

*City of Parchment*  
*Kalamazoo County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended June 30, 2023*

---

|                                                                                           | <i>Page</i> |
|-------------------------------------------------------------------------------------------|-------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>                                                       | 3 - 5       |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>                                               | 6 - 11      |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                         |             |
| Government-wide financial statements:                                                     |             |
| Statement of net position                                                                 | 12          |
| Statement of activities                                                                   | 13          |
| Fund financial statements:                                                                |             |
| Balance sheet - governmental funds                                                        | 14          |
| Statement of revenues, expenditures, and changes in fund balances -<br>governmental funds | 15 - 16     |
| Statement of net position - proprietary funds                                             | 17          |
| Statement of revenues, expenses, and change in net position -<br>proprietary funds        | 18          |
| Statement of cash flows - proprietary funds                                               | 19          |
| Statement of fiduciary net position - custodial fund                                      | 20          |
| Statement of changes in fiduciary net position - custodial fund                           | 21          |
| Notes to financial statements                                                             | 22 - 37     |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>                                                 |             |
| Budgetary comparison schedules:                                                           |             |
| General Fund                                                                              | 38          |
| Major Street Fund                                                                         | 39          |
| Local Street Fund                                                                         | 40          |
| Schedule of changes in the City's net pension liability and related ratios                | 41          |
| Schedule of City pension contributions                                                    | 42          |
| Schedule of changes in the City's net OPEB liability and related ratios                   | 43          |
| Schedule of City OPEB contributions                                                       | 44          |
| <b>SUPPLEMENTARY INFORMATION</b>                                                          |             |
| Balance Sheet - component unit                                                            | 45          |
| Statement of revenues, expenditures, and change in fund balance -<br>component unit       | 46          |
| Budgetary comparison schedule - Brownfield Redevelopment Authority                        | 47          |

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Parchment, Michigan

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Parchment, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Parchment, Michigan, as of June 30, 2023, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

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 twelve 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 generally accepted auditing standards will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 budgetary comparison information, as listed in the 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, 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.*

October 6, 2023

## 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, 2023. Please read it in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$401,566 (about 14 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$2,926,139. However, \$3,467,178 of this total represents a net investment in capital assets and \$261,075 is restricted for various purposes. Consequently, the City's unrestricted net position is a negative \$802,114.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$293,354, which represents 16 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 2023 and 2022 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 \$2,926,139. However, \$3,467,178 of this total is invested in capital assets and \$261,075 is restricted for various purposes. Consequently, the City has an unrestricted deficit in net position of \$802,114.

Condensed financial information  
Net position

|                                  | <u>Governmental activities</u> |                     | <u>Business-type activities</u> |                   | <u>Total</u>        |                     |
|----------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|                                  | <u>2023</u>                    | <u>2022</u>         | <u>2023</u>                     | <u>2022</u>       | <u>2023</u>         | <u>2022</u>         |
| Current and other assets         | \$ 769,137                     | \$ 980,154          | \$ 228,435                      | \$ 123,070        | \$ 997,572          | \$ 1,103,224        |
| Capital assets                   | <u>3,139,737</u>               | <u>2,820,841</u>    | <u>327,441</u>                  | <u>341,747</u>    | <u>3,467,178</u>    | <u>3,162,588</u>    |
| Total assets                     | <u>3,908,874</u>               | <u>3,800,995</u>    | <u>555,876</u>                  | <u>464,817</u>    | <u>4,464,750</u>    | <u>4,265,812</u>    |
| Deferred outflows of resources   | <u>263,215</u>                 | <u>55,599</u>       | <u>14,472</u>                   | <u>3,921</u>      | <u>277,687</u>      | <u>59,520</u>       |
| Current and other liabilities    | <u>1,673,887</u>               | <u>1,469,520</u>    | <u>142,411</u>                  | <u>148,742</u>    | <u>1,816,298</u>    | <u>1,618,262</u>    |
| Long-term debt                   | <u>-</u>                       | <u>-</u>            | <u>-</u>                        | <u>-</u>          | <u>-</u>            | <u>-</u>            |
| Total liabilities                | <u>1,673,887</u>               | <u>1,469,520</u>    | <u>142,411</u>                  | <u>148,742</u>    | <u>1,816,298</u>    | <u>1,618,262</u>    |
| Deferred inflows of resources    | <u>-</u>                       | <u>169,722</u>      | <u>-</u>                        | <u>12,775</u>     | <u>-</u>            | <u>182,497</u>      |
| Net position:                    |                                |                     |                                 |                   |                     |                     |
| Net investment in capital assets | <u>3,139,737</u>               | <u>2,820,841</u>    | <u>327,441</u>                  | <u>341,747</u>    | <u>3,467,178</u>    | <u>3,162,588</u>    |
| Restricted                       | <u>261,075</u>                 | <u>285,872</u>      | <u>-</u>                        | <u>-</u>          | <u>261,075</u>      | <u>285,872</u>      |
| Unrestricted (deficit)           | <u>(902,610)</u>               | <u>(889,361)</u>    | <u>100,496</u>                  | <u>(34,526)</u>   | <u>(802,114)</u>    | <u>(923,887)</u>    |
| Total net position               | <u>\$ 2,498,202</u>            | <u>\$ 2,217,352</u> | <u>\$ 427,937</u>               | <u>\$ 307,221</u> | <u>\$ 2,926,139</u> | <u>\$ 2,524,573</u> |

