
City of Richmond, Michigan

Macomb County, Michigan

Financial Report
with Supplementary Information
June 30, 2025

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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, 2025 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, 2025 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 21, 2025

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, 2025. Please read it in conjunction with City's financial statements that follow.

Financial Highlights

- The City's taxable value increased from \$230 million in 2024 to \$251 million in 2025. This was the 10th year in which taxable value increased, following seven consecutive years of decreases. For fiscal year 2025, property tax revenue, the City's largest single revenue source, totaled \$3.3 million in the General Fund, representing an increase of 7.6 percent from the last fiscal year. This increase is primarily a reflection of an increase in tax collections and taxable value.
- State-shared revenue, a major source of revenue for the City's General Fund, increased slightly for the year. The City received \$730,351 in the 2024-2025 fiscal year, an increase of \$9,997, or 1.4 percent, from last year. The current year amount represents an increase of \$45,635, or 6.7 percent, from 2001-2002 funding levels.
- Total long-term liabilities for governmental activities are \$2,150,794, an increase of \$109,910, or 5.4 percent, from the previous year. This increase relates primarily to increases in the net pension liability and total OPEB liability.
- Total fund balance for the City's governmental funds decreased by \$27,920, primarily as a result of increased capital project expenditures compared to the prior year. This change reflects activity across all governmental fund types, including the General Fund, special revenue funds, and capital project funds.

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, 2025 and 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 5,854,865	\$ 5,459,472	\$ 5,958,084	\$ 5,811,146	\$ 11,812,949	\$ 11,270,618
Capital assets	14,226,590	13,329,943	13,262,956	13,290,543	27,489,546	26,620,486
Total assets	20,081,455	18,789,415	19,221,040	19,101,689	39,302,495	37,891,104
Deferred Outflows of Resources						
	413,601	492,494	-	-	413,601	492,494
Liabilities						
Current liabilities	530,403	139,881	245,710	28,761	776,113	168,642
Noncurrent liabilities	2,150,794	2,040,884	711,191	917,123	2,861,985	2,958,007
Total liabilities	2,681,197	2,180,765	956,901	945,884	3,638,098	3,126,649
Deferred Inflows of Resources						
	7,076	510	-	166	7,076	676
Net Position						
Net investment in capital assets	14,226,590	13,329,943	12,657,042	12,459,629	26,883,632	25,789,572
Restricted	2,651,383	2,097,073	782,679	762,379	3,434,062	2,859,452
Unrestricted	928,810	1,673,618	4,824,418	4,933,631	5,753,228	6,607,249
Total net position	\$ 17,806,783	\$ 17,100,634	\$ 18,264,139	\$ 18,155,639	\$ 36,070,922	\$ 35,256,273

The City's combined net position for both governmental and business-type activities totals \$36.1 million for fiscal year 2025. 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 \$30.3 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$5.8 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, 2025 and 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue						
Program revenue:						
Charges for services	\$ 1,103,904	\$ 1,047,362	\$ 2,259,108	\$ 2,127,639	\$ 3,363,012	\$ 3,175,001
Operating grants and contributions	830,990	992,242	127,598	206,507	958,588	1,198,749
Capital grants and contributions	907,258	1,557,736	-	-	907,258	1,557,736
General revenue:						
Property taxes	3,293,689	3,061,387	-	-	3,293,689	3,061,387
State-shared revenue	738,541	726,957	-	-	738,541	726,957
Other revenue	188,024	184,210	16,137	18,023	204,161	202,233
Total revenue	7,062,406	7,569,894	2,402,843	2,352,169	9,465,249	9,922,063
Expenses						
General government	1,035,568	923,000	-	-	1,035,568	923,000
Public service	57,844	51,824	-	-	57,844	51,824
Public safety	2,899,082	2,801,230	-	-	2,899,082	2,801,230
Public works	1,422,935	1,325,667	-	-	1,422,935	1,325,667
Community and economic development	1,195	-	-	-	1,195	-
Recreation and culture	939,633	830,018	-	-	939,633	830,018
Water and sewer	-	-	2,294,343	2,206,308	2,294,343	2,206,308
Total expenses	6,356,257	5,931,739	2,294,343	2,206,308	8,650,600	8,138,047
Change in Net Position	\$ 706,149	\$ 1,638,155	\$ 108,500	\$ 145,861	\$ 814,649	\$ 1,784,016

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 \$6.3 million for fiscal year 2025. Additionally, revenue for governmental activities totaled approximately \$7.0 million for fiscal year 2025. Revenue decreased compared to 2024, primarily related to additional private contributions received during the prior 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 2025 compared to 2024.

The City's Funds

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

The General Fund pays for most of the City's governmental services. The most significant is the police department, which incurred expenses of approximately \$1.6 million in 2025. The General Fund is supported primarily by property taxes and state-shared revenue.

Budgetary Highlights

Over the course of the year, city administration and the City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. Fund balances related to the City's governmental funds decreased by \$27,920. During the year ended June 30, 2025, there were no significant budget amendments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2025, the City had \$27.5 million invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the City. See Note 4 for additional details.

Long-term Debt

The City's total long-term indebtedness as of June 30, 2025 is approximately \$606,000, which primarily consists of general obligation bonds. See Note 6 for additional details.

Economic Factors and Next Year's Budgets and Rates

As of June 30, 2025, national economic indicators showed continued inflationary pressure, with the Consumer Price Index increasing 2.67 percent over the prior year. The national unemployment rate remained stable at approximately 4.2 percent. Locally, the City experienced growth in taxable property values, driven by a strong residential market.

The City's general operating millage rate for fiscal year 2025-2026 is 15.5039 mills, and a 1 percent administration fee continues to be levied on all tax collections. While property tax revenue is expected to increase modestly, the City is projecting a General Fund shortfall of \$199,021 due to inflationary cost increases, capital investments, and personnel-related expenses.

To ensure long-term financial sustainability, the City is closely monitoring reserve balances, revenue trends, and expenditure levels. The City remains focused on maintaining service levels, investing in infrastructure, and addressing workforce challenges, particularly in public safety.

