

City of Parchment
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Parchment, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit, of the City of Parchment, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Parchment, Michigan, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 16 to the financial statements the Library recorded a prior period adjustment to correct its method of accounting for component unit presentation and allocation of insurance expense. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 of Parchment, Michigan's basic financial statements. The component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the component units (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

December 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Parchment's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position decreased by \$201,932 (9 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$2,518,824. However, \$3,189,416 of this total represents a net investment in capital assets and \$216,807 is restricted for various purposes. Consequently, the City's unrestricted net position is a negative \$887,399.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$460,676, which represents 35 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents component unit budgetary comparison schedules. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the Equipment Rental internal service fund.
 - Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2021 and 2020 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements present governmental activities. All of the City's basic services are included here, such as general government, public works, etc. Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law (like the street funds).
- The City Council establishes other funds to control and manage money for particular purposes (like the Water and Sewer Funds) or to show that it is properly using certain taxes and other revenues.

The City has three types of funds:

- *Governmental funds.* The City's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. In fact, the City's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$2,518,824. However, \$3,189,416 of this total is invested in capital assets and \$216,807 is restricted for various purposes. Consequently, the City has an unrestricted deficit in net position of \$887,399.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 788,889	\$ 659,490	\$ 38,243	\$ 342,772	\$ 827,132	\$ 1,002,262
Capital assets	<u>2,828,245</u>	<u>2,891,481</u>	<u>361,171</u>	<u>491,132</u>	<u>3,189,416</u>	<u>3,382,613</u>
Total assets	<u>3,617,134</u>	<u>3,550,971</u>	<u>399,414</u>	<u>833,904</u>	<u>4,016,548</u>	<u>4,384,875</u>
Deferred outflows of resources	<u>49,859</u>	<u>44,091</u>	<u>6,162</u>	<u>6,008</u>	<u>56,021</u>	<u>50,099</u>
Current and other liabilities	<u>1,316,155</u>	<u>1,486,607</u>	<u>162,364</u>	<u>219,774</u>	<u>1,478,519</u>	<u>1,706,381</u>
Long-term debt	<u>-</u>	<u>7,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,837</u>
Total liabilities	<u>1,316,155</u>	<u>1,494,444</u>	<u>162,364</u>	<u>219,774</u>	<u>1,478,519</u>	<u>1,714,218</u>
Deferred inflows of resources	<u>66,951</u>	<u>-</u>	<u>8,275</u>	<u>-</u>	<u>75,226</u>	<u>-</u>
Net position:						
Net investment in capital assets	<u>2,828,245</u>	<u>2,883,644</u>	<u>361,171</u>	<u>491,132</u>	<u>3,189,416</u>	<u>3,374,776</u>
Restricted	<u>216,807</u>	<u>213,588</u>	<u>-</u>	<u>-</u>	<u>216,807</u>	<u>213,588</u>
Unrestricted (deficit)	<u>(761,165)</u>	<u>(996,614)</u>	<u>(126,234)</u>	<u>129,006</u>	<u>(887,399)</u>	<u>(867,608)</u>
Total net position	<u>\$ 2,283,887</u>	<u>\$ 2,100,618</u>	<u>\$ 234,937</u>	<u>\$ 620,138</u>	<u>\$ 2,518,824</u>	<u>\$ 2,720,756</u>

*The 2020 column represents restated balances due to a correction of an error. The city previously incurred insurance expenses in the amount of \$42,999 which were never expensed, which caused a reduction in current assets and unrestricted net position of the governmental activities and a \$6,961 reduction in the business-type activities. The city also reported the Brownfield Redevelopment Authority as a component unit in the current year, causing a restatement of beginning balances of the governmental activities; a \$1,320,546 reduction in capital assets, a \$26,392 decrease in current asset, a \$729,348 reduction in long term debt, and a \$5,014 reduction in current liabilities.

Changes in net position

The City's total revenues totaled \$1,904,682, compared to \$2,009,441 in the prior year. Approximately 37 percent of the City's revenues comes from property taxes. About 33 percent of the City's revenues comes from operating grants and 17 percent comes from charges for services. State shared revenue represents only 11 percent of the City's total revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program revenues:						
Charges for services	\$ 258,238	\$ 155,897	\$ 60,839	\$ 42,044	\$ 319,077	\$ 197,941
Operating grants and contributions	393,454	264,343	234,901	251,902	628,355	516,245
General revenues:						
Property taxes	697,068	765,575	-	-	697,068	765,575
State shared revenue	210,638	185,494	-	-	210,638	185,494
Local community stabilization revenue	140,729	128,020	-	-	140,729	128,020
Excise tax	15,242	-	-	-	15,242	-
Investment income	2,789	7,223	536	-	3,325	7,223
Other	-	-	(109,752)	(21,057)	(109,752)	(21,057)
Total revenues	<u>1,718,158</u>	<u>1,506,552</u>	<u>186,524</u>	<u>272,889</u>	<u>1,904,682</u>	<u>1,779,441</u>
Expenses:						
General government	321,408	286,612	-	-	321,408	286,612
Public safety	500,290	436,646	-	-	500,290	436,646
Public works	594,128	760,270	-	-	594,128	760,270
Community and economic development	-	20,422	-	-	-	20,422
Recreation and culture	193,350	112,300	-	-	193,350	112,300
Interest on long-term debt	64	11,966	-	-	64	11,966
Sewer and water operations	-	-	497,374	797,277	497,374	797,277
Total expenses	<u>1,609,240</u>	<u>1,628,216</u>	<u>497,374</u>	<u>797,277</u>	<u>2,106,614</u>	<u>2,425,493</u>
Transfers	<u>74,351</u>	<u>-</u>	<u>(74,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>183,269</u>	<u>(121,664)</u>	<u>(385,201)</u>	<u>(524,388)</u>	<u>(201,932)</u>	<u>(646,052)</u>
Net position, end of year	<u>\$ 2,283,887</u>	<u>\$ 2,100,618</u>	<u>\$ 234,937</u>	<u>\$ 620,138</u>	<u>\$ 2,518,824</u>	<u>\$ 2,720,756</u>

*The 2020 column represents restated balances for the reclassification of the Brownfield redevelopment fund to remove over stated depreciation expense of \$88,036 and to increase governmental activity expense by \$42,999 for previously unrecorded insurance expenses and \$6,961 in the business-type activities.

