
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplementary Information
June 30, 2024

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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 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, 2024 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 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, 2024 and the respective changes in its financial position and, where applicable, its 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.

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.



September 25, 2024

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, 2024. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$214 million in 2023 to \$230 million in 2024. This was the ninth year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2024, property tax revenue, the City's largest single revenue source, totaled \$3.1 million in the General Fund, representing an increase of 6.9 percent from the last fiscal year. This increase is primarily a reflection of an increase in tax collections and taxable value.
- State-shared revenue, a major source of revenue for the City's General Fund, decreased slightly for the year. The City received \$720,354 in the 2023/2024 fiscal year, a decrease of \$6,011, or 0.8 percent, from last year. The current year amount represents an increase of \$35,638, or 5.2 percent, from 2001/2002 funding levels.
- Total long-term liabilities for governmental activities are \$2,040,884, a decrease of \$33,884, or 1.6 percent, from the previous year. This decrease relates primarily to decreases in compensated absences and the net OPEB liability paired with increases in the net pension liability.
- Total fund balance for the City's governmental funds decreased by \$198,438, primarily as a result of increased capital project expenditures compared to the prior 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, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 5,459,472	\$ 5,596,104	\$ 5,811,146	\$ 5,356,322	\$ 11,270,618	\$ 10,952,426
Capital assets	13,329,943	11,842,445	13,290,543	13,835,824	26,620,486	25,678,269
Total assets	18,789,415	17,438,549	19,101,689	19,192,146	37,891,104	36,630,695
Deferred Outflows of Resources						
	492,494	569,936	-	-	492,494	569,936
Liabilities						
Current liabilities	139,881	436,372	28,761	24,497	168,642	460,869
Noncurrent liabilities	2,040,884	2,074,768	917,123	1,157,445	2,958,007	3,232,213
Total liabilities	2,180,765	2,511,140	945,884	1,181,942	3,126,649	3,693,082
Deferred Inflows of Resources						
	510	34,866	166	426	676	35,292
Net Position						
Net investment in capital assets	13,329,943	11,842,445	12,459,629	12,784,910	25,789,572	24,627,355
Restricted	2,097,073	1,463,399	762,379	742,079	2,859,452	2,205,478
Unrestricted	1,673,618	2,156,635	4,933,631	4,482,789	6,607,249	6,639,424
Total net position	<u>\$ 17,100,634</u>	<u>\$ 15,462,479</u>	<u>\$ 18,155,639</u>	<u>\$ 18,009,778</u>	<u>\$ 35,256,273</u>	<u>\$ 33,472,257</u>

The City's combined net position for both governmental and business-type activities totals \$35.3 million for fiscal year 2024. 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 \$27.7 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$7.6 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, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue						
Program revenue:						
Charges for services	\$ 1,043,569	\$ 1,001,848	\$ 2,127,639	\$ 2,131,155	\$ 3,171,208	\$ 3,133,003
Operating grants and contributions	992,242	1,232,582	206,507	177,290	1,198,749	1,409,872
Capital grants and contributions	1,557,736	313,969	-	-	1,557,736	313,969
General revenue:						
Property taxes	3,061,387	2,922,659	-	-	3,061,387	2,922,659
State-shared revenue	726,957	743,409	-	-	726,957	743,409
Other revenue	184,210	168,253	18,023	5,510	202,233	173,763
Total revenue	7,566,101	6,382,720	2,352,169	2,313,955	9,918,270	8,696,675
Expenses						
General government	919,207	843,624	-	-	919,207	843,624
Public service	51,824	50,853	-	-	51,824	50,853
Public safety	2,801,230	2,644,284	-	-	2,801,230	2,644,284
Public works	1,325,667	1,495,646	-	-	1,325,667	1,495,646
Community and economic development	-	21,654	-	-	-	21,654
Recreation and culture	830,018	811,678	-	-	830,018	811,678
Water and sewer	-	-	2,206,308	2,198,963	2,206,308	2,198,963
Total expenses	5,927,946	5,867,739	2,206,308	2,198,963	8,134,254	8,066,702
Insurance recoveries	-	111,697	-	-	-	111,697
Change in Net Position	\$ 1,638,155	\$ 626,678	\$ 145,861	\$ 114,992	\$ 1,784,016	\$ 741,670

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 \$6.0 million for fiscal year 2024. Additionally, revenue for governmental activities totaled approximately \$7.6 million for fiscal year 2024. Revenue increased compared to 2023, primarily related to additional private contributions 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 2024 compared to 2023.

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, 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 \$3.0 million in 2024. The General Fund is supported primarily by property taxes and state-shared revenue.

Budgetary Highlights

Over the course of the year, city administration and the City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. Fund balances related to the City's governmental funds increased by \$198,438. During the year ended June 30, 2024, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the City had \$26.6 million invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the City. See Note 4 for additional details.

Long-term Debt

The City's total long-term indebtedness as of June 30, 2024 is approximately \$831,000, which primarily consists of general obligation bonds. See Note 6 for additional details.