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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and investments (Note 3)	\$ 5,529,314	\$ 4,661,286	\$ 10,190,600	\$ 715,485
Receivables:				
Receivables from sales to customers on account	-	514,119	514,119	-
Due from other governmental units	325,551	-	325,551	-
Restricted cash (Notes 3 and 7)	-	782,679	782,679	-
Capital assets: (Note 4)				
Assets not subject to depreciation	774,073	386,085	1,160,158	319,284
Assets subject to depreciation - Net	13,452,517	12,876,871	26,329,388	2,752,227
Total assets	20,081,455	19,221,040	39,302,495	3,786,996
Deferred Outflows of Resources - Deferred pension costs (Note 12)	413,601	-	413,601	-
Liabilities				
Accounts payable	494,952	245,710	740,662	300,936
Accrued liabilities and other	35,451	-	35,451	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	117,426	23,972	141,398	-
Current portion of long-term debt (Note 6)	-	225,000	225,000	-
Due in more than one year:				
Compensated absences (Note 6)	119,635	27,619	147,254	-
Total OPEB liability (Note 11)	161,098	53,686	214,784	-
Net pension liability (Note 12)	1,752,635	-	1,752,635	-
Long-term debt (Note 6)	-	380,914	380,914	-
Total liabilities	2,681,197	956,901	3,638,098	300,936
Deferred Inflows of Resources - Deferred pension cost reductions (Note 11)	7,076	-	7,076	-
Net Position				
Net investment in capital assets	14,226,590	12,657,042	26,883,632	3,071,511
Restricted for:				
Roads	1,622,290	-	1,622,290	-
Capital projects	-	782,679	782,679	-
Library	975,568	-	975,568	-
Mausoleum	53,525	-	53,525	-
Unrestricted	928,810	4,824,418	5,753,228	414,549
Total net position	<u>\$ 17,806,783</u>	<u>\$ 18,264,139</u>	<u>\$ 36,070,922</u>	<u>\$ 3,486,060</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	\$ 1,035,568	\$ 1,886	\$ 4,039	\$ -
Public service	57,844	42,422	-	-
Public safety	2,899,082	281,637	10,321	-
Public works	1,422,935	629,366	802,000	375,325
Community and economic development	1,195	-	-	-
Recreation and culture	939,633	148,593	14,630	531,933
Total governmental activities	6,356,257	1,103,904	830,990	907,258
Business-type activities:				
Water	991,461	1,001,881	127,598	-
Sewer	1,302,882	1,257,227	-	-
Total business-type activities	2,294,343	2,259,108	127,598	-
Total primary government	\$ 8,650,600	\$ 3,363,012	\$ 958,588	\$ 907,258
Component units - Tax Increment Finance Authority	\$ 1,150,054	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Cable franchise fees				
Gain on sale of capital assets				
Investment income				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2025

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
\$ (1,029,643)	\$ -	\$ (1,029,643)	\$ -
(15,422)	-	(15,422)	-
(2,607,124)	-	(2,607,124)	-
383,756	-	383,756	-
(1,195)	-	(1,195)	-
(244,477)	-	(244,477)	-
(3,514,105)	-	(3,514,105)	-
-	138,018	138,018	-
-	(45,655)	(45,655)	-
-	92,363	92,363	-
(3,514,105)	92,363	(3,421,742)	-
-	-	-	(1,150,054)
3,293,689	-	3,293,689	1,005,586
738,541	-	738,541	-
59,341	-	59,341	-
14,088	-	14,088	66,609
42,458	16,137	58,595	-
72,137	-	72,137	3,564
4,220,254	16,137	4,236,391	1,075,759
706,149	108,500	814,649	(74,295)
17,100,634	18,155,639	35,256,273	3,560,355
\$ 17,806,783	\$ 18,264,139	\$ 36,070,922	\$ 3,486,060

Governmental Funds
Balance Sheet

June 30, 2025

	General Fund	Major Streets Fund	Parks and Recreation Fund	Housing and Urban Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 3,214,191	\$ 1,377,693	\$ 16,378	\$ -	\$ 921,052	\$ 5,529,314
Receivables - Due from other governmental units	159,482	87,133	-	47,796	31,140	325,551
Total assets	<u>\$ 3,373,673</u>	<u>\$ 1,464,826</u>	<u>\$ 16,378</u>	<u>\$ 47,796</u>	<u>\$ 952,192</u>	<u>\$ 5,854,865</u>
Liabilities						
Accounts payable	\$ 92,183	\$ 325,226	\$ 15,922	\$ 47,796	\$ 13,825	\$ 494,952
Accrued liabilities and other	35,451	-	-	-	-	35,451
Total liabilities	127,634	325,226	15,922	47,796	13,825	530,403
Deferred Inflows of Resources -						
Unavailable revenue	127,472	-	-	47,796	-	175,268
Fund Balances						
Restricted:						
Roads	-	1,139,600	-	-	482,690	1,622,290
Library	975,568	-	-	-	-	975,568
Mausoleum	-	-	-	-	53,525	53,525
Committed:						
Fire operations	-	-	-	-	7,924	7,924
Parks and recreation	-	-	456	-	-	456
Cemetery	-	-	-	-	52,242	52,242
Assigned:						
Subsequent year's budget	199,021	-	-	-	-	199,021
Capital projects	-	-	-	-	341,986	341,986
Unassigned	1,943,978	-	-	(47,796)	-	1,896,182
Total fund balances	<u>3,118,567</u>	<u>1,139,600</u>	<u>456</u>	<u>(47,796)</u>	<u>938,367</u>	<u>5,149,194</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,373,673</u>	<u>\$ 1,464,826</u>	<u>\$ 16,378</u>	<u>\$ 47,796</u>	<u>\$ 952,192</u>	<u>\$ 5,854,865</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2025

Fund Balances Reported in Governmental Funds	\$ 5,149,194
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	14,226,590
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	175,268
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	(237,061)
Net pension liability and related deferred inflows and outflows	(1,346,110)
Total OPEB liability and related deferred inflows	<u>(161,098)</u>
Net Position of Governmental Activities	<u>\$ 17,806,783</u>