Governmental activities

Governmental activities increased the City's net position by \$183,269 in the current year compared to a \$121,664 decrease in the prior year. The increase in net position was higher this year as revenues increased by \$211,606, while expenses decreased by \$18,976.

Revenues increased primarily due to a \$102,341 increase in charges for services, a decrease of \$68,507 in property taxes offset by an increase in operating contributions of \$129,111 and a \$25,144 increase in state shared revenue.

Governmental activities (continued)

Expenses decreased primarily due to a \$166,142 decrease in public works expenses, associated with lower street maintenance costs that was offset by a \$34,796 increase general governmental costs, \$63,644 increase in public safety costs and \$81,050 increase in recreation and culture.

The total cost of governmental activities this year was \$1,609,240. After subtracting the direct charges to those who directly benefited from the programs (\$258,238), operating grants (\$393,454), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$957,548 compared to \$1,164,977 in the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$677,483, an increase of \$281,263 in comparison to the prior year.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$460,676, which represents an increase of \$248,381, as revenues (\$1,481,210) and other financing sources of (\$81,851) were sufficient to cover expenditures (\$1,314,680) during the current year.

The Major Street Fund experienced an increase in fund balance of \$32,815, as the fund's revenues of \$162,190 exceeded expenditures of \$129,375. Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$37,883 and is restricted for future street preservation costs of the City's major streets.

The Local Street Fund experienced a decrease in fund balance of \$700, as the fund's expenditures of \$67,191 exceeded revenues (\$66,491). Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$166,759 and is restricted for future street preservation costs of the City's local streets.

Proprietary funds

The Sewer Fund experienced a decrease in net position of \$141,113 in the current year, as user fees of \$60,777 and nonoperating revenues of \$536 were lower than total costs of \$202,426. Total net position is \$234,937 at year end, of which \$126,234 is a deficit in unrestricted net position.

The Water Fund experienced a decrease in net position of \$244,088 as the fund closed operations during the year.

General Fund budgetary highlights

The City amended the General Fund budget during the year to account for previously unanticipated revenues and expenditures and to reallocate appropriations among activities.

The City amended its revenue budget to increase total revenues by \$5,000 to reflect changes that occurred over the course of the year. The City also amended its appropriations during the current year so that budgeted expenditures were increased by \$18,905.

Total revenues were \$169,615 more than budgeted primarily due to increased state grants. Total expenditures were \$107,695 less than the amounts appropriated, as all functions were under budget during the current year. These variances resulted in a \$359,161 positive budget variance, due to a \$248,381 increase in fund balance compared to a budgeted decrease of \$110,780.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2021, amounts to \$3,189,416 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and infrastructure. This amount represents a net decrease of \$193,197, comprised of \$95,546 in additions offset by \$176,160 in provisions for depreciation and a \$112,583 basis in disposed assets.

Capital assets (continued)

This year's major capital asset additions included:

- Street improvements were made at a cost of \$18,694
- Administration software and equipment was purchased with a total cost of \$14,720
- A utility vehicle trailer was purchased for \$20,959
- Public safety equipment was purchased for \$37,173

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At year end, the City had no long-term debt. During the fiscal year ending June 30, 2021, the City made the required principal payments totaling \$7,837, which represents the final payment on the previously outstanding debt.

Other noncurrent liabilities of the City include accrued compensated absences, in the amount of \$38,156, and a net pension liability, associated with its defined benefit pension plan, in the amount of \$1,016,482 and a net OPEB liability of \$306,619.

More detailed information about the City's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2022 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

City of Parchment
Shannon Stutz, City Treasurer
650 South Riverview Drive
Parchment, MI 49004

Phone: (269) 492-3262

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2021

	Primary government			Brownfield Redevelopment Authority
	Governmental activities	Business-type activities	Total	
ASSETS				
Current assets:				
Cash	\$ 587,743	\$ 21,896	\$ 609,639	\$ 2,745
Receivables	186,834	16,347	203,181	-
Inventory	14,312	-	14,312	-
Total current assets	788,889	38,243	827,132	2,745
Noncurrent assets:				
Capital assets not being depreciated	1,303,688	-	1,303,688	-
Capital assets, net of accumulated depreciation	1,524,557	361,171	1,885,728	1,232,510
Total noncurrent assets	2,828,245	361,171	3,189,416	1,232,510
Total assets	3,617,134	399,414	4,016,548	1,235,255
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	49,859	6,162	56,021	-
LIABILITIES				
Current liabilities:				
Payables	111,406	5,856	117,262	6,400
Note payable - current portion	-	-	-	47,914
Total current liabilities	111,406	5,856	117,262	54,314
Noncurrent liabilities:				
Compensated absences	38,156	-	38,156	-
Net pension liability	894,043	122,439	1,016,482	-
Net OPEB liability	272,550	34,069	306,619	-
Note payable	-	-	-	634,228
Total noncurrent liabilities	1,204,749	156,508	1,361,257	634,228
Total liabilities	1,316,155	162,364	1,478,519	688,542
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	66,951	8,275	75,226	-
NET POSITION				
Net investment in capital assets	2,828,245	361,171	3,189,416	543,968
Restricted for:			-	
Public safety	12,165	-	12,165	-
Public works	204,642	-	204,642	-
Unrestricted (deficit)	(761,165)	(126,234)	(887,399)	2,745
Total net position	\$ 2,283,887	\$ 234,937	\$ 2,518,824	\$ 546,713

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

Functions/Programs	Program revenues			Net (expenses) revenues and changes in net position			Component Unit
	Expenses	Charges for services	Operating grants and contributions	Primary government			
				Governmental activities	Business-type activities	Totals	
Primary government							Brownfield Redevelopment Authority
Governmental activities:							
General government	\$ 321,408	\$ 86,854	\$ 26,583	\$ (207,971)		\$ 226,874	
Public safety	500,290	27,657	-	(472,633)		55,314	
Public works	594,128	143,727	292,157	(158,244)		871,768	
Recreation and culture	193,350	-	74,714	(118,636)		149,428	
Interest on long-term debt	64	-	-	(64)		-	
Total governmental activities	1,609,240	258,238	393,454	(957,548)		1,303,384	
Business-type activities:							
Sewer fund	202,426	60,777	-		\$ (141,649)	(141,649)	
Water fund	294,948	62	234,901		(59,985)	(59,985)	
Total business-type activities	497,374	60,839	234,901		(201,634)	(201,634)	
Total primary government	\$ 2,106,614	\$ 319,077	\$ 628,355	(957,548)	(201,634)	\$ 1,101,750	
Component unit							
Brownfield Redevelopment	\$ 120,362	\$ -	\$ -				\$ (120,362)
General revenues:							
Property taxes				697,068	-	697,068	54,446
State shared revenue				210,638	-	210,638	-
Local community stabilization revenue				140,729	-	140,729	-
Franchise fees				15,242	-	15,242	-
Other				-	(109,752)	(109,752)	-
Unrestricted investment return				2,789	536	3,325	53
Transfers				74,351	(74,351)	-	-
Totals				1,140,817	(183,567)	957,250	54,499
Changes in net position				183,269	(385,201)	(201,932)	(65,863)
Net position - beginning				2,100,618	620,138	2,720,756	612,576
Net position - ending				\$ 2,283,887	\$ 234,937	2,518,824	\$ 546,713