Economic Factors and Next Year's Budgets and Rates

During 2024, the economy was in a period of high inflation. The national unemployment rate has remained consistent at 4.3 percent over the last year. The national Consumer Price Index has increased from 3.0 percent a year ago to 3.8 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. 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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 5,108,106	\$ 4,576,508	\$ 9,684,614	\$ 697,231
Receivables:				
Receivables from sales to customers on account	-	472,259	472,259	-
Due from other governmental units	351,366	-	351,366	-
Restricted cash (Notes 3 and 7)	-	762,379	762,379	-
Capital assets: (Note 4)				
Assets not subject to depreciation	333,916	157,042	490,958	319,284
Assets subject to depreciation - Net	12,996,027	13,133,501	26,129,528	2,576,401
Total assets	18,789,415	19,101,689	37,891,104	3,592,916
Deferred Outflows of Resources - Deferred pension costs (Note 12)	492,494	-	492,494	-
Liabilities				
Accounts payable	112,987	28,761	141,748	32,561
Accrued liabilities and other	26,894	-	26,894	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	58,250	13,270	71,520	-
Current portion of long-term debt (Note 6)	-	225,000	225,000	-
Due in more than one year:				
Compensated absences (Note 6)	116,808	26,533	143,341	-
Total OPEB liability (Note 11)	139,247	46,406	185,653	-
Net pension liability (Note 12)	1,726,579	-	1,726,579	-
Long-term debt (Note 6)	-	605,914	605,914	-
Total liabilities	2,180,765	945,884	3,126,649	32,561
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 11)	510	166	676	-
Net Position				
Net investment in capital assets	13,329,943	12,459,629	25,789,572	2,895,685
Restricted for:				
Roads	1,049,783	-	1,049,783	-
Capital projects	-	762,379	762,379	-
Library	993,568	-	993,568	-
Mausoleum	53,722	-	53,722	-
Unrestricted	1,673,618	4,933,631	6,607,249	664,670
Total net position	<u>\$ 17,100,634</u>	<u>\$ 18,155,639</u>	<u>\$ 35,256,273</u>	<u>\$ 3,560,355</u>

City of Richmond, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 919,207	\$ 27,621	\$ 8,621	\$ -
Public service	51,824	36,689	-	-
Public safety	2,801,230	254,435	198,744	-
Public works	1,325,667	595,069	753,025	130,000
Community and economic development	-	-	19,986	-
Recreation and culture	830,018	129,755	11,866	1,427,736
Total governmental activities	5,927,946	1,043,569	992,242	1,557,736
Business-type activities:				
Water	923,474	951,887	206,507	-
Sewer	1,282,834	1,175,752	-	-
Total business-type activities	2,206,308	2,127,639	206,507	-
Total primary government	\$ 8,134,254	\$ 3,171,208	\$ 1,198,749	\$ 1,557,736
Component units - Tax Increment Finance Authority	\$ 866,385	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Cable franchise fees				
Investment income				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2024

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
\$ (882,965)	\$ -	\$ (882,965)	\$ -
(15,135)	-	(15,135)	-
(2,348,051)	-	(2,348,051)	-
152,427	-	152,427	-
19,986	-	19,986	-
739,339	-	739,339	-
(2,334,399)	-	(2,334,399)	-
-	234,920	234,920	-
-	(107,082)	(107,082)	-
-	127,838	127,838	-
(2,334,399)	127,838	(2,206,561)	-
-	-	-	(866,385)
3,061,387	-	3,061,387	940,521
726,957	-	726,957	-
85,771	-	85,771	-
35,540	18,023	53,563	-
62,899	-	62,899	250
3,972,554	18,023	3,990,577	940,771
1,638,155	145,861	1,784,016	74,386
15,462,479	18,009,778	33,472,257	3,485,969
\$ 17,100,634	\$ 18,155,639	\$ 35,256,273	\$ 3,560,355

Governmental Funds
Balance Sheet

June 30, 2024

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 3,405,132	\$ 1,702,974	\$ 5,108,106
Receivables - Due from other governmental units	230,854	120,512	351,366
Total assets	\$ 3,635,986	\$ 1,823,486	\$ 5,459,472
Liabilities			
Accounts payable	\$ 88,046	\$ 24,941	\$ 112,987
Accrued liabilities and other	26,894	-	26,894
Total liabilities	114,940	24,941	139,881
Deferred Inflows of Resources - Unavailable revenue	142,477	-	142,477
Fund Balances			
Restricted:			
Roads	-	1,049,783	1,049,783
Library	993,568	-	993,568
Mausoleum	-	53,722	53,722
Committed:			
Fire operations	-	881	881
Parks and recreation	-	34	34
Cemetery	-	60,037	60,037
Assigned:			
Subsequent year's budget	547,285	-	547,285
Capital projects	-	634,088	634,088
Unassigned	1,837,716	-	1,837,716
Total fund balances	3,378,569	1,798,545	5,177,114
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,635,986	\$ 1,823,486	\$ 5,459,472

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 5,177,114
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	13,329,943
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	142,477
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	(175,058)
Net pension liability and related deferred inflows and outflows	(1,234,085)
Total OPEB liability and related deferred inflows	<u>(139,757)</u>
Net Position of Governmental Activities	<u>\$ 17,100,634</u>