**Changes in net position**

The City's total revenues totaled \$2,552,148, compared to \$1,991,591 in the prior year. Approximately 30 percent of the City's revenues comes from property taxes. About 28 percent of the City's revenues comes from operating grants and 22 percent comes from charges for services. State shared revenue represents 10 percent of the City's total revenues.

*Condensed financial information  
Changes in net position*

|                                       | <u>Governmental activities</u> |                     | <u>Business-type activities</u> |                   | <u>Totals</u>       |                     |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|                                       | <u>2023</u>                    | <u>2022</u>         | <u>2023</u>                     | <u>2022</u>       | <u>2023</u>         | <u>2022</u>         |
| Program revenues:                     |                                |                     |                                 |                   |                     |                     |
| Charges for services                  | \$ 237,514                     | \$ 198,894          | \$ 325,976                      | \$ 238,019        | \$ 563,490          | \$ 436,913          |
| Operating grants and contributions    | 711,029                        | 452,570             | -                               | -                 | 711,029             | 452,570             |
| Capital grants and contributions      | 148,549                        | -                   | -                               | -                 | 148,549             | -                   |
| General revenues:                     |                                |                     |                                 |                   |                     |                     |
| Property taxes                        | 756,401                        | 728,447             | -                               | -                 | 756,401             | 728,447             |
| State shared revenue                  | 244,221                        | 247,117             | -                               | -                 | 244,221             | 247,117             |
| Local community stabilization revenue | 114,363                        | 110,213             | -                               | -                 | 114,363             | 110,213             |
| Excise tax                            | 12,514                         | 15,941              | -                               | -                 | 12,514              | 15,941              |
| Investment income                     | 1,581                          | 390                 | -                               | -                 | 1,581               | 390                 |
| Total revenues                        | <u>2,226,172</u>               | <u>1,753,572</u>    | <u>325,976</u>                  | <u>238,019</u>    | <u>2,552,148</u>    | <u>1,991,591</u>    |
| Expenses:                             |                                |                     |                                 |                   |                     |                     |
| General government                    | 256,891                        | 370,397             | -                               | -                 | 256,891             | 370,397             |
| Public safety                         | 574,363                        | 490,933             | -                               | -                 | 574,363             | 490,933             |
| Public works                          | 829,938                        | 708,478             | -                               | -                 | 829,938             | 708,478             |
| Recreation and culture                | 284,130                        | 250,299             | -                               | -                 | 284,130             | 250,299             |
| Interest on long-term debt            | -                              | -                   | -                               | -                 | -                   | -                   |
| Sewer and water operations            | -                              | -                   | 205,260                         | 165,735           | 205,260             | 165,735             |
| Total expenses                        | <u>1,945,322</u>               | <u>1,820,107</u>    | <u>205,260</u>                  | <u>165,735</u>    | <u>2,150,582</u>    | <u>1,985,842</u>    |
| Changes in net position               | <u>280,850</u>                 | <u>(66,535)</u>     | <u>120,716</u>                  | <u>72,284</u>     | <u>401,566</u>      | <u>5,749</u>        |
| Net position, end of year             | <u>\$ 2,498,202</u>            | <u>\$ 2,217,352</u> | <u>\$ 427,937</u>               | <u>\$ 307,221</u> | <u>\$ 2,926,139</u> | <u>\$ 2,524,573</u> |

**Governmental activities**

Governmental activities increased the City's net position by \$280,850 in the current year compared to a \$66,535 decrease in the prior year. The increase in net position resulted from an increase in revenues of \$472,600, while expenses increased by \$125,215.