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

Year Ended June 30, 2025

	General Fund	Major Streets Fund	Parks and Recreation Fund	Housing and Urban Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 3,293,689	\$ -	\$ -	\$ -	\$ -	\$ 3,293,689
Intergovernmental - State-shared revenue and grants	761,628	796,540	-	-	202,989	1,761,157
Charges for services	695,251	-	136,242	-	225,006	1,056,499
Fines and forfeitures	26,382	-	-	-	-	26,382
Licenses and permits	146,249	-	-	-	-	146,249
Interest	41,110	-	-	-	1,348	42,458
Other revenue:						
Donations	73,263	-	1,143	-	130,000	204,406
Other miscellaneous revenue	59,184	6,296	1,071	-	5,586	72,137
Total revenue	5,096,756	802,836	138,456	-	564,929	6,602,977
Expenditures						
Current services:						
General government	780,513	-	-	-	-	780,513
Public service	-	-	-	-	57,812	57,812
Public safety	2,297,456	-	-	-	314,412	2,611,868
Public works	721,629	691,080	-	-	147,873	1,560,582
Community and economic development	-	-	-	47,796	-	47,796
Recreation and culture	436,157	-	778,034	-	-	1,214,191
Capital outlay	101,299	-	-	-	293,562	394,861
Total expenditures	4,337,054	691,080	778,034	47,796	813,659	6,667,623
Excess of Revenue Over (Under) Expenditures	759,702	111,756	(639,578)	(47,796)	(248,730)	(64,646)
Other Financing Sources (Uses)						
Transfers in	-	400,000	640,000	-	414,470	1,454,470
Transfers out	(1,054,470)	-	-	-	(400,000)	(1,454,470)
Sale of capital assets	34,766	-	-	-	1,960	36,726
Total other financing (uses) sources	(1,019,704)	400,000	640,000	-	16,430	36,726
Net Change in Fund Balances	(260,002)	511,756	422	(47,796)	(232,300)	(27,920)
Fund Balances - Beginning of year, as previously reported (Note 1)	3,378,569	-	-	-	1,798,545	5,177,114
Change within Financial Reporting Entity (Note 1)	-	627,844	34	-	(627,878)	-
Fund Balances - Beginning of year, as adjusted (Note 1)	3,378,569	627,844	34	-	1,170,667	5,177,114
Fund Balances - End of year	\$ 3,118,567	\$ 1,139,600	\$ 456	\$ (47,796)	\$ 938,367	\$ 5,149,194

Governmental Funds

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

Year Ended June 30, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$ (27,920)
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	(2,530)
Depreciation expense	(883,761)
Capital outlay	1,782,938
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	32,791
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>(195,369)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 706,149</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2025

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 2,088,387	\$ 2,572,899	\$ 4,661,286
Receivables - Customers	241,853	272,266	514,119
Total current assets	2,330,240	2,845,165	5,175,405
Noncurrent assets:			
Restricted cash (Note 7)	-	782,679	782,679
Capital assets: (Note 4)			
Assets not subject to depreciation	266,939	119,146	386,085
Assets subject to depreciation - Net	5,200,968	7,675,903	12,876,871
Total noncurrent assets	5,467,907	8,577,728	14,045,635
Total assets	7,798,147	11,422,893	19,221,040
Liabilities			
Current liabilities:			
Accounts payable	123,944	121,766	245,710
Compensated absences (Note 6)	17,076	6,896	23,972
Current portion of long-term debt (Note 6)	-	225,000	225,000
Total current liabilities	141,020	353,662	494,682
Noncurrent liabilities:			
Compensated absences (Note 6)	19,737	7,882	27,619
Total OPEB liability (Note 11)	26,843	26,843	53,686
Long-term debt (Note 6)	-	380,914	380,914
Total noncurrent liabilities	46,580	415,639	462,219
Total liabilities	187,600	769,301	956,901
Net Position			
Net investment in capital assets	5,467,907	7,189,135	12,657,042
Restricted	-	782,679	782,679
Unrestricted	2,142,640	2,681,778	4,824,418
Total net position	<u>\$ 7,610,547</u>	<u>\$ 10,653,592</u>	<u>\$ 18,264,139</u>

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

Year Ended June 30, 2025

	Water Fund	Sewer Fund	Total
Operating Revenue			
Usage fees	\$ 931,726	\$ 1,138,482	\$ 2,070,208
Charges for services	2,925	-	2,925
Penalties	15,358	19,041	34,399
Miscellaneous	51,872	99,704	151,576
Total operating revenue	1,001,881	1,257,227	2,259,108
Operating Expenses			
Water production	199,181	-	199,181
Sewer treatment plant	-	438,114	438,114
Administration	150,939	240,931	391,870
Water system	425,208	-	425,208
Sewer system	-	169,287	169,287
Depreciation	216,133	438,073	654,206
Total operating expenses	991,461	1,286,405	2,277,866
Operating Income (Loss)	10,420	(29,178)	(18,758)
Nonoperating Revenue (Expense)			
Investment income	-	16,137	16,137
Interest expense	-	(16,477)	(16,477)
Grants used for operating purposes	127,598	-	127,598
Total nonoperating revenue (expense)	127,598	(340)	127,258
Change in Net Position	138,018	(29,518)	108,500
Net Position - Beginning of year	7,472,529	10,683,110	18,155,639
Net Position - End of year	\$ 7,610,547	\$ 10,653,592	\$ 18,264,139

