,163
Vehicles and equipment	1,638,492	89,667	-	1,728,159
Subtotal	14,537,266	597,696	(12,370)	15,122,592
Net capital assets being depreciated	13,477,274	(463,928)	-	13,013,346
Net business-type activities capital assets	<u>\$ 13,634,316</u>	<u>\$ 201,508</u>	<u>\$ -</u>	<u>\$ 13,835,824</u>

Component Unit

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 319,284	\$ -	\$ -	\$ -	\$ 319,284
Construction in progress	263,810	(263,810)	32,009	-	32,009
Subtotal	583,094	(263,810)	32,009	-	351,293
Capital assets being depreciated:					
Buildings and improvements	455,584	263,810	-	-	719,394
Furniture and fixtures	292,556	-	-	-	292,556
Land improvements	2,743,553	-	108,300	-	2,851,853
Subtotal	3,491,693	263,810	108,300	-	3,863,803
Accumulated depreciation:					
Buildings and improvements	140,657	-	9,112	-	149,769
Furniture and fixtures	143,764	-	16,646	-	160,410
Land improvements	801,764	-	67,163	-	868,927
Subtotal	1,086,185	-	92,921	-	1,179,106
Net capital assets being depreciated	2,405,508	263,810	15,379	-	2,684,697
Net capital assets	<u>\$ 2,988,602</u>	<u>\$ -</u>	<u>\$ 47,388</u>	<u>\$ -</u>	<u>\$ 3,035,990</u>

June 30, 2023

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 189,204
Public safety		133,148
Public works		324,625
Recreation and culture		40,075
		<u>687,052</u>
Total governmental activities		<u>\$ 687,052</u>
Business-type activities:		
Water		\$ 174,760
Sewer		422,936
		<u>597,696</u>
Total business-type activities		<u>\$ 597,696</u>

Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors are approximately \$1,180,348.

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	\$ 576,159
	Fire Department Fund	426,923
	Total General Fund	1,003,082
Major Streets Fund	Local Streets Fund	200,000
Nonmajor governmental funds	Nonmajor governmental funds	789
	Local Streets Fund	699,500
	Total nonmajor governmental funds	700,289
	Total	<u>\$ 1,903,371</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, 2023 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 174,089	\$ 79,768	\$ (60,807)	\$ 193,050	\$ 71,189

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	\$ 440,000	\$ -	\$ (50,000)	\$ 390,000	\$ 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	825,914	-	(165,000)	660,914	170,000
Total bonds payable			1,265,914	-	(215,000)	1,050,914	220,000
Compensated absences			39,612	11,774	(12,265)	39,121	12,639
Total business-type activities			<u>\$ 1,305,526</u>	<u>\$ 11,774</u>	<u>\$ (227,265)</u>	<u>\$ 1,090,035</u>	<u>\$ 232,639</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 \$24,400. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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	55,000	4,375	59,375
2029-2030	120,000	4,500	124,500
Total	<u>\$ 1,050,914</u>	<u>\$ 66,384</u>	<u>\$ 1,117,298</u>

Note 7 - Restricted Net Position

Restricted assets at June 30, 2023 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 \$154,369 during the year ended June 30, 2023 when the taxable value of the area was approximately \$42.9 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 \$103,309 during the current year, and employees contributed \$125,595.

Note 11 - Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

As of June 30, 2023, 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, 2023, there was \$63,916 in benefit premiums expense incurred by the City.

Note 11 - Other Postemployment Benefit Plan (Continued)

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, 2023 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2023 measurement date. The June 30, 2023 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, 2022	\$ 299,634
Changes for the year:	
Service cost	9,752
Interest	7,497
Differences between expected and actual experience	49,539
Changes in assumptions	(32,838)
Benefit payments	(63,916)
Net changes	(29,966)
Balance at June 30, 2023	<u>\$ 269,668</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$32,912.