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

Year Ended June 30, 2024

	General Fund	Formerly Major - Major Streets Fund	Formerly Major - Local Streets Fund	Formerly Major - Fire Department Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 3,061,387	\$ -	\$ -	\$ -	\$ -	\$ 3,061,387
Intergovernmental revenue:						
Federal grants	156,758	-	-	-	49,986	206,744
State-shared revenue and grants	760,685	-	-	-	753,025	1,513,710
Charges for services	645,528	-	-	-	313,017	958,545
Fines and forfeitures	25,512	-	-	-	-	25,512
Licenses and permits	199,535	-	-	-	-	199,535
Interest	33,958	-	-	-	1,582	35,540
Other revenue:						
Donations	1,010,876	-	-	-	131,734	1,142,610
Other miscellaneous revenue	47,088	-	-	-	15,811	62,899
Total revenue	5,941,327	-	-	-	1,265,155	7,206,482
Expenditures						
Current services:						
General government	730,234	-	-	-	-	730,234
Public service	-	-	-	-	51,682	51,682
Public safety	2,691,381	-	-	-	315,069	3,006,450
Public works	1,074,756	-	-	-	1,115,188	2,189,944
Recreation and culture	395,260	-	-	-	438,594	833,854
Capital outlay	40,672	-	-	-	181,662	222,334
Total expenditures	4,932,303	-	-	-	2,102,195	7,034,498
Excess of Revenue Over (Under) Expenditures	1,009,024	-	-	-	(837,040)	171,984
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	771,402	771,402
Transfers out	(670,568)	-	-	-	(100,834)	(771,402)
Sale of capital assets	16,504	-	-	-	9,950	26,454
Total other financing (uses) sources	(654,064)	-	-	-	680,518	26,454
Net Change in Fund Balances	354,960	-	-	-	(156,522)	198,438
Fund Balances - Beginning of year, as previously reported (Note 1)	3,023,609	675,721	733,558	18,986	526,802	4,978,676
Change within Financial Reporting Entity (Note 1)	-	(675,721)	(733,558)	(18,986)	1,428,265	-
Fund Balances - Beginning of year, as adjusted (Note 1)	3,023,609	-	-	-	1,955,067	4,978,676
Fund Balances - End of year	<u>\$ 3,378,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,798,545</u>	<u>\$ 5,177,114</u>

Governmental Funds

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

Year Ended June 30, 2024

Net Change in Fund Balances Reported in Governmental Funds	\$ 198,438
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	(18,179)
Depreciation expense	(781,423)
Capital outlay	2,287,100
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	(17,759)
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>(30,022)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,638,155</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2024

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 2,015,823	\$ 2,560,685	\$ 4,576,508
Receivables - Customers	226,688	245,571	472,259
Total current assets	2,242,511	2,806,256	5,048,767
Noncurrent assets:			
Restricted cash (Note 7)	-	762,379	762,379
Capital assets: (Note 4)			
Assets not subject to depreciation	128,983	28,059	157,042
Assets subject to depreciation - Net	5,176,143	7,957,358	13,133,501
Total noncurrent assets	5,305,126	8,747,796	14,052,922
Total assets	7,547,637	11,554,052	19,101,689
Liabilities			
Current liabilities:			
Accounts payable	23,754	5,007	28,761
Compensated absences (Note 6)	9,440	3,830	13,270
Current portion of long-term debt (Note 6)	-	225,000	225,000
Total current liabilities	33,194	233,837	267,031
Noncurrent liabilities:			
Compensated absences (Note 6)	18,628	7,905	26,533
Total OPEB liability (Note 11)	23,203	23,203	46,406
Long-term debt (Note 6)	-	605,914	605,914
Total noncurrent liabilities	41,831	637,022	678,853
Total liabilities	75,025	870,859	945,884
Deferred Inflows of Resources - Deferred OPEB cost reductions	83	83	166
Net Position			
Net investment in capital assets	5,305,126	7,154,503	12,459,629
Restricted	-	762,379	762,379
Unrestricted	2,167,403	2,766,228	4,933,631
Total net position	\$ 7,472,529	\$ 10,683,110	\$ 18,155,639

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

Year Ended June 30, 2024

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 881,130	\$ 1,094,761	\$ 1,975,891
Charges for services	2,760	-	2,760
Penalties	14,135	17,726	31,861
Miscellaneous	53,862	63,265	117,127
Total operating revenue	951,887	1,175,752	2,127,639
Operating Expenses			
Water production	143,475	-	143,475
Sewer treatment plant	-	450,034	450,034
Administration	135,530	203,987	339,517
Water system	442,716	-	442,716
Sewer system	-	166,877	166,877
Depreciation	192,750	432,443	625,193
Total operating expenses	914,471	1,253,341	2,167,812
Operating Income (Loss)	37,416	(77,589)	(40,173)
Nonoperating Revenue (Expense)			
Investment income	-	18,023	18,023
Interest expense	-	(20,490)	(20,490)
Loss on disposal of assets	(9,003)	(9,003)	(18,006)
Grants used for operating purposes	206,507	-	206,507
Total nonoperating revenue (expense)	197,504	(11,470)	186,034
Change in Net Position	234,920	(89,059)	145,861
Net Position - Beginning of year	7,237,609	10,772,169	18,009,778
Net Position - End of year	\$ 7,472,529	\$ 10,683,110	\$ 18,155,639