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2021

	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Nonmajor fund</i>	<i>Total governmental funds</i>
ASSETS					
Cash	\$ 377,434	\$ 181,342	\$ 16,802	\$ 12,165	\$ 587,743
Receivables	149,776	26,179	10,879	-	186,834
Due from other funds	-	-	134,538	-	134,538
Inventories	-	7,156	7,156	-	14,312
Total assets	<u>\$ 527,210</u>	<u>\$ 214,677</u>	<u>\$ 169,375</u>	<u>\$ 12,165</u>	<u>\$ 923,427</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 66,534	\$ 42,256	\$ 2,616	\$ -	\$ 111,406
Due to other funds	-	134,538	-	-	134,538
Total liabilities	<u>66,534</u>	<u>176,794</u>	<u>2,616</u>	<u>-</u>	<u>245,944</u>
Fund balances:					
Nonspendable - inventories	-	7,156	7,156	-	14,312
Restricted for:					
Public works	-	30,727	159,603	-	190,330
Recreation and culture	-	-	-	12,165	12,165
Unassigned	<u>460,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,676</u>
Total fund balances	<u>460,676</u>	<u>37,883</u>	<u>166,759</u>	<u>12,165</u>	<u>677,483</u>
Total liabilities and fund balances	<u>\$ 527,210</u>	<u>\$ 214,677</u>	<u>\$ 169,375</u>	<u>\$ 12,165</u>	<u>\$ 923,427</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 677,483

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 2,828,245

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

 Compensated absences (38,156)

Pension-related amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds:

 Net pension liability (894,043)

 Net OPEB liability (272,550)

 Deferred outflows related to the pension liability 49,859

 Deferred inflows related to the pension liability (66,951)

Net position of *governmental activities* \$ 2,283,887

See notes to financial statements

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2021

	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Nonmajor fund</i>	<i>Total governmental funds</i>
REVENUES					
Taxes	\$ 720,540	\$ -	\$ -	\$ -	\$ 720,540
Licenses and permits	30,398	-	-	-	30,398
Federal grant	5,923	-	-	-	5,923
State grants	417,207	159,880	66,437	-	643,524
Contributions from local units	20,000	-	-	-	20,000
Charges for services	146,364	600	-	-	146,964
Investment return and rentals	2,789	1,710	54	106	4,659
Other	137,989	-	-	661	138,650
Total revenues	<u>1,481,210</u>	<u>162,190</u>	<u>66,491</u>	<u>767</u>	<u>1,710,658</u>
EXPENDITURES					
Current:					
General government	281,629	-	-	-	281,629
Public safety	471,541	-	-	-	471,541
Public works	328,092	129,375	67,191	-	524,658
Recreation and culture	172,274	-	-	-	172,274
Capital outlay	53,243	-	-	-	53,243
Debt service:					
Principal	7,837	-	-	-	7,837
Interest	64	-	-	-	64
Total expenditures	<u>1,314,680</u>	<u>129,375</u>	<u>67,191</u>	<u>-</u>	<u>1,511,246</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>166,530</u>	<u>32,815</u>	<u>(700)</u>	<u>767</u>	<u>199,412</u>
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	7,500	-	-	-	7,500
Transfers in	74,351	-	-	-	74,351
Net other financing sources (uses)	<u>81,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,851</u>
NET CHANGES IN FUND BALANCES	248,381	32,815	(700)	767	281,263
FUND BALANCES - BEGINNING	<u>212,295</u>	<u>5,068</u>	<u>167,459</u>	<u>11,398</u>	<u>396,220</u>
FUND BALANCES - ENDING	<u>\$ 460,676</u>	<u>\$ 37,883</u>	<u>\$ 166,759</u>	<u>\$ 12,165</u>	<u>\$ 677,483</u>

See notes to financial statements

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2021

Reconciliation of the statement of revenues, expenditures, and
changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ 281,263

Amounts reported for *governmental activities* in the statement of activities
(page 12) are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the costs of those assets are allocated over their
useful lives and reported as depreciation expense.

Add - asset acquisitions	95,546
Deduct - depreciation provision	(158,782)

Changes in long-term debt - add payments on capital lease 7,837

Some expenses reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in the
governmental funds.

Net decrease in compensated absences	2,630
Net decrease in net pension liability	48,963
Net increase in net OPEB liability	(33,005)

Changes in deferred outflows and deferred inflows:

Net increase in deferred outflows of resources related to pension	5,768
Net increase in deferred inflows of resources related to pension	(66,951)

Change in net position of *governmental activities* \$ 183,269

STATEMENT OF NET POSITION - proprietary funds

June 30, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 21,896	\$ -	\$ 21,896
Accounts receivable	16,347	-	16,347
Total current assets	<u>38,243</u>	<u>-</u>	<u>38,243</u>
Noncurrent assets:			
Capital assets, net of depreciation	<u>361,171</u>	<u>-</u>	<u>361,171</u>
Total assets	<u>399,414</u>	<u>-</u>	<u>399,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>6,162</u>	<u>-</u>	<u>6,162</u>
LIABILITIES			
Current liabilities - payables	<u>5,856</u>	<u>-</u>	<u>5,856</u>
Noncurrent liabilities:			
Net OPEB liability	34,069	-	34,069
Net pension liability	<u>122,439</u>	<u>-</u>	<u>122,439</u>
Total noncurrent liabilities	<u>156,508</u>	<u>-</u>	<u>156,508</u>
Total liabilities	<u>162,364</u>	<u>-</u>	<u>162,364</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>8,275</u>	<u>-</u>	<u>8,275</u>
NET POSITION			
Investment in capital assets	361,171	-	361,171
Unrestricted (deficit)	<u>(126,234)</u>	<u>-</u>	<u>(126,234)</u>
Total net position	<u>\$ 234,937</u>	<u>\$ -</u>	<u>\$ 234,937</u>