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2025

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 986,716	\$ 1,230,532	\$ 2,217,248
Receipts (payments) between the Water Fund and Sewer Fund for charges for services	22,454	(22,454)	-
Payments to suppliers, employees, and other funds	(685,290)	(702,519)	(1,387,809)
	323,880	505,559	829,439
Net cash and cash equivalents provided by operating activities			
Cash Flows Provided by Noncapital Financing Activities - Operating grants	127,598	-	127,598
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(378,914)	(247,705)	(626,619)
Principal and interest paid on capital debt	-	(241,477)	(241,477)
	(378,914)	(489,182)	(868,096)
Net cash and cash equivalents used in capital and related financing activities			
Cash Flows from Investing Activities			
Interest received on investments	-	16,137	16,137
Purchase of investment securities	-	(16,128)	(16,128)
	-	9	9
Net cash and cash equivalents provided by investing activities			
Net Increase in Cash and Cash Equivalents	72,564	16,386	88,950
Cash and Cash Equivalents - Beginning of year	2,015,823	2,892,354	4,908,177
Cash and Cash Equivalents - End of year	\$ 2,088,387	\$ 2,908,740	\$ 4,997,127
Statement of Net Position Classification of Cash and Cash Equivalents			
Cash and investments	\$ 2,088,387	\$ 2,572,899	\$ 4,661,286
Restricted cash	-	782,679	782,679
Less amounts classified as investments	-	(446,838)	(446,838)
	\$ 2,088,387	\$ 2,908,740	\$ 4,997,127
Total cash and cash equivalents			
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 10,420	\$ (29,178)	\$ (18,758)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	216,133	438,073	654,206
Changes in assets and liabilities:			
Receivables	(15,165)	(26,695)	(41,860)
Accounts payable and other liabilities	112,492	123,359	235,851
	323,880	505,559	829,439
Net cash and cash equivalents provided by operating activities	\$ 323,880	\$ 505,559	\$ 829,439

City of Richmond, Michigan

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

	June 30, 2025
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, 2025

Additions - Tax collections for others	\$ 7,809,829
Deductions - Tax distributions to others	<u>7,809,829</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 (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Units

The Tax Increment Finance Authority (the "Authority" or the "TIFA") was created to promote capital expansion within the City. The Authority's governing body is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. There are no separately issued financial statements for the Tax Increment Finance Authority.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation was inactive during the year and has no assets or liabilities.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America, as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, capital project funds, and permanent funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund and accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Major Streets Fund is a special revenue fund and accounts for all financial resources received from the State of Michigan under Act 51 in order to provide maintenance of major streets.
- The Parks and Recreation Fund is a special revenue fund and accounts for financial resources that are committed to providing parks maintenance, recreational programming, and the operation of related facilities.
- The Housing and Urban Development Fund is a special revenue fund and accounts for financial resources that are committed to activities funded through the Federal Community Development Block Grant (CDBG) Program. These activities include housing rehabilitation, public infrastructure improvements, and other community development initiatives that primarily benefit low- and moderate-income residents.

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, 2025.

Interfund Activity

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

Note 1 - Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The Sewer Fund has restricted assets relating to the future capital needs for the sewer treatment plant, as required by Environmental Protection Agency regulations.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and/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 defined benefit pension plan, as detailed in Note 12.

Net Position

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

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

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

Property Tax Revenue

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

The 2024 taxable valuation of the City totaled \$251 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 15.5039 mills for operating purposes. This resulted in \$3.3 million for operating purposes, which is recognized in the General Fund financial statements as tax revenue.

Note 1 - Significant Accounting Policies (Continued)

Pension

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

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees earn benefits based on time of service with the City. The compensated absence liabilities are reported in the government-wide and proprietary fund financial statements. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer funds is charges to customers for sales and services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

Accounting Changes and Error Corrections

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 101, *Compensated Absences*. The effects of this adoption of a new accounting pronouncement did not result in a restatement of the financial statements as of June 30, 2024, as there was no change in the way in which the liability is calculated.

Changes to the Financial Reporting Entity

Change in Major Funds

The Major Streets, Parks and Recreation, and Housing and Urban Development funds were previously reported as nonmajor funds but are now reported as major funds for fiscal year 2025. The effects of this change in major funds are shown in the table below (note: the Housing and Urban Development Fund had no fund balance as of June 30, 2024).

Adjustments to Beginning Balances

During fiscal year 2025, the changes noted above resulted in adjustments to beginning fund balance as follows:

	<u>June 30, 2024</u>		<u>June 30, 2024</u>
	As Previously Reported	Change in Major Funds	As Adjusted
Governmental funds:			
Major funds:			
Major Streets Fund	\$ -	\$ 627,844	\$ 627,844
Parks and Recreation Fund	-	34	34
Nonmajor funds	\$ 1,798,545	\$ (627,878)	\$ 1,170,667

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, 2025 is as follows:

Accumulated expenditures over revenue - July 1, 2024	\$ (625,301)
Current year revenue	85,022
Current year expenditures - Direct costs	<u>(112,690)</u>
Accumulated expenditures over revenue - June 30, 2025	<u>\$ (652,969)</u>

Fund Deficits and Management's Plan

As of June 30, 2025, the City reported a deficit in the Housing and Urban Development Fund of \$47,796. This deficit is attributable to grant reimbursements not received within the 60-day availability period under modified accrual accounting. These amounts are expected to be received in the subsequent fiscal year and will eliminate the deficit. Accordingly, a deficit elimination plan is not required under Michigan Department of Treasury guidelines.

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.

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 \$9,591,784 (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 \$700,410 that were uninsured and uncollateralized. The City and its component unit believe that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

June 30, 2025

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, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Construction in progress	213,916	(213,916)	654,073	-	654,073
Subtotal	333,916	(213,916)	654,073	-	774,073
Capital assets being depreciated:					
Infrastructure	9,623,050	-	47,796	-	9,670,846
Buildings and improvements	6,587,838	213,916	415,845	-	7,217,599
Vehicles and equipment	6,949,028	-	665,224	(63,699)	7,550,553
Subtotal	23,159,916	213,916	1,128,865	(63,699)	24,438,998
Accumulated depreciation:					
Infrastructure	3,077,142	-	392,663	-	3,469,805
Buildings and improvements	3,074,920	-	148,248	-	3,223,168
Vehicles and equipment	4,011,827	-	342,850	(61,169)	4,293,508
Subtotal	10,163,889	-	883,761	(61,169)	10,986,481
Net capital assets being depreciated	12,996,027	213,916	245,104	(2,530)	13,452,517
Net governmental activities capital assets	\$ 13,329,943	\$ -	\$ 899,177	\$ (2,530)	\$ 14,226,590