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2024

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 945,144	\$ 1,184,367	\$ 2,129,511
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>(737,371)</u>	<u>(821,566)</u>	<u>(1,558,937)</u>
Net cash and cash equivalents provided by operating activities	230,227	340,347	570,574
Cash Flows Provided by Noncapital Financing Activities - Operating grants	206,507	-	206,507
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(42,029)	(55,889)	(97,918)
Principal and interest paid on capital debt	<u>-</u>	<u>(240,490)</u>	<u>(240,490)</u>
Net cash and cash equivalents used in capital and related financing activities	(42,029)	(296,379)	(338,408)
Cash Flows from Investing Activities			
Interest received on investments	-	18,023	18,023
Purchase of investment securities	<u>-</u>	<u>(19,458)</u>	<u>(19,458)</u>
Net cash and cash equivalents used in investing activities	<u>-</u>	<u>(1,435)</u>	<u>(1,435)</u>
Net Increase in Cash and Cash Equivalents	394,705	42,533	437,238
Cash and Cash Equivalents - Beginning of year	<u>1,621,118</u>	<u>2,849,821</u>	<u>4,470,939</u>
Cash and Cash Equivalents - End of year	<u>\$ 2,015,823</u>	<u>\$ 2,892,354</u>	<u>\$ 4,908,177</u>
Statement of Net Position Classification of Cash and Cash Equivalents			
Cash and investments	\$ 2,015,823	\$ 2,560,685	\$ 4,576,508
Restricted cash	-	762,379	762,379
Less amounts classified as investments	<u>-</u>	<u>(430,710)</u>	<u>(430,710)</u>
Total cash and cash equivalents	<u>\$ 2,015,823</u>	<u>\$ 2,892,354</u>	<u>\$ 4,908,177</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 37,416	\$ (77,589)	\$ (40,173)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	192,750	432,443	625,193
Changes in assets and liabilities:			
Receivables	(6,743)	8,615	1,872
Accounts payable	<u>6,804</u>	<u>(23,122)</u>	<u>(16,318)</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 230,227</u>	<u>\$ 340,347</u>	<u>\$ 570,574</u>

City of Richmond, Michigan

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

	June 30, 2024
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, 2024

Additions - Tax collections for others	\$ 6,764,162
Deductions - Tax distributions to others	<u>6,764,162</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 fund as a major governmental fund:

- 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.

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, 2024.

Interfund Activity

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

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

Basis of Accounting

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Certificates of deposit with 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.

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:

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

Note 1 - Significant Accounting Policies (Continued)

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.

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.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has not authorized anyone to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

The 2023 taxable valuation of the City totaled \$230 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 \$3.1 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. For the year ended June 30, 2024 the City's contributions are 12.5 percent of covered payroll, employee contributions are 10 percent of covered payroll, and the remaining required contribution is split 50/50 between the City and employees.

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).

Note 1 - Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncements

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.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Accounting Changes and Error Corrections

Changes to the Financial Reporting Entity

Change in Major Funds

The Major Streets, Local Streets, and Fire Department funds were previously reported as major funds but are now reported as nonmajor funds for fiscal year 2024. The effects of this change in major funds are shown in the table at the end of this section.

June 30, 2024

Note 1 - Significant Accounting Policies (Continued)

Adjustments to Beginning Balances

During fiscal year 2024, the changes noted above resulted in adjustments to beginning net position and fund net position as follows:

	<u>June 30, 2023</u>		<u>June 30, 2023</u>
	As Previously Reported	Change in Major Funds	As Adjusted
Governmental funds:			
Major funds:			
Major Streets Fund	\$ 675,721	\$ (675,721)	\$ -
Local Streets Fund	733,558	(733,558)	-
Fire Department Fund	18,986	(18,986)	-
Nonmajor funds	<u>526,802</u>	<u>1,428,265</u>	<u>1,955,067</u>
Total governmental funds	<u>\$ 1,955,067</u>	<u>\$ -</u>	<u>\$ 1,955,067</u>

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, 2024 is as follows:

Accumulated expenditures over revenue - July 1, 2023	\$ (597,064)
Current year revenue	82,350
Current year expenditures - Direct costs	<u>(110,587)</u>
Accumulated expenditures over revenue - June 30, 2024	<u>\$ (625,301)</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 allowed under the state statutory authority, as listed above. The City's deposits and investment policies are in accordance with statutory authority.

June 30, 2024

Note 3 - Deposits and Investments (Continued)

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 \$9,288,915 (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 \$700,208 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.

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, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Construction in progress	1,358,052	(1,358,052)	213,916	-	213,916
Subtotal	1,478,052	(1,358,052)	213,916	-	333,916
Capital assets being depreciated:					
Infrastructure	8,493,602	488,838	640,610	-	9,623,050
Buildings and improvements	5,724,584	67,550	795,704	-	6,587,838
Vehicles and equipment	5,546,851	801,664	636,870	(36,357)	6,949,028
Subtotal	19,765,037	1,358,052	2,073,184	(36,357)	23,159,916
Accumulated depreciation:					
Infrastructure	2,716,632	-	360,510	-	3,077,142
Buildings and improvements	2,949,902	-	125,018	-	3,074,920
Vehicles and equipment	3,734,110	-	295,895	(18,178)	4,011,827
Subtotal	9,400,644	-	781,423	(18,178)	10,163,889
Net capital assets being depreciated	10,364,393	1,358,052	1,291,761	(18,179)	12,996,027
Net governmental activities capital assets	\$ 11,842,445	\$ -	\$ 1,505,677	\$ (18,179)	\$ 13,329,943