Revenues increased primarily due to a \$258,459 increase in operating grant revenue, a \$148,549 increase in capital grants and a \$38,620 increase in charges for services, while only incurring offsets of a \$2,896 decrease in state shared revenue and a \$3,427 decrease in excise tax.

Expenses increased primarily due to a \$121,460 increase in public works expenses associated with increased street maintenance costs, and a \$83,430 increase in public safety costs. The increase was offset by a \$113,506 decrease in general government costs.

The total cost of governmental activities this year was \$1,945,322. After subtracting the direct charges to those who directly benefited from the programs (\$237,514), operating grants (\$711,029), and capital grants (\$148,549), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$848,230 compared to \$1,168,643 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 \$588,518, a decrease of \$41,922 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 \$317,043, which represents a decrease of \$27,525, as revenues (\$1,828,512) were not sufficient to cover expenditures (\$1,856,037) during the current year.

The Major Street Fund experienced a decrease in fund balance of \$38,259 as the fund's expenses of \$222,075 exceeded revenues of \$183,816. Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$89,382 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 \$10,671, as the fund's expenditures of \$205,246 exceeded revenues of \$194,575. Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$135,614 and is restricted for future street preservation costs of the City's local streets.

**Proprietary funds**

The Sewer Fund experienced an increase in net position of \$120,716 in the current year, as user fees of \$325,976 exceeded total costs of \$205,260. Total net position is \$427,937 at year end, of which \$100,496 is unrestricted.

**General Fund budgetary highlights**

The City's original budget for the General Fund budget was not amended during the year to account for previously unanticipated revenues and expenditures.

Total revenues were \$480,712 greater than budgeted primarily due to state grant revenue being more than anticipated. Total expenditures were \$508,943 more than the amounts appropriated, as all functions were over budget during the current year except for public safety. These variances resulted in a \$28,231 negative budget variance, due to a \$27,525 decrease in fund balance compared to a budgeted increase of \$706.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The City's investment in capital assets as of June 30, 2023, amounts to \$3,467,178 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and infrastructure. This amount represents a net increase of \$304,590, comprised of \$507,768 in additions offset by \$203,178 in provisions for depreciation.

**Capital assets (continued)**

This year's major capital asset additions included:

- Street improvements were made at a cost of \$242,689
- City Hall equipment was purchased with a total cost of \$17,800
- DPW and water building improvements were made costing \$247,279

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.

Other noncurrent liabilities of the City include accrued compensated absences, in the amount of \$26,487, and a net pension liability, associated with its defined benefit pension plan, in the amount of \$1,287,303 and a net OPEB liability of \$362,761.

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 2024 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, 2023