See notes to financial statements

City of Parchment**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - *proprietary funds****Year ended June 30, 2021*

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 60,777	\$ 62	\$ 60,839
OPERATING EXPENSES			
Public works - operations	185,048	294,948	479,996
Depreciation	17,378	-	17,378
Total operating expenses	202,426	294,948	497,374
OPERATING INCOME (LOSS)	(141,649)	(294,886)	(436,535)
NONOPERATING REVENUE (EXPENSES)			
State grants	-	234,901	234,901
Loss on closing operations	-	(112,583)	(112,583)
Gain on sales of capital assets	-	2,831	2,831
Interest revenue	536	-	536
Net nonoperating revenue	536	125,149	125,685
INCOME (LOSS) BEFORE TRANSFERS	(141,113)	(169,737)	(310,850)
TRANSFERS	-	(74,351)	(74,351)
CHANGE IN NET POSITION	(141,113)	(244,088)	(385,201)
NET POSITION - BEGINNING	376,050	244,088	620,138
NET POSITION - ENDING	\$ 234,937	\$ -	\$ 234,937

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 53,895	\$ 62	\$ 53,957
Payments to suppliers	(145,121)	(378,326)	(523,447)
Payments to employees	(31,427)	-	-
Net cash provided by operating activities	(122,653)	(378,264)	(469,490)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	(74,351)	(74,351)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State grants	-	299,567	299,567
Proceeds from sales of capital assets	-	2,831	2,831
Net cash used in capital and related financing activities	-	302,398	302,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	536	-	536
NET CHANGE IN CASH	(122,117)	(150,217)	(240,907)
CASH - BEGINNING	144,013	150,217	294,230
CASH - ENDING	<u>\$ 21,896</u>	<u>\$ -</u>	<u>\$ 53,323</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (141,649)	\$ (294,886)	\$ (436,535)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	17,378	-	17,378
Change in assets and liabilities:			
Increase in receivables	(6,882)	-	(6,882)
Transfer of assets to city of kalamazoo	-	-	-
Increase in deferred outflows - pension	(154)	-	(154)
Decrease in net pension liability	(6,052)	-	(6,052)
Increase in net OPEB liability	1,404	-	1,404
Increase in deferred inflows - pension	8,275	-	8,275
Increase (decrease) in payables	5,027	(83,378)	(78,351)
Net cash provided by (used in) operating activities	<u>\$ (122,653)</u>	<u>\$ (378,264)</u>	<u>\$ (500,917)</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - *Custodial Fund*

June 30, 2021

	<i>Tax Collection</i>
ASSETS	
Cash	\$ <u>-</u>
LIABILITIES	
Due to other governments	<u>-</u>
NET POSITION	
Due to other governments	<u><u>\$ -</u></u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year ended June 30, 2021

	<u>Tax Collection</u>
ADDITIONS	
Property taxes collected for other governments	\$ 1,736,484
DEDUCTIONS	
Property taxes distributed to other governments	<u>1,736,484</u>
NET CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<u>\$ -</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Parchment, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Kalamazoo County, and its component unit described below, for which the City is financially accountable. The 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 primary government. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

Discretely presented component unit:

Brownfield Redevelopment Authority - The Redevelopment Authority (the Authority) was created under the provisions of Act 381, Public Acts of 1996 of the State of Michigan. The purpose of the Authority is to promote the revitalization of environmentally distressed areas within the boundaries of the City. The Authority consists of a board that has an interest in the revitalization of environmentally distressed properties. Members are appointed by the Mayor with City Commission approval.

Government-wide and fund financial statements:

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 City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period, except for state grants which uses a one-year collection period. For this purpose, the City generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Licenses and permits, state grants, contributions from local units, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the City's sewage collection system and wastewater treatment facilities.

Additionally, the City also reports a custodial fund, the Tax Collection Fund, which accounts for assets held by the City in a fiduciary capacity for other governments.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the proprietary fund are charges for services. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Cash - Cash is considered to be demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables - No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and sewer and water lines), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

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

Buildings	40 years
Improvements	10 - 15 years
Machinery and equipment	3 - 10 years
Infrastructure	10 - 40 years

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 10. No deferred outflows of resources affect the governmental funds financial statements.

Compensated absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Deferred inflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 10. No deferred inflows of resources affect the governmental funds financial statements.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets and related deferred outflows of resources reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; and increases by balances of deferred outflows of resources related to these assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or donors. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

Net position flow assumption - Sometimes, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide 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 equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to management, per the City's fund balance resolution. Unassigned fund balance is the residual classification for all other amounts. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, then committed, assigned, and, finally, unassigned fund balance. The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund (excluding any restricted balances) will be equal to at least 25 percent of the current year General Fund expenditures. If the General Fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could vary from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Major Street	Public works	Public works	121,385	129,375	7,990

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2021, cash and investments are classified in the accompanying financial statements as follows:

	<u>Primary government</u>			<u>Totals</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component units</u>	
Statement of net position:				
Cash	\$ 587,543	\$ 21,896	\$ 2,745	\$ 612,184
Cash on hand	200	-	-	200
Totals	<u>\$ 587,743</u>	<u>\$ 21,896</u>	<u>\$ 2,745</u>	<u>\$ 612,384</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City's investment policy does not specifically address custodial credit risk for deposits. As of June 30, 2021, none of the City's bank balances of \$647,351 was exposed to custodial credit risk. The City maintains individual and pooled bank accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2021, for the City's individual major funds and component units, all of which are due within one year and are considered fully collectible, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Primary government:			
Governmental:			
General	\$ 52,793	\$ 96,983	\$ 149,776
Major Street	-	26,179	26,179
Local Street	-	10,879	10,879
Total governmental	<u>\$ 52,793</u>	<u>\$ 134,041</u>	<u>\$ 186,834</u>
Proprietary:			
Sewer	<u>\$ 16,347</u>	<u>\$ -</u>	<u>\$ 16,347</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 1,303,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,688</u>
Capital assets being depreciated:				
Buildings and improvements	738,490	4,000	-	742,490
Machinery, equipment, and vehicles	1,807,254	72,852	(177,914)	1,702,192
Infrastructure	<u>1,681,782</u>	<u>18,694</u>	<u>-</u>	<u>1,700,476</u>
Subtotal	<u>4,227,526</u>	<u>95,546</u>	<u>(177,914)</u>	<u>4,145,158</u>
Less accumulated depreciation for:				
Buildings and improvements	(397,893)	(13,030)	-	(410,923)
Machinery, equipment, and vehicles	(1,465,557)	(74,608)	177,914	(1,362,251)
Infrastructure	<u>(776,283)</u>	<u>(71,144)</u>	<u>-</u>	<u>(847,427)</u>
Subtotal	<u>(2,639,733)</u>	<u>(158,782)</u>	<u>177,914</u>	<u>(2,620,601)</u>
Total capital assets being depreciated	<u>1,587,793</u>	<u>(63,236)</u>	<u>-</u>	<u>1,524,557</u>
Governmental activities capital assets, net	<u>\$ 2,891,481</u>	<u>\$ (63,236)</u>	<u>\$ -</u>	<u>\$ 2,828,245</u>

NOTE 5 - CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2021, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 7,000	\$ -	\$ (7,000)	\$ -
Capital assets being depreciated:				
Buildings and improvements	286,281	-	(208,967)	77,314
Machinery, equipment, and vehicles	1,089,284	-	(799,881)	289,403
Distribution and collection systems	800,026	-	-	800,026
Subtotal	2,175,591	-	(1,008,848)	1,166,743
Less accumulated depreciation for:				
Buildings and improvements	(210,865)	(1,409)	164,351	(47,923)
Machinery, equipment, and vehicles	(1,004,227)	(4,937)	738,914	(270,250)
Distribution and collection systems	(476,367)	(11,032)	-	(487,399)
Subtotal	(1,691,459)	(17,378)	903,265	(805,572)
Total capital assets being depreciated	484,132	(17,378)	(105,583)	361,171
Business-type activities capital assets, net	\$ 491,132	\$ (17,378)	\$ (112,583)	\$ 361,171
	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component Unit:				
Capital assets being depreciated:				
Infrastructure	\$ 1,760,728	\$ -	\$ -	\$ 1,760,728
Less accumulated depreciation for:				
Infrastructure	(440,182)	(88,036)	-	(528,218)
Component unit capital assets, net	\$ 1,320,546	\$ (88,036)	\$ -	\$ 1,232,510

Depreciation expense was charged to the City's governmental functions as follows:

Governmental activities:	
General government	\$ 6,921
Public safety	28,749
Public works	104,114
Recreation and culture	18,998
Total governmental activities	\$ 158,782

NOTE 6 - PAYABLES

Payables as of June 30, 2021, for the City's individual major funds, nonmajor fund, and component units were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 56,611	\$ 9,923	\$ 66,534
Major Street	41,541	715	42,256
Local Street	<u>1,901</u>	<u>715</u>	<u>2,616</u>
Total governmental	<u>\$ 100,053</u>	<u>\$ 11,353</u>	<u>\$ 111,406</u>
Proprietary:			
Sewer	<u>\$ 5,141</u>	<u>\$ 715</u>	<u>\$ 5,856</u>

NOTE 7 - LONG-TERM LIABILITIES

At June 30, 2021, long-term liabilities are comprised of the following:

Governmental activities:	
Notes payable:	
\$115,796 2014 note payable due in annual installments of \$1,580, with interest at 3.67%; final payment due Dec 2021	\$ -
Total notes payable	-
Compensated absences	<u>38,156</u>
Total governmental activities long-term liabilities	<u>\$ 38,156</u>
Brownfield Redevelopment:	
\$998,289 2010 MDEQ Brownfield note payable in annual installments of \$58,146 with interest of 1.5%; final payment due Jan 2034	<u>\$ 682,142</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Note payable - 2014 note payable	\$ 7,837	\$ -	\$ (7,837)	\$ -	\$ -
Compensated absences	40,786	39,861	(42,491)	38,156	-
Total governmental activities	<u>\$ 48,623</u>	<u>\$ 39,861</u>	<u>\$ (50,328)</u>	<u>\$ 38,156</u>	<u>\$ -</u>
Component Unit - Brownfield redevelopment					
Note payable - 2010 MDEQ note payable	<u>729,348</u>	<u>-</u>	<u>(47,206)</u>	<u>682,142</u>	<u>47,914</u>

At June 30, 2021, debt service requirements, with the exception of compensated absences, are as follows:

<u>Year ended June 30,</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 47,914	\$ 10,232
2023	48,633	9,513
2024	49,362	8,784
2025	50,103	8,044
2026	50,854	7,292
2027 - 2031	265,944	24,786
2032 - 2034	<u>169,332</u>	<u>5,105</u>
Totals	<u>\$ 682,142</u>	<u>\$ 73,756</u>

NOTE 8 - INTERFUND TRANSFERS

For the year ended June 30, 2021, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	<u>\$ 74,351</u>	Water	<u>\$ 74,351</u>

The transfer out of the Water Fund represents the closing of the fund as operations were taken over by the City of Kalamazoo during the fiscal year.

NOTE 10 - DEFINED BENEFIT PENSION PLAN*Plan description:*

The City participates in the Municipal Employees' Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:

The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers all full-time employees at the City. Retirement benefits for eligible employees vary by division/bargaining unit and are calculated as 2.0% of the employee's five-year final average compensation times the employee's years of service, with no maximum. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after ten years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. The plan is closed to new employees.

Employees covered by benefit terms:

At the December 31, 2020, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>5</u>
Total	<u><u>24</u></u>

Contributions:

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2021, City contributions ranged from 7.87% to 18.75% of covered payroll. Currently, employee contributions range from 0% to 1.8% of payroll. For the fiscal year ended June 30, 2021, the City contributed \$108,429 to the plan, and employees contributed \$11,978.