June 30, 2024

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 157,042	\$ -	\$ -	\$ -	\$ 157,042
Construction in progress	665,436	(647,430)	-	(18,006)	-
Subtotal	822,478	(647,430)	-	(18,006)	157,042
Capital assets being depreciated:					
Utility systems	20,153,212	647,430	-	-	20,800,642
Buildings	5,218,096	-	-	-	5,218,096
Vehicles and equipment	2,764,630	-	97,918	-	2,862,548
Subtotal	28,135,938	647,430	97,918	-	28,881,286
Accumulated depreciation:					
Utility systems	10,122,270	-	424,415	-	10,546,685
Buildings	3,272,163	-	108,605	-	3,380,768
Vehicles and equipment	1,728,159	-	92,173	-	1,820,332
Subtotal	15,122,592	-	625,193	-	15,747,785
Net capital assets being depreciated	13,013,346	647,430	(527,275)	-	13,133,501
Net business-type activities capital assets	<u>\$ 13,835,824</u>	<u>\$ -</u>	<u>\$ (527,275)</u>	<u>\$ (18,006)</u>	<u>\$ 13,290,543</u>

Component Unit

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 319,284	\$ -	\$ -	\$ 319,284
Construction in progress	32,009	-	(32,009)	-
Subtotal	351,293	-	(32,009)	319,284
Capital assets being depreciated:				
Buildings and improvements	719,394	-	-	719,394
Furniture and equipment	292,556	-	-	292,556
Land improvements	2,851,853	-	-	2,851,853
Subtotal	3,863,803	-	-	3,863,803
Accumulated depreciation:				
Buildings and improvements	149,769	19,664	-	169,433
Furniture and equipment	160,410	16,645	-	177,055
Land improvements	868,927	71,987	-	940,914
Subtotal	1,179,106	108,296	-	1,287,402
Net capital assets being depreciated	2,684,697	(108,296)	-	2,576,401
Net capital assets	<u>\$ 3,035,990</u>	<u>\$ (108,296)</u>	<u>\$ (32,009)</u>	<u>\$ 2,895,685</u>

June 30, 2024

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 204,660
Public safety		174,231
Public works		360,510
Recreation and culture		42,022
		<u>781,423</u>
Total governmental activities		<u>\$ 781,423</u>
Business-type activities:		
Water		\$ 192,750
Sewer		432,443
		<u>625,193</u>
Total business-type activities		<u>\$ 625,193</u>

Note 5 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 670,568
Nonmajor governmental funds	Nonmajor governmental funds	100,834
	Total	<u>\$ 771,402</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, 2024 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 193,050	\$ 53,197	\$ (71,189)	\$ 175,058	\$ 58,250

June 30, 2024

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	\$ 390,000	\$ -	\$ (50,000)	\$ 340,000	\$ 55,000
General obligation bonds - 2007 Sewage Disposal System Revolving Loan: Amount of issue - \$3,010,914, Maturing through 2027	1.625	\$145,000-\$170,000	660,914	-	(170,000)	490,914	170,000
Total bonds payable			1,050,914	-	(220,000)	830,914	225,000
Compensated absences			39,121	13,321	(12,639)	39,803	13,270
Total business-type activities			<u>\$ 1,090,035</u>	<u>\$ 13,321</u>	<u>\$ (232,639)</u>	<u>\$ 870,717</u>	<u>\$ 238,270</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 \$20,400. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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	60,000	3,000	63,000
2030	60,000	1,500	61,500
Total	<u>\$ 830,914</u>	<u>\$ 45,894</u>	<u>\$ 876,808</u>

Note 7 - Restricted Net Position

Restricted assets at June 30, 2024 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 \$160,692 during the year ended June 30, 2024 when the taxable value of the area was approximately \$45.1 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 \$106,368 during the current year, and employees contributed \$128,246.

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, 2024, there were 26 active plan members and 1 retired member currently receiving benefits.

Note 11 - Other Postemployment Benefit Plan (Continued)

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, 2024, there was \$102,270 in benefit premiums expense incurred by the City.

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

Total OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the total OPEB liability. The June 30, 2024 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2024 measurement date. The June 30, 2024 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, 2023	\$ 269,668
Changes for the year:	
Service cost	8,279
Interest	8,295
Differences between expected and actual experience	17,033
Changes in assumptions	(15,352)
Benefit payments	<u>(102,270)</u>
Net changes	<u>(84,015)</u>
Balance at June 30, 2024	<u>\$ 185,653</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$17,217.

At June 30, 2024, the City reported deferred inflows of resources related to OPEB of \$676 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:

Year Ending June 30	Amount
2025	\$ 676

June 30, 2024

Note 11 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2024, using the following assumptions applied to all periods included in the measurement unless otherwise specified:

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

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

Marital Status and Dependency Status

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

Mortality

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Turnover

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

Health Care Cost Trend Rate

The expected rate of increase for individual health care insurance premiums was 4.7 percent initially, reaching an ultimate rate of 4.2 percent after seven years. Separate assumptions were made for pharmacy, dental, and vision coverage. Rates were developed using the Getzen model promulgated by the Society of Actuaries for use in long-term trend projections.