June 30, 2025

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 157,042	\$ -	\$ -	\$ -	\$ 157,042
Construction in progress	-	-	229,043	-	229,043
Subtotal	157,042	-	229,043	-	386,085
Capital assets being depreciated:					
Utility systems	20,800,642	-	386,076	(1,438)	21,185,280
Buildings	5,218,096	-	-	-	5,218,096
Vehicles and equipment	2,862,548	-	11,500	-	2,874,048
Subtotal	28,881,286	-	397,576	(1,438)	29,277,424
Accumulated depreciation:					
Utility systems	10,546,685	-	450,607	(1,438)	10,995,854
Buildings	3,380,768	-	108,606	-	3,489,374
Vehicles and equipment	1,820,332	-	94,993	-	1,915,325
Subtotal	15,747,785	-	654,206	(1,438)	16,400,553
Net capital assets being depreciated	13,133,501	-	(256,630)	-	12,876,871
Net business-type activities capital assets	<u>\$ 13,290,543</u>	<u>\$ -</u>	<u>\$ (27,587)</u>	<u>\$ -</u>	<u>\$ 13,262,956</u>

Component Unit

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated - Land	\$ 319,284	\$ -	\$ -	\$ 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	337,987	(60,541)	3,129,299
Subtotal	3,863,803	337,987	(60,541)	4,141,249
Accumulated depreciation:				
Buildings and improvements	169,433	19,664	-	189,097
Furniture and equipment	177,055	16,645	-	193,700
Land improvements	940,914	74,150	(8,839)	1,006,225
Subtotal	1,287,402	110,459	(8,839)	1,389,022
Net capital assets being depreciated	2,576,401	227,528	(51,702)	2,752,227
Net capital assets	<u>\$ 2,895,685</u>	<u>\$ 227,528</u>	<u>\$ (51,702)</u>	<u>\$ 3,071,511</u>

June 30, 2025

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 242,882
Public safety		202,820
Public works		392,663
Economic development		44,201
Recreation and culture		1,195
		<u>883,761</u>
Total governmental activities		<u>\$ 883,761</u>
Business-type activities:		
Water		\$ 216,133
Sewer		438,073
		<u>654,206</u>
Total business-type activities		<u>\$ 654,206</u>

Note 5 - Interfund Receivables, Payables, and Transfers

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Parks and Recreation Fund	\$ 640,000
	Nonmajor governmental funds	414,470
	Total General Fund	1,054,470
Nonmajor governmental funds	Major Streets Fund	400,000
	Total	<u>\$ 1,454,470</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, 2025 can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ 175,058	\$ 62,003	\$ -	\$ 237,061	\$ 117,426

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%	\$55,000 - \$60,000	\$ 340,000	\$ -	\$ (55,000)	\$ 285,000	\$ 55,000
General obligation bonds - 2007 Sewage Disposal System Revolving Loan:							
Amount of issue - \$3,010,914, Maturing through 2027	1.625%	\$150,000 - \$170,000	490,914	-	(170,000)	320,914	170,000
Total bonds payable			830,914	-	(225,000)	605,914	225,000
Compensated absences			39,803	11,788	-	51,591	23,972
Total business-type activities			<u>\$ 870,717</u>	<u>\$ 11,788</u>	<u>\$ (225,000)</u>	<u>\$ 657,505</u>	<u>\$ 248,972</u>

The changes in the compensated absence liabilities presented above reflect net additions and reductions during the fiscal year.

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 \$16,500. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
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>\$ 605,914</u>	<u>\$ 29,417</u>	<u>\$ 635,331</u>

Note 7 - Restricted Net Position

Restricted assets at June 30, 2025 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 \$179,651 during the year ended June 30, 2025 when the taxable value of the area was approximately \$49.9 million. It is anticipated that the City's annual payments to Lenox Township will continue to increase by approximately 2 percent per year through June 30, 2039 as taxable values of the annexed land increase.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees through two defined contribution plans: (1) 401 Money Purchase Plan and 457 Deferred Compensation Plan administered by ICMA-RC Retirement Trust and (2) Pension Trust administered by Lincoln Financial Group and John Hancock Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by council resolution, the City contributes 10 percent of employees' gross earnings, and employees have to contribute at least 5 percent. In accordance with these requirements, the City contributed \$111,753 during the current year, and employees contributed \$131,599.

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, 2025, 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, 2025, there was \$12,247 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, 2025 fiscal year end reported total OPEB liability was determined using a measure of the total OPEB liability as of June 30, 2025 measurement date. The June 30, 2025 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, 2024	\$ 185,653
Changes for the year:	
Service cost	7,285
Interest	7,868
Differences between expected and actual experience	18,898
Changes in assumptions	7,327
Benefit payments	<u>(12,247)</u>
Net changes	<u>29,131</u>
Balance at June 30, 2025	<u>\$ 214,784</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the City recognized OPEB expense of \$40,703. At June 30, 2025, there were no deferred outflows of resources or deferred inflows of resources related to OPEB.

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2025, 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.

Note 11 - Other Postemployment Benefit Plan (Continued)

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 5.8 percent initially, reaching an ultimate rate of 4.1 percent after nine 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 2025 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.96 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, 2024 valuation was 4.21 percent.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.96 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (2.96%)	Current Discount Rate (3.96%)	1 Percentage Point Increase (4.96%)
Total OPEB liability of the Employees' OPEB Plan	\$ 247,826	\$ 214,784	\$ 187,376

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 4.1 percent to 5.8 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (3.1% to 4.8%)	Current Health Care Cost Trend Rate (4.1% to 5.8%)	1 Percentage Point Increase (5.1% to 6.8%)
Total OPEB liability of the Employees' OPEB Plan	\$ 180,935	\$ 214,784	\$ 256,729

Note 12 - Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2024
Inactive plan members or beneficiaries currently receiving benefits	11
Active plan members	<u>11</u>
Total employees covered by the plan	<u><u>22</u></u>

Contributions

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

For the year ended June 30, 2025 the City's contributions are initially capped at 13 percent of covered payroll and employee contributions are initially capped at 10 percent of covered payroll. The remaining required contribution is split between the City and employees (allocated 60 percent for the City and 40 percent for employees).