Net pension liability:

The City's net pension liability reported at June 30, 2021, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2020. The total pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.35%	net of investment expense, including inflation

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, 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 for each major asset class are summarized in the following schedule:

<i>Asset class</i>	<i>Target allocation</i>	<i>Long-term expected real rate of return</i>	<i>Expected money-weighted rate of return</i>
Global equity	60.00%	7.75%	3.15%
Global fixed income	20.00%	3.75%	0.25%
Private investments	<u>20.00%</u>	9.75%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at December 31, 2019	\$ 3,323,466	\$ 2,251,969	\$ 1,071,497
Changes for the year:			
Service cost	20,967	-	20,967
Interest	244,618	-	244,618
Differences between expected actual experience	(51,099)	-	(51,099)
Changes in assumptions	103,024	-	103,024
Employer contributions	-	91,332	(91,332)
Employee contributions	-	10,986	(10,986)
Net investment income	-	274,652	(274,652)
Benefit payments, including refunds	(230,592)	(230,592)	-
Administrative expenses	-	(4,445)	4,445
Net changes	86,918	141,933	(55,015)
Balances at December 31, 2020	\$ 3,410,384	\$ 2,393,902	\$ 1,016,482

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Current rate (7.60%)	1% Increase (8.60%)
City's net pension (asset) liability	\$ 1,342,203	\$ 1,016,482	\$ 736,548

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used 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. Benefit payments are recognized as expense when due and payable in accordance with benefit terms.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$97,946. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference between projected and actual earnings	\$ -	\$ 75,226
Contributions made subsequent to the measurement date	56,021	-
Total	<u>\$ 56,021</u>	<u>\$ 75,226</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$56,021, will be recognized as a reduction in the net pension liability in fiscal year 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<i>Year ended June 30,</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
2022	\$ -	\$ 15,675
2023	-	(4,962)
2024	-	42,803
2025	-	21,710
Totals	<u>\$ -</u>	<u>\$ 75,226</u>

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

Plan description:

The City provides retiree healthcare benefits through the City's retiree healthcare plan (the "Plan") to eligible employees and their spouses. The benefits are provided under collective bargaining agreements and personnel policies. The City pays for the pay-as-you go costs from the general fund and makes additional discretionary pre-funding contributions annually.

Benefits provided and contributions:

The Plan was established and is being funded under the authority of the City. The plan's funding policy is that the employer will contribute discretionary amounts if able in subsequent years. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

Inactive participants receiving benefits	2
Active participants	<u>6</u>
Total participants	<u>8</u>

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)*Methods and assumptions:*

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 and a measurement date of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll increases	3.00%
Investment rate of return	5.00%
Discount rate	2.20%
Mortality	General, public employer, headcount weighted mortality table for healthy annuitants with improvement scale MP-2019
Healthcare cost trend rate	7.50% decreasing to 4.50%

Discount rate:

The discount rate used to measure the total OPEB liability was 2.20%. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members past 2021. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/As, or higher, tax-exempt municipal bond rate. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

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

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability (asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2020	\$ 272,210	\$ -	\$ 272,210
Changes for the year:			
Service cost	22,556	-	22,556
Interest	6,600	-	6,600
Experience (Gains)/Losses	35,803	-	35,803
Contributions/benefits paid from general operating funds	-	30,550	(30,550)
Benefit payments	(30,550)	(30,550)	-
Net changes	34,409	-	34,409
Balances at June 30, 2021	\$ 306,619	\$ -	\$ 306,619
Plan fiduciary net position as a percentage of total OPEB liability			0.0%
	Allocation:		
	Governmental activities	\$ 272,550	
	Business-type activities	34,069	
		\$ 306,619	

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)*Sensitivity of the Net OPEB Liability to change in the Discount rate:*

The following presents the net OPEB liability of the employer, calculated using the discount rate of 3.50%, as well as what the employer's net OPEB liability would be using a discount rate that is 1% point lower or higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	\$ <u>333,793</u>	\$ <u>306,619</u>	\$ <u>282,904</u>

Sensitivity of the Net OPEB Liability to change in the Healthcare cost trend rate:

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	\$ <u>283,526</u>	\$ <u>306,619</u>	\$ <u>332,482</u>

NOTE 12 - PROPERTY TAX REVENUE

The 2020 taxable valuation of the City approximated \$42,196,000, on which ad valorem taxes levied consisted of 16.7239 mills for operating purposes raising approximately \$706,000, which is recognized in the fund financial statements as property tax revenue.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The City has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 14 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$216,807. Of this amount, \$12,165 is restricted for recreation and culture, \$204,642 is restricted for public works. Net position is restricted by enabling legislation related to the amounts restricted public works.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 16 - PRIOR PERIOD ADJUSTMENT (CORRECTION OF AN ERROR)

A prior period adjustment has been recorded in fiscal year 2021 to properly report insurance costs in the fund statements, governmental activities, and the business type activities.

Another prior period adjustment was made to correct the presentation of the Brownfield Redevelopment fund, which was reported as a governmental special revenue fund in the prior year. The adjustment was made change the presentation of the Brownfield Redevelopment fund to a discretely presented component unit. Net position, as of June 30, 2020, included in the statement of net position, the government-wide financial statements, the fund financial statements, and the component unit financial statements, represents a restated balance as presented below.