At June 30, 2023, the City reported deferred inflows of resources related to OPEB of \$1,714 from changes in assumptions and experience differences.

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

Years Ending June 30	Amount
2024	\$ 1,038
2025	676
Total	<u>\$ 1,714</u>

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2023, 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.

Note 11 - Other Postemployment Benefit Plan (Continued)

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 2023 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 3.65 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, 2022 valuation was 2.70 percent.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.65 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 (2.65%)	Current Discount Rate (3.65%)	1 Percentage Point Increase (4.65%)
Total OPEB liability of the Employees' OPEB Plan	\$ 304,405	\$ 269,668	\$ 240,733

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using health care cost trend rates for individual health care insurance premiums ranging from 4.2 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	\$ 234,062	\$ 269,668	\$ 313,046

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 supplementary 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.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	9
Active plan members	11
	<hr/>
Total employees covered by the plan	<u>20</u>

Note 12 - Pension Plan (Continued)

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, 2023, 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 15.98 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, 2023 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, 2022 measurement date. The December 31, 2022 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, 2021	\$ 3,941,644	\$ 2,866,783	\$ 1,074,861
Changes for the year:			
Service cost	87,989	-	87,989
Interest	281,251	-	281,251
Changes in benefits	(4,037)	-	(4,037)
Differences between expected and actual experience	70,789	-	70,789
Contributions - Employer	-	53,985	(53,985)
Contributions - Employee	-	80,195	(80,195)
Net investment income	-	(297,537)	297,537
Benefit payments, including refunds	(212,636)	(212,636)	-
Administrative expenses	-	(5,250)	5,250
Net changes	223,356	(381,243)	604,599
Balance at December 31, 2022	<u>\$ 4,165,000</u>	<u>\$ 2,485,540</u>	<u>\$ 1,679,460</u>

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

For the year ended June 30, 2023, the City recognized pension expense of \$241,267.

Note 12 - Pension Plan (Continued)

At June 30, 2023, 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	\$ 102,689	\$ 12,758
Changes in assumptions	201,782	-
Net difference between projected and actual earnings on pension plan investments	229,225	-
Employer contributions to the plan subsequent to the measurement date	36,240	-
Total	<u>\$ 569,936</u>	<u>\$ 12,758</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$36,240), which will impact the net pension liability in fiscal year 2024, rather than pension expense.

Years Ending June 30	Amount
2024	\$ 104,978
2025	119,671
2026	144,518
2027	139,972
2028	11,799
Total	<u>\$ 520,938</u>

Actuarial Assumptions

The total pension liability in the December 31, 2022 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, 2022 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	\$ 2,168,997	\$ 1,679,460	\$ 1,269,014

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.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,936,256	\$ 2,937,874	\$ 2,922,659	\$ (15,215)
State-shared revenue and grants	1,093,492	1,093,492	1,240,410	146,918
Charges for services:				
Trash collection	350,000	350,000	367,668	17,668
Fees	26,220	26,220	56,354	30,134
Rentals	155,000	155,000	217,596	62,596
Fines and forfeitures:				
Traffic fines and penalties	17,000	17,000	12,346	(4,654)
Library fines	18,000	18,000	17,962	(38)
Licenses and permits	204,252	204,252	224,577	20,325
Interest	-	-	6,512	6,512
Other revenue:				
Donations	58,000	58,000	135,280	77,280
Other miscellaneous revenue	37,300	37,300	41,228	3,928
Total revenue	4,895,520	4,897,138	5,242,592	345,454
Expenditures				
Current services:				
General government:				
City Council	29,743	29,743	29,718	25
City manager	101,866	138,108	138,440	(332)
Cable television	74,020	74,020	71,867	2,153
Treasurer	71,022	88,032	87,374	658
Assessor	39,786	39,786	38,598	1,188
Board of Review	7,360	7,360	5,228	2,132
Clerk	115,129	115,329	115,842	(513)
Buildings and grounds	40,015	41,401	33,684	7,717
Attorney	24,000	23,800	20,350	3,450
Elections	14,806	16,424	13,990	2,434
Building and grounds - Police	57,148	57,148	50,907	6,241
Annexation agreement	154,404	154,404	154,369	35
Public safety:				
Police	1,490,676	1,540,811	1,503,377	37,434
Communications	728,169	726,534	390,974	335,560
Traffic safety	35,647	35,647	19,855	15,792
Civil defense/Emergency preparedness	1,700	1,600	1,600	-
Planning	77,653	77,654	77,038	616
Public service director	64,619	64,619	64,583	36
Building and trade inspections	105,057	125,087	120,217	4,870
Public works:				
Refuse collection and disposal	331,702	331,702	326,834	4,868
Street lighting	129,754	129,754	125,558	4,196
Department of Public Works	452,911	453,769	326,771	126,998
Recreation and culture - Library	390,801	385,735	364,165	21,570
Capital outlay	38,350	66,300	54,023	12,277
Total expenditures	4,576,338	4,724,767	4,135,362	589,405
Excess of Revenue Over Expenditures	319,182	172,371	1,107,230	934,859