Health Insurance Premiums

Actual 2024 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 4.21 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, 2023 valuation was 3.65 percent.

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.21 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 (3.21%)	Current Discount Rate (4.21%)	1 Percentage Point Increase (5.21%)
Total OPEB liability of the Employees' OPEB Plan	\$ 214,312	\$ 185,653	\$ 161,982

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	\$ 157,637	\$ 185,653	\$ 220,200

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.

Note 12 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2023
Inactive plan members or beneficiaries currently receiving benefits	12
Active plan members	11
	<hr/>
Total employees covered by the plan	23
	<hr/> <hr/>

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, 2024, the City's contributions are expressed as a percentage of covered payroll and amount to 15.38 percent of covered payroll. The active employees make up the remaining required contribution, which averaged 12.88 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, 2024 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, 2023 measurement date. The December 31, 2023 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, 2022	\$ 4,165,000	\$ 2,485,540	\$ 1,679,460
Changes for the year:			
Service cost	105,421	-	105,421
Interest	296,907	-	296,907
Changes in benefits	37,246	-	37,246
Differences between expected and actual experience	89,707	-	89,707
Changes in assumptions	32,133	-	32,133
Contributions - Employer	-	145,555	(145,555)
Contributions - Employee	-	96,876	(96,876)
Net investment income	-	277,740	(277,740)
Benefit payments, including refunds	(244,885)	(244,885)	-
Administrative expenses	-	(5,876)	5,876
	<hr/>	<hr/>	<hr/>
Net changes	316,529	269,410	47,119
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2023	\$ 4,481,529	\$ 2,754,950	\$ 1,726,579

Note 12 - Pension Plan (Continued)

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

For the year ended June 30, 2024, the City recognized pension expense of \$274,391.

At June 30, 2024, 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	\$ 152,052	\$ -
Changes in assumptions	155,643	-
Net difference between projected and actual earnings on pension plan investments	131,527	-
Employer contributions to the plan subsequent to the measurement date	53,272	-
Total	<u>\$ 492,494</u>	<u>\$ -</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 (\$53,272), which will impact the net pension liability in fiscal year 2024, rather than pension expense.

Years Ending June 30	Amount
2025	\$ 120,410
2026	145,257
2027	140,710
2028	12,537
2029	20,308
Total	<u>\$ 439,222</u>

Actuarial Assumptions

The total pension liability in the December 31, 2023 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 7.18 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 7.18 percent. The projection of cash flows used to determine the discount rate assumed that city contributions will be made at the current contribution rate 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, 2023 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 7.18 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 (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability of the City	\$ 2,238,526	\$ 1,726,579	\$ 1,299,915

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, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,063,239	\$ 3,064,615	\$ 3,061,387	\$ (3,228)
State-shared revenue and grants	965,855	965,855	917,443	(48,412)
Charges for services:				
Trash collection	365,000	365,000	384,910	19,910
Fees	47,500	47,500	50,459	2,959
Rentals	225,950	225,950	210,159	(15,791)
Fines and forfeitures:				
Traffic fines and penalties	15,300	15,300	10,041	(5,259)
Library fines	17,500	17,500	15,471	(2,029)
Licenses and permits	203,852	203,852	199,535	(4,317)
Interest	-	-	33,958	33,958
Other revenue:				
Donations	63,000	63,000	1,010,876	947,876
Other miscellaneous revenue	38,158	38,158	47,088	8,930
Total revenue	5,005,354	5,006,730	5,941,327	934,597
Expenditures				
Current services:				
General government:				
City Council	32,051	32,051	31,302	749
City manager	118,024	122,180	116,979	5,201
Cable television	79,692	79,492	76,605	2,887
Treasurer	105,045	108,002	99,612	8,390
Assessor	40,988	39,403	35,684	3,719
Board of Review	7,360	7,360	2,028	5,332
Clerk	86,112	86,112	83,717	2,395
Buildings and grounds	90,738	92,502	79,637	12,865
Attorney	25,000	22,470	20,203	2,267
Elections	20,220	24,126	23,775	351
Annexation agreement	162,258	162,258	160,692	1,566
Public safety:				
Police	1,609,083	1,719,856	1,692,717	27,139
Communications	357,468	767,343	720,443	46,900
Traffic safety	35,133	35,133	19,930	15,203
Civil defense/Emergency preparedness	1,800	1,800	1,947	(147)
Planning	80,643	80,643	80,784	(141)
Public service director	67,322	74,986	64,068	10,918
Building and trade inspections	113,725	123,504	111,492	12,012
Public works:				
Refuse collection and disposal	343,363	343,363	333,370	9,993
Street lighting	130,754	147,622	146,711	911
Department of Public Works	420,616	671,690	594,675	77,015
Recreation and culture - Library	406,922	411,310	395,260	16,050
Capital outlay	48,135	48,135	40,672	7,463
Total expenditures	4,382,452	5,201,341	4,932,303	269,038
Excess of Revenue Over (Under) Expenditures	622,902	(194,611)	1,009,024	1,203,635
Other Financing (Uses) Sources				
Transfers out	(868,613)	(868,613)	(670,568)	198,045
Sale of capital assets	9,000	9,000	16,504	7,504
Total other financing uses	(859,613)	(859,613)	(654,064)	205,549
Net Change in Fund Balance	(236,711)	(1,054,224)	354,960	1,409,184
Fund Balance - Beginning of year	3,023,609	3,023,609	3,023,609	-
Fund Balance - End of year	\$ 2,786,898	\$ 1,969,385	\$ 3,378,569	\$ 1,409,184