	<i>Governmental funds</i>			<i>Governmental activities</i>
	<i>General Fund balance</i>	<i>Major Street Fund balance</i>	<i>Local Street Fund balance</i>	<i>Net position</i>
Beginning of year, as previously reported	\$ 252,023	\$ 6,721	\$ 169,077	\$ 2,756,193
Prior period adjustments:				
Understatement of insurance expenses	(39,728)	(1,653)	(1,618)	(42,999)
Component unit shown as governmental fund	-	-	-	(26,392)
Capital assets previously shown in governmental funds	-	-	-	(1,320,546)
Debt previously shown in governmental funds	-	-	-	729,348
Accrued interest previously shown in governmental funds	-	-	-	5,014
Total restatement	(39,728)	(1,653)	(1,618)	(655,575)
Beginning of year, as restated	<u>\$ 212,295</u>	<u>\$ 5,068</u>	<u>\$ 167,459</u>	<u>\$ 2,100,618</u>
	<i>Component Unit</i>			<i>Business type activities</i>
	<i>Brownfield Redevelopment Net position</i>	<i>Brownfield Redevelopment Fund balance</i>	<i>Sewer Net position</i>	<i>Net position</i>
Beginning of year, as previously reported	\$ -	\$ 26,392	\$ 383,011	\$ 627,099
Prior period adjustments:				
Understatement of insurance expenses	-	-	(6,961)	(6,961)
Component unit shown as governmental fund	26,392	(26,392)	-	-
Capital assets previously shown in governmental funds	1,320,546	-	-	-
Debt previously shown in governmental funds	(729,348)	-	-	-
Accrued interest previously shown in governmental funds	(5,014)	-	-	-
Total restatement	612,576	(26,392)	(6,961)	(6,961)
Beginning of year, as restated	<u>\$ 612,576</u>	<u>\$ -</u>	<u>\$ 376,050</u>	<u>\$ 620,138</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 726,925	\$ 726,925	\$ 720,540	\$ (6,385)
Licenses and permits	24,000	24,000	30,398	6,398
Federal grants	-	-	5,923	5,923
State grants	322,400	322,400	417,207	94,807
Contributions from local units	20,000	20,000	20,000	-
Charges for services	129,000	129,000	146,364	17,364
Investment return and rentals	4,200	4,200	2,789	(1,411)
Other	80,070	85,070	137,989	52,919
Total revenues	1,306,595	1,311,595	1,481,210	169,615
EXPENDITURES				
General government:				
City Council	26,500	42,100	48,462	(6,362)
Administration	223,100	223,100	212,487	10,613
Other	24,700	24,700	20,680	4,020
Total general government	274,300	289,900	281,629	8,271
Public safety:				
Police department	380,400	380,400	378,199	2,201
Fire department	100,800	100,800	93,342	7,458
Total public safety	481,200	481,200	471,541	9,659
Department of public works	344,300	344,300	328,092	16,208
Recreation and culture - parks and recreation	227,170	227,170	172,274	54,896
Capital outlay	57,000	60,305	53,243	7,062
Debt service:				
Principal	17,600	17,600	7,837	9,763
Interest	1,900	1,900	64	1,836
Total debt service	19,500	19,500	7,901	11,599
Total expenditures	1,403,470	1,422,375	1,314,680	107,695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(96,875)	(110,780)	166,530	277,310

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	-	7,500	7,500
Transfers in	-	-	74,351	74,351
Total other financing sources (uses)	-	-	81,851	81,851
NET CHANGES IN FUND BALANCES	(96,875)	(110,780)	248,381	359,161
FUND BALANCES - BEGINNING	212,295	212,295	212,295	-
FUND BALANCES - ENDING	\$ 115,420	\$ 101,515	\$ 460,676	\$ 359,161

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 163,300	\$ 163,300	\$ 159,880	\$ (3,420)
Charges for services	-	-	600	600
Interest	-	-	1,710	1,710
Total revenues	163,300	163,300	162,190	(1,110)
EXPENDITURES				
Public works	106,685	121,385	129,375	(7,990)
NET CHANGES IN FUND BALANCES	56,615	41,915	32,815	(9,100)
FUND BALANCES - BEGINNING	5,068	5,068	5,068	-
FUND BALANCES - ENDING	\$ 61,683	\$ 46,983	\$ 37,883	\$ (9,100)

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 66,700	\$ 66,700	\$ 66,437	\$ (263)
Interest	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
Total revenues	66,700	66,700	66,491	(209)
EXPENDITURES				
Public works	<u>101,255</u>	<u>101,255</u>	<u>67,191</u>	<u>34,064</u>
NET CHANGES IN FUND BALANCES	(34,555)	(34,555)	(700)	33,855
FUND BALANCES - BEGINNING	<u>167,459</u>	<u>167,459</u>	<u>167,459</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 132,904</u>	<u>\$ 132,904</u>	<u>\$ 166,759</u>	<u>\$ 33,855</u>

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:							
Service cost	\$ 20,967	\$ 19,217	\$ 11,454	\$ 20,107	\$ 20,650	\$ 19,559	\$ 27,687
Interest	244,618	246,804	266,168	266,255	263,535	248,239	245,204
Differences between expected and actual experience	(51,099)	(5,549)	(284,791)	(29,023)	11,932	126,956	-
Changes in assumptions	103,024	102,661	-	-	-	142,830	-
Benefit payments, including refunds	<u>(230,592)</u>	<u>(230,223)</u>	<u>(247,289)</u>	<u>(260,906)</u>	<u>(262,809)</u>	<u>(242,981)</u>	<u>(221,101)</u>
Net change in total pension liability	86,918	132,910	(254,458)	(3,567)	33,308	294,603	51,790
Total pension liability, beginning of year	<u>3,323,466</u>	<u>3,190,556</u>	<u>3,445,014</u>	<u>3,448,581</u>	<u>3,415,273</u>	<u>3,120,670</u>	<u>3,068,880</u>
Total pension liability, end of year	<u>\$ 3,410,384</u>	<u>\$ 3,323,466</u>	<u>\$ 3,190,556</u>	<u>\$ 3,445,014</u>	<u>\$ 3,448,581</u>	<u>\$ 3,415,273</u>	<u>\$ 3,120,670</u>
Plan fiduciary net position:							
Contributions - employer	\$ 91,332	\$ 354,649	\$ 80,570	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620
Contributions - employee	10,986	8,639	9,990	10,727	11,025	14,201	15,009
Net investment income (loss)	274,652	259,710	(77,137)	257,702	218,445	(31,877)	137,991
Benefit payments, including refunds	(230,592)	(230,223)	(247,289)	(260,906)	(262,809)	(242,981)	(221,101)
Administrative expenses	<u>(4,445)</u>	<u>(4,431)</u>	<u>(3,955)</u>	<u>(4,098)</u>	<u>(4,323)</u>	<u>(4,720)</u>	<u>(5,039)</u>
Net change in plan fiduciary net position	141,933	388,344	(237,821)	82,347	9,785	(207,961)	(16,520)
Plan fiduciary net position, beginning of year	<u>2,251,969</u>	<u>1,863,625</u>	<u>2,101,446</u>	<u>2,019,099</u>	<u>2,009,314</u>	<u>2,217,275</u>	<u>2,233,795</u>
Plan fiduciary net position, end of year	<u>\$ 2,393,902</u>	<u>\$ 2,251,969</u>	<u>\$ 1,863,625</u>	<u>\$ 2,101,446</u>	<u>\$ 2,019,099</u>	<u>\$ 2,009,314</u>	<u>\$ 2,217,275</u>
City's net pension (asset) liability, end of year	<u>\$ 1,016,482</u>	<u>\$ 1,071,497</u>	<u>\$ 1,326,931</u>	<u>\$ 1,343,568</u>	<u>\$ 1,429,482</u>	<u>\$ 1,405,959</u>	<u>\$ 903,395</u>
Plan fiduciary net position as a percent of total pension liability	70.19%	67.76%	58.41%	61.00%	58.55%	58.83%	71.05%
Covered payroll	\$ 233,750	\$ 220,380	\$ 130,306	\$ 228,231	\$ 234,654	\$ 225,589	\$ 319,346
City's net pension (asset) liability as a percentage of covered payroll	434.86%	486.20%	1018.32%	588.69%	609.19%	623.24%	282.89%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last Ten Fiscal Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contributions	\$ 108,429	\$ 97,043	\$ 71,789	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620	\$ 45,910	\$ 24,330	\$ 32,526
Contributions in relation to the actuarially determined contributions	<u>108,429</u>	<u>279,500</u>	<u>162,564</u>	<u>78,922</u>	<u>47,447</u>	<u>57,416</u>	<u>56,620</u>	<u>45,910</u>	<u>24,330</u>	<u>32,526</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (182,457)</u>	<u>\$ (90,775)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 233,750	\$ 228,926	\$ 228,231	\$ 234,654	\$ 225,589	\$ 319,346	\$ 309,877	\$ 316,188	\$ 303,188	\$ 509,365
Contributions as a percentage of covered payroll	46.39%	122.09%	71.23%	33.63%	21.03%	17.98%	18.27%	14.52%	8.02%	6.39%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35%, net of investment and administrative expenses, including inflation (7.75% for 2015 through 2019)
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:				
Service cost	\$ 22,556	\$ 20,778	\$ 11,589	\$ 12,958
Interest	6,600	9,205	6,042	8,052
Difference between expected and actual	35,803	94,107	(27,099)	-
Benefit payments, including refunds	<u>(30,550)</u>	<u>(30,550)</u>	<u>(27,955)</u>	<u>-</u>
Net change in total OPEB liability	34,409	93,540	(37,423)	21,010
Total OPEB liability, beginning of year	<u>272,210</u>	<u>178,670</u>	<u>216,093</u>	<u>195,083</u>
Total OPEB liability, end of year	<u><u>\$ 306,619</u></u>	<u><u>\$ 272,210</u></u>	<u><u>\$ 178,670</u></u>	<u><u>\$ 216,093</u></u>
Plan fiduciary net position:				
Contributions/benefit payments made from general operating funds	\$ 30,550	\$ 30,550	\$ 27,955	\$ -
Benefit payments, including refunds	<u>(30,550)</u>	<u>(30,550)</u>	<u>(27,955)</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's net OPEB liability, end of year	<u><u>\$ 306,619</u></u>	<u><u>\$ 272,210</u></u>	<u><u>\$ 178,670</u></u>	<u><u>\$ 216,093</u></u>
Plan fiduciary net position as a percent of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 389,087	\$ 297,081	\$ 343,081	\$ 398,617
City's net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018. Ultimately, ten years of data will be presented.