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing (Uses) Sources				
Transfers out	\$ (705,322)	\$ (733,772)	\$ (1,003,082)	\$ (269,310)
Sale of capital assets	4,500	4,500	15,701	11,201
Total other financing uses	<u>(700,822)</u>	<u>(729,272)</u>	<u>(987,381)</u>	<u>(258,109)</u>
Net Change in Fund Balance	(381,640)	(556,901)	119,849	676,750
Fund Balance - Beginning of year	<u>2,903,760</u>	<u>2,903,760</u>	<u>2,903,760</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,522,120</u>	<u>\$ 2,346,859</u>	<u>\$ 3,023,609</u>	<u>\$ 676,750</u>

City of Richmond, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 450,767	\$ 450,767	\$ 530,406	\$ 79,639
Other revenue	-	-	1,665	1,665
Total revenue	450,767	450,767	532,071	81,304
Expenditures - Current services - Public works				
Street construction	166,495	158,689	37,654	121,035
Routine maintenance	86,418	87,592	67,606	19,986
Winter maintenance	78,210	80,296	65,019	15,277
Administration	11,829	12,329	12,082	247
Traffic services	25,447	29,493	21,963	7,530
Total expenditures	368,399	368,399	204,324	164,075
Excess of Revenue Over Expenditures	82,368	82,368	327,747	245,379
Other Financing Uses - Transfers out	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	(117,632)	(117,632)	127,747	245,379
Fund Balance - Beginning of year	547,974	547,974	547,974	-
Fund Balance - End of year	<u>\$ 430,342</u>	<u>\$ 430,342</u>	<u>\$ 675,721</u>	<u>\$ 245,379</u>

City of Richmond, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 129,000	\$ 129,000	\$ 196,656	\$ 67,656
Other revenue	100	100	2,340	2,240
Total revenue	129,100	129,100	198,996	69,896
Expenditures - Current services - Public works				
Street construction	1,076,000	1,076,000	694,883	381,117
Routine maintenance	89,021	88,089	71,829	16,260
Winter maintenance	7,878	7,878	703	7,175
Traffic services	39,528	40,060	26,799	13,261
Administration	7,972	8,372	7,977	395
Total expenditures	1,220,399	1,220,399	802,191	418,208
Excess of Expenditures Over Revenue	(1,091,299)	(1,091,299)	(603,195)	488,104
Other Financing Sources - Transfers in	900,000	900,000	899,500	(500)
Net Change in Fund Balance	(191,299)	(191,299)	296,305	487,604
Fund Balance - Beginning of year	437,253	437,253	437,253	-
Fund Balance - End of year	<u>\$ 245,954</u>	<u>\$ 245,954</u>	<u>\$ 733,558</u>	<u>\$ 487,604</u>