|                                                 | <u>Primary government</u>          |                                     |                     | <u>Brownfield<br/>Redevelopment<br/>Authority</u> |
|-------------------------------------------------|------------------------------------|-------------------------------------|---------------------|---------------------------------------------------|
|                                                 | <u>Governmental<br/>activities</u> | <u>Business-type<br/>activities</u> | <u>Total</u>        |                                                   |
| <b>ASSETS</b>                                   |                                    |                                     |                     |                                                   |
| Current assets:                                 |                                    |                                     |                     |                                                   |
| Cash                                            | \$ 555,551                         | \$ 142,435                          | \$ 697,986          | \$ 174,056                                        |
| Receivables                                     | 179,497                            | 80,612                              | 260,109             | -                                                 |
| Inventory / prepaids                            | 34,089                             | 5,388                               | 39,477              | -                                                 |
| Total current assets                            | <u>769,137</u>                     | <u>228,435</u>                      | <u>997,572</u>      | <u>174,056</u>                                    |
| Noncurrent assets:                              |                                    |                                     |                     |                                                   |
| Capital assets not being depreciated            | 1,303,688                          | -                                   | 1,303,688           | -                                                 |
| Capital assets, net of accumulated depreciation | <u>1,836,049</u>                   | <u>327,441</u>                      | <u>2,163,490</u>    | <u>1,056,437</u>                                  |
| Total noncurrent assets                         | <u>3,139,737</u>                   | <u>327,441</u>                      | <u>3,467,178</u>    | <u>1,056,437</u>                                  |
| Total assets                                    | <u>3,908,874</u>                   | <u>555,876</u>                      | <u>4,464,750</u>    | <u>1,230,493</u>                                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |                                     |                     |                                                   |
| Deferred pension amounts                        | <u>263,215</u>                     | <u>14,472</u>                       | <u>277,687</u>      | <u>-</u>                                          |
| <b>LIABILITIES</b>                              |                                    |                                     |                     |                                                   |
| Current liabilities:                            |                                    |                                     |                     |                                                   |
| Payables                                        | 99,970                             | 8,088                               | 108,058             | 4,400                                             |
| Unearned federal grant revenue                  | 31,689                             | -                                   | 31,689              | -                                                 |
| Note payable - current portion                  | -                                  | -                                   | -                   | 49,362                                            |
| Total current liabilities                       | <u>131,659</u>                     | <u>8,088</u>                        | <u>139,747</u>      | <u>53,762</u>                                     |
| Noncurrent liabilities:                         |                                    |                                     |                     |                                                   |
| Compensated absences                            | 26,487                             | -                                   | 26,487              | -                                                 |
| Net pension liability                           | 1,152,980                          | 134,323                             | 1,287,303           | -                                                 |
| Net OPEB liability                              | 362,761                            | -                                   | 362,761             | -                                                 |
| Note payable                                    | -                                  | -                                   | -                   | 536,233                                           |
| Total noncurrent liabilities                    | <u>1,542,228</u>                   | <u>134,323</u>                      | <u>1,676,551</u>    | <u>536,233</u>                                    |
| Total liabilities                               | <u>1,673,887</u>                   | <u>142,411</u>                      | <u>1,816,298</u>    | <u>589,995</u>                                    |
| <b>NET POSITION</b>                             |                                    |                                     |                     |                                                   |
| Net investment in capital assets                | 3,139,737                          | 327,441                             | 3,467,178           | 466,442                                           |
| Restricted for:                                 |                                    |                                     |                     |                                                   |
| Recreation and culture                          | 46,479                             | -                                   | 46,479              | -                                                 |
| Public works                                    | 214,596                            | -                                   | 214,596             | -                                                 |
| Unrestricted (deficit)                          | <u>(902,610)</u>                   | <u>100,496</u>                      | <u>(802,114)</u>    | <u>174,056</u>                                    |
| Total net position                              | <u>\$ 2,498,202</u>                | <u>\$ 427,937</u>                   | <u>\$ 2,926,139</u> | <u>\$ 640,498</u>                                 |

See notes to financial statements

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2023

|                                       | <i>Program revenues</i> |                                 |                                                   |                                                 | <i>Net (expenses) revenues and changes in net position</i> |                                     |                     | <i>Component Unit<br/>Brownfield<br/>Redevelopment<br/>Authority</i> |
|---------------------------------------|-------------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|------------------------------------------------------------|-------------------------------------|---------------------|----------------------------------------------------------------------|
|                                       | <i>Expenses</i>         | <i>Charges for<br/>services</i> | <i>Operating<br/>grants and<br/>contributions</i> | <i>Capital<br/>grants and<br/>contributions</i> | <i>Primary government</i>                                  |                                     | <i>Totals</i>       |                                                                      |
|                                       |                         |                                 |                                                   |                                                 | <i>Governmental<br/>activities</i>                         | <i>Business-type<br/>activities</i> |                     |                                                                      |
| <b>Functions/Programs</b>             |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| <b>Primary government</b>             |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| Governmental activities:              |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| General government                    | \$ 256,891              | \$ 80,984                       | \$ 47,419                                         | \$ 29,324                                       | \$ (99,164)                                                |                                     | \$ 315,454          |                                                                      |
| Public safety                         | 574,363                 | 9,209                           | -                                                 | -                                               | (565,154)                                                  |                                     | 18,418              |                                                                      |
| Public works                          | 829,938                 | 140,995                         | 532,782                                           | 119,225                                         | (36,936)                                                   |                                     | 1,586,004           |                                                                      |
| Recreation and culture                | 284,130                 | 6,326                           | 130,828                                           | -                                               | (146,976)                                                  |                                     | 274,308             |                                                                      |
| Total governmental activities         | <u>1,945,322</u>        | <u>237,514</u>                  | <u>711,029</u>                                    | <u>148,549</u>                                  | <u>(848,230)</u>                                           |                                     | <u>2,194,184</u>    |                                                                      |
| Business-type activities:             |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| Sewer fund                            | 205,260                 | 325,976                         | -                                                 | -                                               |                                                            | \$ 120,716                          | 120,716             |                                                                      |
| Total primary government              | <u>\$ 2,150,582</u>     | <u>\$ 563,490</u>               | <u>\$ 711,029</u>                                 | <u>\$ 148,549</u>                               | <u>(848,230)</u>                                           | <u>120,716</u>                      | <u>\$ 2,314,900</u> |                                                                      |
| <b>Component unit</b>                 |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| Brownfield Redevelopment              | <u>\$ 228,214</u>       | <u>\$ 2,597</u>                 | <u>\$ -</u>                                       | <u>\$ -</u>                                     |                                                            |                                     |                     | <u>\$ (225,617)</u>                                                  |
| General revenues:                     |                         |                                 |                                                   |                                                 |                                                            |                                     |                     |                                                                      |
| Property taxes                        |                         |                                 |                                                   |                                                 | 756,401                                                    | -                                   | 756,401             | 297,670                                                              |
| State shared revenue                  |                         |                                 |                                                   |                                                 | 244,221                                                    | -                                   | 244,221             | -                                                                    |
| Local community stabilization revenue |                         |                                 |                                                   |                                                 | 114,363                                                    | -                                   | 114,363             | -                                                                    |
| Franchise fees                        |                         |                                 |                                                   |                                                 | 12,514                                                     | -                                   | 12,514              | -                                                                    |
| Unrestricted investment return        |                         |                                 |                                                   |                                                 | 1,581                                                      | -                                   | 1,581               | -                                                                    |
| Totals                                |                         |                                 |                                                   |                                                 | <u>1,129,080</u>                                           | <u>-</u>                            | <u>1,129,080</u>    | <u>297,670</u>                                                       |
| Changes in net position               |                         |                                 |                                                   |                                                 | 280,850                                                    | 120,716                             | 401,566             | 72,053                                                               |
| Net position - beginning              |                         |                                 |                                                   |                                                 | <u>2,217,352</u>                                           | <u>307,221</u>                      | <u>2,524,573</u>    | <u>568,445</u>                                                       |
| Net position - ending                 |                         |                                 |                                                   |                                                 | <u>\$ 2,498,202</u>                                        | <u>\$ 427,937</u>                   | <u>\$ 2,926,139</u> | <u>\$ 640,498</u>                                                    |