City of Parchment

SCHEDULE OF CITY OPEB CONTRIBUTIONS

Year Ended June 30, 2021 (schedule is built prospectively upon implementation of GASB 75)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined employer contributions:				
Normal costs	\$ 33,507	\$ 30,165	\$ 33,923	\$ -
Amortization of unfunded liability	-	-	-	-
Interest cost	-	-	-	-
Actuarially determined employer contribution	33,507	30,165	33,923	-
Employer contribution (benefit payment)	<u>30,550</u>	<u>30,550</u>	<u>27,955</u>	<u>-</u>
Contribution Deficiency	<u>\$ 2,957</u>	<u>\$ (385)</u>	<u>\$ 5,968</u>	<u>\$ -</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A

Methods and assumptions used to determine actuarial determined contribution:

Valuation date June 30, 2021

Actuarial assumptions:

Actuarial cost method	Entry age normal
Amortization method	Average future services
Remaining amortization period	7 years
Asset valuation method	N/A
Inflation	2.20%
Salary increases	3.00%
Investment rate of return	5.00%
Retirement age	62
Mortality rates	Pub-2010 Mortality Table Scale MP-2019
Health care cost trend rate	7.50% decreasing to 4.50%

SUPPLEMENTARY INFORMATION

BALANCE SHEET - Component Unit

June 30, 2021

	<i>Brownfield Redevelopment Authority</i>
ASSETS	
Cash	\$ 2,745
FUND BALANCE	
Restricted	<u>2,745</u>
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance	\$ 2,745
Amounts reported for <i>component unit activities</i> in the statement of net position (page 11) are different because:	
Capital assets used in <i>governmental funds</i> are not financial resources and, therefore, are not reported in the funds.	1,232,510
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(682,142)
Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(6,400)</u>
Net position of <i>component unit</i>	<u>\$ 546,713</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - component unit

Year ended June 30, 2021

	<i>Brownfield Redevelopment Authority</i>
REVENUES	
Tax increment financing	\$ 54,446
Interest	<u>53</u>
Total revenues	<u>54,499</u>
EXPENDITURES	
Current - general government	20,000
Debt service:	
Principal	47,206
Interest	<u>10,940</u>
Total expenditures	<u>78,146</u>
NET CHANGE IN FUND BALANCES	(23,647)
FUND BALANCES - BEGINNING	<u>26,392</u>
FUND BALANCES - ENDING	<u><u>\$ 2,745</u></u>
Net change in fund balance	\$ (23,647)
Amounts reported for the <i>component unit</i> in the statement of activities (page 12) are different because:	
Capital assets - provision for depreciation	(88,036)
Long-term debt - principal payments	47,206
Change in other assets and liabilities:	<u>(1,386)</u>
Change in net position of the <i>component unit</i>	<u>\$ (65,863)</u>

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Intergovernmental	\$ 56,900	\$ 56,900	\$ 54,446	\$ (2,454)
Interest	-	-	53	53
Total revenues	56,900	56,900	54,499	(2,401)
EXPENDITURES				
General government	20,400	20,400	20,000	400
Debt service:				
Principal	46,700	46,700	47,206	(506)
Interest	12,800	12,800	10,940	1,860
Total expenditures	79,900	79,900	78,146	1,754
NET CHANGES IN FUND BALANCES	(23,000)	(23,000)	(23,647)	(647)
FUND BALANCES - BEGINNING	26,392	26,392	26,392	-
FUND BALANCES - ENDING	<u>\$ 3,392</u>	<u>\$ 3,392</u>	<u>\$ 2,745</u>	<u>\$ (647)</u>