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

	Last Seven Fiscal Years						
	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 8,279	\$ 9,752	\$ 12,056	\$ 12,990	\$ 9,208	\$ 9,208	\$ 9,691
Interest	8,295	7,497	6,690	9,901	10,055	9,709	9,408
Differences between expected and actual experience	17,033	49,539	28,999	(27,037)	(38,400)	-	-
Changes in assumptions	(15,352)	(32,838)	(20,365)	24,928	19,324	-	(7,942)
Benefit payments	(102,270)	(63,916)	(56,343)	(18,328)	-	(3,129)	(8,918)
Net Change in Total OPEB Liability	(84,015)	(29,966)	(28,963)	2,454	187	15,788	2,239
Total OPEB Liability - Beginning of year	269,668	299,634	328,597	326,143	325,956	310,168	307,929
Total OPEB Liability - End of year	\$ 185,653	\$ 269,668	\$ 299,634	\$ 328,597	\$ 326,143	\$ 325,956	\$ 310,168

Currently, seven 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 Ten Fiscal Years
Measurement Years Ended December 31**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 105,421	\$ 87,989	\$ 71,931	\$ 68,904	\$ 59,725	\$ 56,354	\$ 46,212	\$ 49,908	\$ 49,921	\$ 49,457
Interest	296,907	281,251	270,152	241,306	237,802	224,418	212,907	204,724	191,296	177,180
Changes in benefit terms	37,246	(4,037)	(3,893)	(14,399)	(19,774)	(4,880)	(13,874)	(4,336)	(16,280)	-
Differences between expected and actual experience	89,707	70,789	17,473	64,098	(63,790)	3,028	(14,822)	(82,549)	(72,360)	-
Changes in assumptions	32,133	-	148,757	163,461	104,403	-	-	-	144,728	-
Benefit payments, including refunds	(244,885)	(212,636)	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)	(55,158)
Net Change in Total Pension Liability	316,529	223,356	341,523	395,609	205,325	165,347	160,796	110,148	240,927	171,479
Total Pension Liability - Beginning 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	2,150,490
Total Pension Liability - End of year	\$ 4,481,529	\$ 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	\$ 145,555	\$ 53,985	\$ 55,005	\$ 55,551	\$ 54,494	\$ 49,094	\$ 48,468	\$ 50,617	\$ 54,262	\$ 53,757
Contributions - Member	96,876	80,195	72,074	65,423	53,070	38,544	34,034	36,024	42,068	35,453
Net investment income (loss)	277,740	(297,537)	359,008	295,813	273,658	(83,312)	249,412	190,543	(25,466)	96,206
Administrative expenses	(5,876)	(5,250)	(4,120)	(4,606)	(4,715)	(4,108)	(3,941)	(3,756)	(3,652)	(3,554)
Benefit payments, including refunds	(244,885)	(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	269,410	(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	2,485,540	2,866,783	2,547,713	2,263,293	1,999,827	2,113,182	1,854,836	1,639,007	1,628,173	1,501,469
Plan Fiduciary Net Position - End of year	\$ 2,754,950	\$ 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	\$ 1,726,579	\$ 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	61.47 %	59.68 %	72.73 %	70.77 %	70.63 %	66.68 %	74.57 %	69.39 %	63.95 %	70.12 %
Covered Payroll	\$ 672,757	\$ 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	256.64 %	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
Public safety - Civil defense/Emergency preparedness	\$ 1,800	\$ 1,947	\$ (147)
Public safety - Planning	80,643	80,784	(141)

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

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Funds							Total Special Revenue Funds
	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development	Major Streets	Local Streets	Fire Department	
Assets								
Cash and investments	\$ 53,722	\$ 60,190	\$ 9,536	\$ -	\$ 547,718	\$ 394,171	\$ 3,549	\$ 1,068,886
Receivables	-	-	-	-	90,605	29,907	-	120,512
Total assets	<u>\$ 53,722</u>	<u>\$ 60,190</u>	<u>\$ 9,536</u>	<u>\$ -</u>	<u>\$ 638,323</u>	<u>\$ 424,078</u>	<u>\$ 3,549</u>	<u>\$ 1,189,398</u>
Liabilities - Accounts payable	\$ -	\$ 153	\$ 9,502	\$ -	\$ 10,479	\$ 2,139	\$ 2,668	\$ 24,941
Fund Balances								
Restricted:								
Roads	-	-	-	-	627,844	421,939	-	1,049,783
Mausoleum	53,722	-	-	-	-	-	-	53,722
Committed:								
Fire operations	-	-	-	-	-	-	881	881
Parks and recreation	-	-	34	-	-	-	-	34
Cemetery	-	60,037	-	-	-	-	-	60,037
Assigned - Capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>53,722</u>	<u>60,037</u>	<u>34</u>	<u>-</u>	<u>627,844</u>	<u>421,939</u>	<u>881</u>	<u>1,164,457</u>
Total liabilities and fund balances	<u>\$ 53,722</u>	<u>\$ 60,190</u>	<u>\$ 9,536</u>	<u>\$ -</u>	<u>\$ 638,323</u>	<u>\$ 424,078</u>	<u>\$ 3,549</u>	<u>\$ 1,189,398</u>