City of Richmond, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Charges for services	\$ 282,296	\$ 282,296	\$ 155,373	\$ (126,923)
Expenditures				
Current services - Public safety	371,101	370,622	354,458	16,164
Capital outlay	-	18,913	663,720	(644,807)
Total expenditures	<u>371,101</u>	<u>389,535</u>	<u>1,018,178</u>	<u>(628,643)</u>
Excess of Expenditures Over Revenue	(88,805)	(107,239)	(862,805)	(755,566)
Other Financing Sources - Transfers in	<u>88,805</u>	<u>88,805</u>	<u>557,423</u>	<u>468,618</u>
Net Change in Fund Balance	-	(18,434)	(305,382)	(286,948)
Fund Balance - Beginning of year	<u>324,368</u>	<u>324,368</u>	<u>324,368</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 324,368</u></u>	<u><u>\$ 305,934</u></u>	<u><u>\$ 18,986</u></u>	<u><u>\$ (286,948)</u></u>

City of Richmond, Michigan

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

	Last Six Fiscal Years					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 9,752	\$ 12,056	\$ 12,990	\$ 9,208	\$ 9,208	\$ 9,691
Interest	7,497	6,690	9,901	10,055	9,709	9,408
Differences between expected and actual experience	49,539	28,999	(27,037)	(38,400)	-	-
Changes in assumptions	(32,838)	(20,365)	24,928	19,324	-	(7,942)
Benefit payments	<u>(63,916)</u>	<u>(56,343)</u>	<u>(18,328)</u>	<u>-</u>	<u>(3,129)</u>	<u>(8,918)</u>
Net Change in Total OPEB Liability	(29,966)	(28,963)	2,454	187	15,788	2,239
Total OPEB Liability - Beginning of year	<u>299,634</u>	<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>\$ 269,668</u>	<u>\$ 299,634</u>	<u>\$ 328,597</u>	<u>\$ 326,143</u>	<u>\$ 325,956</u>	<u>\$ 310,168</u>

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 87,989	\$ 71,931	\$ 68,904	\$ 59,725	\$ 56,354	\$ 46,212	\$ 49,908	\$ 49,921	\$ 49,457
Interest	281,251	270,152	241,306	237,802	224,418	212,907	204,724	191,296	177,180
Changes in benefit terms	(4,037)	(3,893)	(14,399)	(19,774)	(4,880)	(13,874)	(4,336)	(16,280)	-
Differences between expected and actual experience	70,789	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	(212,636)	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Total Pension Liability	223,356	341,523	395,609	205,325	165,347	160,796	110,148	240,927	171,479
Total Pension Liability - Beginning 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	2,150,490
Total Pension Liability - End of year	\$ 4,165,000	\$ 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	\$ 53,985	\$ 55,005	\$ 55,551	\$ 54,494	\$ 49,094	\$ 48,468	\$ 50,617	\$ 54,262	\$ 53,757
Contributions - Member	80,195	72,074	65,423	53,070	38,544	34,034	36,024	42,068	35,453
Net investment (loss) income	(297,537)	359,008	295,813	273,658	(83,312)	249,412	190,543	(25,466)	96,206
Administrative expenses	(5,250)	(4,120)	(4,606)	(4,715)	(4,108)	(3,941)	(3,756)	(3,652)	(3,554)
Benefit payments, including refunds	(212,636)	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Plan Fiduciary Net Position	(381,243)	319,070	284,420	263,466	(113,355)	258,346	215,829	10,834	126,704
Plan Fiduciary Net Position - Beginning 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	1,501,469
Plan Fiduciary Net Position - End of year	\$ 2,485,540	\$ 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	\$ 1,679,460	\$ 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	59.68 %	72.73 %	70.77 %	70.63 %	66.68 %	74.57 %	69.39 %	63.95 %	70.12 %
Covered Payroll	\$ 583,871	\$ 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	287.64 %	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 manager	\$ 138,108	\$ 138,440	\$ (332)
General Fund - Clerk	115,329	115,842	(513)
Fire Department Fund - Public safety	389,535	1,018,178	(628,643)
General Fund - Transfers out	733,772	1,003,082	(269,310)