See notes to financial statements

**BALANCE SHEET - governmental funds**

June 30, 2023

|                                      | <u>General</u>    | <u>Major Street</u> | <u>Local Street</u> | <u>Nonmajor fund</u> | <u>Total governmental funds</u> |
|--------------------------------------|-------------------|---------------------|---------------------|----------------------|---------------------------------|
| <b>ASSETS</b>                        |                   |                     |                     |                      |                                 |
| Cash                                 | \$ 330,485        | \$ 59,490           | \$ 119,097          | \$ 46,479            | \$ 555,551                      |
| Receivables                          | 135,840           | 31,023              | 12,634              | -                    | 179,497                         |
| Prepays                              | 23,689            | -                   | -                   | -                    | 23,689                          |
| Inventories                          | -                 | 5,200               | 5,200               | -                    | 10,400                          |
|                                      | <u>          </u> | <u>          </u>   | <u>          </u>   | <u>          </u>    | <u>          </u>               |
| Total assets                         | <u>\$ 490,014</u> | <u>\$ 95,713</u>    | <u>\$ 136,931</u>   | <u>\$ 46,479</u>     | <u>\$ 769,137</u>               |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |                     |                     |                      |                                 |
| Liabilities:                         |                   |                     |                     |                      |                                 |
| Payables                             | \$ 92,322         | \$ 6,331            | \$ 1,317            | \$ -                 | \$ 99,970                       |
| Unearned federal grant revenue       | 31,689            | -                   | -                   | -                    | 31,689                          |
|                                      | <u>          </u> | <u>          </u>   | <u>          </u>   | <u>          </u>    | <u>          </u>               |
| Total liabilities                    | <u>124,011</u>    | <u>6,331</u>        | <u>1,317</u>        | <u>-</u>             | <u>131,659</u>                  |
| Deferred inflows of resources -      |                   |                     |                     |                      |                                 |
| Unavailable grants                   | 48,960            | -                   | -                   | -                    | 48,960                          |
|                                      | <u>          </u> | <u>          </u>   | <u>          </u>   | <u>          </u>    | <u>          </u>               |
| Fund balances:                       |                   |                     |                     |                      |                                 |
| Nonspendable - inventories           |                   |                     |                     |                      |                                 |
| Inventories                          | -                 | 5,200               | 5,200               | -                    | 10,400                          |
| Prepays                              | 23,689            | -                   | -                   | -                    | 23,689                          |
| Restricted for:                      |                   |                     |                     |                      |                                 |
| Public works                         | -                 | 84,182              | 130,414             | -                    | 214,596                         |
| Recreation and culture               | -                 | -                   | -                   | 46,479               | 46,479                          |
| Unassigned                           | 293,354           | -                   | -                   | -                    | 293,354                         |
|                                      | <u>          </u> | <u>          </u>   | <u>          </u>   | <u>          </u>    | <u>          </u>               |
| Total fund balances                  | <u>317,043</u>    | <u>89,382</u>       | <u>135,614</u>      | <u>46,479</u>        | <u>588,518</u>                  |
|                                      | <u>          </u> | <u>          </u>   | <u>          </u>   | <u>          </u>    | <u>          </u>               |
| Total liabilities and fund balances  | <u>\$ 490,014</u> | <u>\$ 95,713</u>    | <u>\$ 136,931</u>   | <u>\$ 46,479</u>     | <u>\$ 769,137</u>               |