June 30, 2024

	Capital Project Funds		Total Capital Project Funds	Total
	Vehicle and Repairs	Street Improvement		
Assets				
Cash and investments	\$ 152,535	\$ 481,553	\$ 634,088	\$ 1,702,974
Receivables	-	-	-	120,512
Total assets	<u>\$ 152,535</u>	<u>\$ 481,553</u>	<u>\$ 634,088</u>	<u>\$ 1,823,486</u>
Liabilities - Accounts payable	\$ -	\$ -	\$ -	\$ 24,941
Fund Balances				
Restricted:				
Roads	-	-	-	1,049,783
Mausoleum	-	-	-	53,722
Committed:				
Fire operations	-	-	-	881
Parks and recreation	-	-	-	34
Cemetery	-	-	-	60,037
Assigned - Capital projects	152,535	481,553	634,088	634,088
Total fund balances	<u>152,535</u>	<u>481,553</u>	<u>634,088</u>	<u>1,798,545</u>
Total liabilities and fund balances	<u>\$ 152,535</u>	<u>\$ 481,553</u>	<u>\$ 634,088</u>	<u>\$ 1,823,486</u>

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

Year Ended June 30, 2024

	Special Revenue Funds							Total Special Revenue Funds
	Mausoleum	Cemetery	Parks and Recreation	Housing and Urban Development	Major Streets	Local Streets	Fire Department	
Revenue								
Intergovernmental revenue:								
Federal grants	\$ -	\$ -	\$ -	\$ 19,986	\$ -	\$ -	\$ 30,000	\$ 49,986
State-shared revenue and grants	-	-	-	-	552,345	200,680	-	753,025
Charges for services	-	36,689	114,284	-	-	-	162,044	313,017
Interest	-	1,582	-	-	-	-	-	1,582
Other revenue:								
Donations	-	-	1,734	-	-	-	-	1,734
Other miscellaneous revenue	-	-	13,455	-	-	2,356	-	15,811
Total revenue	-	38,271	129,473	19,986	552,345	203,036	192,044	1,135,155
Expenditures								
Current services:								
Public service	398	51,284	-	-	-	-	-	51,682
Public safety	-	-	-	-	-	-	315,069	315,069
Public works	-	-	-	-	500,222	614,655	-	1,114,877
Recreation and culture	-	-	438,594	-	-	-	-	438,594
Capital outlay	-	-	-	-	-	-	61,534	61,534
Total expenditures	398	51,284	438,594	-	500,222	614,655	376,603	1,981,756
Excess of Revenue (Under) Over Expenditures	(398)	(13,013)	(309,121)	19,986	52,123	(411,619)	(184,559)	(846,601)
Other Financing Sources (Uses)								
Transfers in	-	-	300,000	834	-	100,000	156,504	557,338
Transfers out	-	-	(834)	-	(100,000)	-	-	(100,834)
Sale of capital assets	-	-	-	-	-	-	9,950	9,950
Total other financing sources (uses)	-	-	299,166	834	(100,000)	100,000	166,454	466,454
Net Change in Fund Balances	(398)	(13,013)	(9,955)	20,820	(47,877)	(311,619)	(18,105)	(380,147)
Fund Balances (Deficit) - Beginning of year, as adjusted	54,120	73,050	9,989	(20,820)	675,721	733,558	18,986	1,544,604
Fund Balances - End of year	\$ 53,722	\$ 60,037	\$ 34	\$ -	\$ 627,844	\$ 421,939	\$ 881	\$ 1,164,457

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

Year Ended June 30, 2024

	Capital Project Funds			Total
	Vehicle and Repairs	Street Improvement	Total Capital Project Funds	
Revenue				
Intergovernmental revenue:				
Federal grants	\$ -	\$ -	\$ -	\$ 49,986
State-shared revenue and grants	-	-	-	753,025
Charges for services	-	-	-	313,017
Interest	-	-	-	1,582
Other revenue:				
Donations	-	130,000	130,000	131,734
Other miscellaneous revenue	-	-	-	15,811
Total revenue	-	130,000	130,000	1,265,155
Expenditures				
Current services:				
Public service	-	-	-	51,682
Public safety	-	-	-	315,069
Public works	-	311	311	1,115,188
Recreation and culture	-	-	-	438,594
Capital outlay	120,128	-	120,128	181,662
Total expenditures	120,128	311	120,439	2,102,195
Excess of Revenue (Under) Over Expenditures	(120,128)	129,689	9,561	(837,040)
Other Financing Sources (Uses)				
Transfers in	84,064	130,000	214,064	771,402
Transfers out	-	-	-	(100,834)
Sale of capital assets	-	-	-	9,950
Total other financing sources (uses)	84,064	130,000	214,064	680,518
Net Change in Fund Balances	(36,064)	259,689	223,625	(156,522)
Fund Balances (Deficit) - Beginning of year, as adjusted	188,599	221,864	410,463	1,955,067
Fund Balances - End of year	\$ 152,535	\$ 481,553	\$ 634,088	\$ 1,798,545