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, 2025 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, 2024 measurement date. The December 31, 2024 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 12 - Pension Plan (Continued)

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, 2023	\$ 4,481,529	\$ 2,754,950	\$ 1,726,579
Changes for the year:			
Service cost	95,805	-	95,805
Interest	313,668	-	313,668
Changes in benefits	(2,570)	-	(2,570)
Differences between expected and actual experience	36,364	-	36,364
Changes in assumptions	(8,491)	-	(8,491)
Contributions - Employer	-	116,740	(116,740)
Contributions - Employee	-	94,385	(94,385)
Net investment income	-	203,628	(203,628)
Benefit payments, including refunds	(321,591)	(321,591)	-
Administrative expenses	-	(6,033)	6,033
Net changes	113,185	87,129	26,056
Balance at December 31, 2024	<u>\$ 4,594,714</u>	<u>\$ 2,842,079</u>	<u>\$ 1,752,635</u>

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

For the year ended June 30, 2025, the City recognized pension expense of \$247,983.

At June 30, 2025, 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	\$ 142,011	\$ -
Changes in assumptions	98,251	7,076
Net difference between projected and actual earnings on pension plan investments	100,850	-
Employer contributions to the plan subsequent to the measurement date	72,489	-
Total	<u>\$ 413,601</u>	<u>\$ 7,076</u>

Note 12 - Pension Plan (Continued)

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 (\$72,489), which will impact the net pension liability in fiscal year 2025, rather than pension expense.

Years Ending June 30	Amount
2026	\$ 147,901
2027	143,355
2028	15,181
2029	22,951
2030	4,648
Total	<u>\$ 334,036</u>

Actuarial Assumptions

The total pension liability in the December 31, 2024 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 administrative 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, 2019 through December 31, 2023.

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.

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, 2024 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	2.16
Private investments	20.00	6.50

Note 12 - Pension Plan (Continued)

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	\$ 2,272,993	\$ 1,752,635	\$ 1,318,323

Pension Plan Fiduciary Net Position

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

Assumption Changes

For the December 31, 2024 valuation, MERS adopted the results of a new experience study. The study resulted in incremental assumption updates that had limited impact on the total pension liability.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,333,725	\$ 3,337,976	\$ 3,293,689	\$ (44,287)
State-shared revenue and grants	776,395	776,395	761,628	(14,767)
Charges for services:				
Trash collection	380,000	380,000	370,369	(9,631)
Fees	47,500	47,500	65,885	18,385
Rentals	244,850	244,850	258,997	14,147
Fines and forfeitures:				
Traffic fines and penalties	12,500	12,500	14,031	1,531
Library fines	16,800	16,800	12,351	(4,449)
Licenses and permits	201,902	201,902	146,249	(55,653)
Interest	-	-	41,110	41,110
Other revenue:				
Donations	105,257	105,257	73,263	(31,994)
Other miscellaneous revenue	33,948	33,948	59,184	25,236
Total revenue	5,152,877	5,157,128	5,096,756	(60,372)
Expenditures				
Current services:				
General government:				
City Council	35,290	35,290	34,360	930
City manager	115,596	118,122	116,572	1,550
Cable television	82,922	83,096	81,852	1,244
Treasurer	108,270	107,970	101,646	6,324
Assessor	35,430	35,430	35,104	326
Board of Review	7,360	7,360	1,755	5,605
Clerk	88,414	88,414	91,042	(2,628)
Buildings and grounds	89,208	99,176	85,937	13,239
Attorney	26,000	26,000	18,334	7,666
Elections	30,734	34,985	34,260	725
Annexation agreement	179,702	179,702	179,651	51
Public safety:				
Police	1,728,921	1,794,130	1,647,233	146,897
Communications	400,500	426,795	362,186	64,609
Traffic safety	43,322	43,322	24,789	18,533
Civil defense/Emergency preparedness	1,800	2,306	2,305	1
Planning	82,942	82,942	82,051	891
Public service director	68,080	68,160	66,202	1,958
Building and trade inspections	120,263	120,263	112,690	7,573
Public works:				
Refuse collection and disposal	360,000	360,000	331,967	28,033
Street lighting	154,069	154,069	145,730	8,339
Department of Public Works	271,299	341,412	243,932	97,480
Recreation and culture - Library	447,998	469,266	436,157	33,109
Capital outlay	44,460	114,298	101,299	12,999
Total expenditures	4,522,580	4,792,508	4,337,054	455,454
Excess of Revenue Over Expenditures	630,297	364,620	759,702	395,082
Other Financing (Uses) Sources				
Transfers out	(1,180,082)	(1,180,082)	(1,054,470)	125,612
Sale of capital assets	2,500	2,500	34,766	32,266
Total other financing uses	(1,177,582)	(1,177,582)	(1,019,704)	157,878
Net Change in Fund Balance	(547,285)	(812,962)	(260,002)	552,960
Fund Balance - Beginning of year	3,378,569	3,378,569	3,378,569	-
Fund Balance - End of year	\$ 2,831,284	\$ 2,565,607	\$ 3,118,567	\$ 552,960

City of Richmond, Michigan

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

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 518,328	\$ 518,328	\$ 796,540	\$ 278,212
Other revenue	-	-	6,296	6,296
Total revenue	518,328	518,328	802,836	284,508
Expenditures - Current services - Public works	1,111,205	1,127,788	691,080	436,708
Excess of Revenue (Under) Over Expenditures	(592,877)	(609,460)	111,756	721,216
Other Financing Sources - Transfers in	400,000	400,000	400,000	-
Net Change in Fund Balance	(192,877)	(209,460)	511,756	721,216
Fund Balance - Beginning of year	627,844	627,844	627,844	-
Fund Balance - End of year	<u>\$ 434,967</u>	<u>\$ 418,384</u>	<u>\$ 1,139,600</u>	<u>\$ 721,216</u>