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 Supplementary Information

City of Richmond, Michigan

	Special Revenue Funds			
	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Assets				
Cash and investments	\$ 54,120	\$ 73,058	\$ 15,165	\$ -
Receivables	-	-	-	21,654
Total assets	\$ 54,120	\$ 73,058	\$ 15,165	\$ 21,654
Liabilities - Accounts payable	\$ -	\$ 8	\$ 5,176	\$ 21,654
Deferred Inflows of Resources - Unavailable revenue	-	-	-	20,820
Total liabilities and deferred inflows of resources	-	8	5,176	42,474
Fund Balances (Deficit)				
Restricted - Mausoleum	54,120	-	-	-
Committed:				
Parks and recreation	-	-	9,989	-
Cemetery	-	73,050	-	-
Assigned - Capital projects	-	-	-	-
Unassigned	-	-	-	(20,820)
Total fund balances (deficit)	54,120	73,050	9,989	(20,820)
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 54,120	\$ 73,058	\$ 15,165	\$ 21,654

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

<u>Capital Project Funds</u>		
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Total</u>
\$ 188,599	\$ 221,864	\$ 552,806
-	-	21,654
<u>\$ 188,599</u>	<u>\$ 221,864</u>	<u>\$ 574,460</u>
\$ -	\$ -	\$ 26,838
-	-	20,820
-	-	47,658
-	-	54,120
-	-	9,989
-	-	73,050
188,599	221,864	410,463
-	-	(20,820)
<u>188,599</u>	<u>221,864</u>	<u>526,802</u>
<u>\$ 188,599</u>	<u>\$ 221,864</u>	<u>\$ 574,460</u>

City of Richmond, Michigan

	Special Revenue Funds			
	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development
Revenue				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 1,623
Charges for services	-	32,861	64,119	-
Interest	-	98	-	-
Other revenue:				
Donations	-	-	6,601	-
Other miscellaneous revenue	-	50	23,852	-
Total revenue	-	33,009	94,572	1,623
Expenditures				
Current services:				
Public service	112	50,647	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	21,654
Recreation and culture	-	-	571,709	-
Capital outlay	-	-	-	-
Total expenditures	112	50,647	571,709	21,654
Excess of Revenue (Under) Over Expenditures	(112)	(17,638)	(477,137)	(20,031)
Other Financing Sources (Uses)				
Transfers in	-	-	370,789	-
Transfers out	-	-	-	(789)
Sale of capital assets	-	-	-	-
Insurance recoveries	-	-	111,697	-
Total other financing sources (uses)	-	-	482,486	(789)
Net Change in Fund Balances	(112)	(17,638)	5,349	(20,820)
Fund Balances - Beginning of year	54,232	90,688	4,640	-
Fund Balances (Deficit) - End of year	\$ 54,120	\$ 73,050	\$ 9,989	\$ (20,820)

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

Year Ended June 30, 2023

<u>Capital Project Funds</u>		
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 1,623
-	-	96,980
-	-	98
-	130,000	136,601
-	-	23,902
-	130,000	259,204
-	-	50,759
-	587	587
-	-	21,654
-	-	571,709
6,444	-	6,444
<u>6,444</u>	<u>587</u>	<u>651,153</u>
(6,444)	129,413	(391,949)
76,159	130,000	576,948
-	(699,500)	(700,289)
439	-	439
-	-	111,697
<u>76,598</u>	<u>(569,500)</u>	<u>(11,205)</u>
70,154	(440,087)	(403,154)
118,445	661,951	929,956
<u>\$ 188,599</u>	<u>\$ 221,864</u>	<u>\$ 526,802</u>