City of Richmond, Michigan

Required Supplementary Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Parks and Recreation Fund

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 74,600	\$ 76,100	\$ 136,242	\$ 60,142
Other revenue	1,000	1,000	2,214	1,214
Total revenue	75,600	77,100	138,456	61,356
Expenditures - Current services - Recreation and culture	708,391	810,118	778,034	32,084
Excess of Expenditures Over Revenue	(632,791)	(733,018)	(639,578)	93,440
Other Financing Sources - Transfers in	632,791	632,791	640,000	7,209
Net Change in Fund Balance	-	(100,227)	422	100,649
Fund Balance - Beginning of year	34	34	34	-
Fund Balance - End of year	<u>\$ 34</u>	<u>\$ (100,193)</u>	<u>\$ 456</u>	<u>\$ 100,649</u>

City of Richmond, Michigan

Required Supplementary Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Housing and Urban Development Fund

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Intergovernmental revenue - Federal grants	\$ 1,790	\$ 1,790	\$ -	\$ (1,790)
Expenditures - Current services - Community and economic development	-	-	47,796	(47,796)
Excess of Revenue Over (Under) Expenditures	1,790	1,790	(47,796)	(49,586)
Other Financing Uses - Transfers out	(1,790)	(1,790)	-	1,790
Net Change in Fund Balance	-	-	(47,796)	(47,796)
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,796)</u>	<u>\$ (47,796)</u>

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

	Last Eight Fiscal Years							
	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 7,285	\$ 8,279	\$ 9,752	\$ 12,056	\$ 12,990	\$ 9,208	\$ 9,208	\$ 9,691
Interest	7,868	8,295	7,497	6,690	9,901	10,055	9,709	9,408
Differences between expected and actual experience	18,898	17,033	49,539	28,999	(27,037)	(38,400)	-	-
Changes in assumptions	7,327	(15,352)	(32,838)	(20,365)	24,928	19,324	-	(7,942)
Benefit payments	(12,247)	(102,270)	(63,916)	(56,343)	(18,328)	-	(3,129)	(8,918)
Net Change in Total OPEB Liability	29,131	(84,015)	(29,966)	(28,963)	2,454	187	15,788	2,239
Total OPEB Liability - Beginning of year	185,653	269,668	299,634	328,597	326,143	325,956	310,168	307,929
Total OPEB Liability - End of year	<u>\$ 214,784</u>	<u>\$ 185,653</u>	<u>\$ 269,668</u>	<u>\$ 299,634</u>	<u>\$ 328,597</u>	<u>\$ 326,143</u>	<u>\$ 325,956</u>	<u>\$ 310,168</u>

Currently, eight 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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 95,805	\$ 105,421	\$ 87,989	\$ 71,931	\$ 68,904	\$ 59,725	\$ 56,354	\$ 46,212	\$ 49,908	\$ 49,921
Interest	313,668	296,907	281,251	270,152	241,306	237,802	224,418	212,907	204,724	191,296
Changes in benefit terms	(2,570)	37,246	(4,037)	(3,893)	(14,399)	(19,774)	(4,880)	(13,874)	(4,336)	(16,280)
Differences between expected and actual experience	36,364	89,707	70,789	17,473	64,098	(63,790)	3,028	(14,822)	(82,549)	(72,360)
Changes in assumptions	(8,491)	32,133	-	148,757	163,461	104,403	-	-	-	144,728
Benefit payments, including refunds	(321,591)	(244,885)	(212,636)	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)
Net Change in Total Pension Liability	113,185	316,529	223,356	341,523	395,609	205,325	165,347	160,796	110,148	240,927
Total Pension Liability - Beginning 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
Total Pension Liability - End of year	\$ 4,594,714	\$ 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
Plan Fiduciary Net Position										
Contributions - Employer	\$ 116,740	\$ 145,555	\$ 53,985	\$ 55,005	\$ 55,551	\$ 54,494	\$ 49,094	\$ 48,468	\$ 50,617	\$ 54,262
Contributions - Member	94,385	96,876	80,195	72,074	65,423	53,070	38,544	34,034	36,024	42,068
Net investment income (loss)	203,628	277,740	(297,537)	359,008	295,813	273,658	(83,312)	249,412	190,543	(25,466)
Administrative expenses	(6,033)	(5,876)	(5,250)	(4,120)	(4,606)	(4,715)	(4,108)	(3,941)	(3,756)	(3,652)
Benefit payments, including refunds	(321,591)	(244,885)	(212,636)	(162,897)	(127,761)	(113,041)	(113,573)	(69,627)	(57,599)	(56,378)
Net Change in Plan Fiduciary Net Position	87,129	269,410	(381,243)	319,070	284,420	263,466	(113,355)	258,346	215,829	10,834
Plan Fiduciary Net Position - Beginning 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
Plan Fiduciary Net Position - End of year	\$ 2,842,079	\$ 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
City's Net Pension Liability - Ending	\$ 1,752,635	\$ 1,726,579	\$ 1,679,460	\$ 1,074,861	\$ 1,052,408	\$ 941,219	\$ 999,360	\$ 720,658	\$ 818,208	\$ 923,889
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.86 %	61.47 %	59.68 %	72.73 %	70.77 %	70.63 %	66.68 %	74.57 %	69.39 %	63.95 %
Covered Payroll	\$ 700,326	\$ 672,757	\$ 583,871	\$ 526,198	\$ 574,201	\$ 544,939	\$ 524,714	\$ 459,363	\$ 506,169	\$ 542,615
City's Net Pension Liability as a Percentage of Covered Payroll	250.26 %	256.64 %	287.64 %	204.27 %	183.28 %	172.72 %	190.46 %	156.88 %	161.65 %	170.27 %

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The City adopts its budget on a departmental basis, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the first regular board meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the second Monday in June, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.
- The city manager is authorized to transfer budgeted amounts within the budgetary center (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance
General Fund - General government - Clerk	\$ 88,414	\$ 91,042	\$ (2,628)
Housing and Urban Development Fund - Community and economic development	-	47,796	(47,796)

Pension Information - Changes in Assumptions

Amounts reported in 2015 reflect a change in inflation rates from a range of 3.0 percent to 4.0 percent to 3.25 percent. Assumed salary increases decreased from 4.5 percent to 3.75 percent. The assumed investment rate of return decreased from 8.25 percent 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 percent to 7.6 percent and reduced assumed salary increases from 3.75 percent 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 percent to 7.25 percent.

In 2023, MERS reduced the assumed investment rate of return from 7.25 percent to 7.18 percent.

In 2024, MERS adopted the results of a new experience study. The study resulted in incremental assumption updates that had limited impact on the total pension liability.

Supplementary Information

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2025

	Special Revenue Funds					Capital Project Funds			Total
	Mausoleum	Cemetery	Local Streets	Fire Department	Total Special Revenue Funds	Vehicle and Repairs	Street Improvement	Total Capital Project Funds	
Assets									
Cash and investments	\$ 53,525	\$ 52,288	\$ 452,010	\$ 21,243	\$ 579,066	\$ 532	\$ 341,454	\$ 341,986	\$ 921,052
Receivables	-	-	31,140	-	31,140	-	-	-	31,140
Total assets	\$ 53,525	\$ 52,288	\$ 483,150	\$ 21,243	\$ 610,206	\$ 532	\$ 341,454	\$ 341,986	\$ 952,192
Liabilities - Accounts payable	\$ -	\$ 46	\$ 460	\$ 13,319	\$ 13,825	\$ -	\$ -	\$ -	\$ 13,825
Fund Balances									
Restricted:									
Roads	-	-	482,690	-	482,690	-	-	-	482,690
Mausoleum	53,525	-	-	-	53,525	-	-	-	53,525
Committed:									
Fire operations	-	-	-	7,924	7,924	-	-	-	7,924
Cemetery	-	52,242	-	-	52,242	-	-	-	52,242
Assigned - Capital projects	-	-	-	-	-	532	341,454	341,986	341,986
Total fund balances	53,525	52,242	482,690	7,924	596,381	532	341,454	341,986	938,367
Total liabilities and fund balances	\$ 53,525	\$ 52,288	\$ 483,150	\$ 21,243	\$ 610,206	\$ 532	\$ 341,454	\$ 341,986	\$ 952,192

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

Year Ended June 30, 2025

	Special Revenue Funds							Total Special Revenue Funds
	Mausoleum	Cemetery	Formerly Nonmajor - Parks and Recreation Fund	Formerly Nonmajor - Housing and Urban Development Fund	Formerly Nonmajor - Major Streets Fund	Local Streets	Fire Department	
Revenue								
Intergovernmental - State-shared revenue and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,989	\$ -	\$ 202,989
Charges for services	673	41,749	-	-	-	-	182,584	225,006
Interest	-	1,348	-	-	-	-	-	1,348
Other revenue:								
Donations	-	-	-	-	-	-	-	-
Other miscellaneous revenue	-	50	-	-	-	5,536	-	5,586
Total revenue	673	43,147	-	-	-	208,525	182,584	434,929
Expenditures								
Current services:								
Public service	870	56,942	-	-	-	-	-	57,812
Public safety	-	-	-	-	-	-	314,412	314,412
Public works	-	-	-	-	-	147,774	-	147,774
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	870	56,942	-	-	-	147,774	314,412	519,998
Excess of Revenue (Under) Over Expenditures	(197)	(13,795)	-	-	-	60,751	(131,828)	(85,069)
Other Financing Sources (Uses)								
Transfers in	-	6,000	-	-	-	-	138,871	144,871
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	6,000	-	-	-	-	138,871	144,871
Net Change in Fund Balances	(197)	(7,795)	-	-	-	60,751	7,043	59,802
Fund Balances - Beginning of year, as previously reported	53,722	60,037	34	-	627,844	421,939	881	1,164,457
Change within Financial Reporting Entity	-	-	(34)	-	(627,844)	-	-	(627,878)
Fund Balances - Beginning of year, as restated	53,722	60,037	-	-	-	421,939	881	536,579
Fund Balances - End of year	\$ 53,525	\$ 52,242	\$ -	\$ -	\$ -	\$ 482,690	\$ 7,924	\$ 596,381

Year Ended June 30, 2025

	Capital Project Funds			Total
	Vehicle and Repairs	Street Improvement	Total Capital Project Funds	
Revenue				
Intergovernmental - State-shared revenue and grants	\$ -	\$ -	\$ -	\$ 202,989
Charges for services	-	-	-	225,006
Interest	-	-	-	1,348
Other revenue:				
Donations	-	130,000	130,000	130,000
Other miscellaneous revenue	-	-	-	5,586
Total revenue	-	130,000	130,000	564,929
Expenditures				
Current services:				
Public service	-	-	-	57,812
Public safety	-	-	-	314,412
Public works	-	99	99	147,873
Capital outlay	293,562	-	293,562	293,562
Total expenditures	293,562	99	293,661	813,659
Excess of Revenue (Under) Over Expenditures	(293,562)	129,901	(163,661)	(248,730)
Other Financing Sources (Uses)				
Transfers in	139,599	130,000	269,599	414,470
Transfers out	-	(400,000)	(400,000)	(400,000)
Sale of capital assets	1,960	-	1,960	1,960
Total other financing sources (uses)	141,559	(270,000)	(128,441)	16,430
Net Change in Fund Balances	(152,003)	(140,099)	(292,102)	(232,300)
Fund Balances - Beginning of year, as previously reported	152,535	481,553	634,088	1,798,545
Change within Financial Reporting Entity	-	-	-	(627,878)
Fund Balances - Beginning of year, as restated	152,535	481,553	634,088	1,170,667
Fund Balances - End of year	\$ 532	\$ 341,454	\$ 341,986	\$ 938,367