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

Total fund balance - total governmental funds \$ 588,518

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

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,139,737

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

    Compensated absences (26,487)

    Unavailable grant revenue 48,960

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 (1,152,980)

    Net OPEB liability (362,761)

    Deferred outflows related to the pension liability 263,215

Net position of *governmental activities* \$ 2,498,202



City of Parchment

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

Year ended June 30, 2023

|                                     | <u>General</u>    | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Nonmajor<br/>fund</u> | <u>Total<br/>governmental<br/>funds</u> |
|-------------------------------------|-------------------|-------------------------|-------------------------|--------------------------|-----------------------------------------|
| <b>REVENUES</b>                     |                   |                         |                         |                          |                                         |
| Taxes                               | \$ 785,859        | \$ -                    | \$ -                    | \$ -                     | \$ 785,859                              |
| Licenses and permits                | 17,413            | -                       | -                       | -                        | 17,413                                  |
| Federal grant                       | 29,324            | -                       | 119,225                 | 20,000                   | 168,549                                 |
| State grants                        | 700,628           | 182,916                 | 74,450                  | -                        | 957,994                                 |
| Charges for services                | 148,005           | -                       | -                       | -                        | 148,005                                 |
| Investment return and rentals       | 1,581             | -                       | -                       | -                        | 1,581                                   |
| Other                               | 145,702           | 900                     | 900                     | 20,278                   | 167,780                                 |
|                                     | <u>1,828,512</u>  | <u>183,816</u>          | <u>194,575</u>          | <u>40,278</u>            | <u>2,247,181</u>                        |
| Total revenues                      |                   |                         |                         |                          |                                         |
| <b>EXPENDITURES</b>                 |                   |                         |                         |                          |                                         |
| Current:                            |                   |                         |                         |                          |                                         |
| General government                  | 239,681           | -                       | -                       | 5,745                    | 245,426                                 |
| Public safety                       | 541,301           | -                       | -                       | -                        | 541,301                                 |
| Public works                        | 704,295           | 222,075                 | 205,246                 | -                        | 1,131,616                               |
| Recreation and culture              | 272,881           | -                       | -                       | -                        | 272,881                                 |
| Capital outlay                      | 97,879            | -                       | -                       | -                        | 97,879                                  |
|                                     | <u>1,856,037</u>  | <u>222,075</u>          | <u>205,246</u>          | <u>5,745</u>             | <u>2,289,103</u>                        |
| Total expenditures                  |                   |                         |                         |                          |                                         |
| <b>NET CHANGES IN FUND BALANCES</b> | (27,525)          | (38,259)                | (10,671)                | 34,533                   | (41,922)                                |
| <b>FUND BALANCES - BEGINNING</b>    | <u>344,568</u>    | <u>127,641</u>          | <u>146,285</u>          | <u>11,946</u>            | <u>630,440</u>                          |
| <b>FUND BALANCES - ENDING</b>       | <u>\$ 317,043</u> | <u>\$ 89,382</u>        | <u>\$ 135,614</u>       | <u>\$ 46,479</u>         | <u>\$ 588,518</u>                       |

See notes to financial statements

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

Year ended June 30, 2023

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 15) \$ (41,922)

Amounts reported for *governmental activities* in the statement of activities (page 13) 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        | 507,768   |
| Deduct - depreciation provision | (188,872) |

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 increase in compensated absences  | (3,386)   |
| Net increase in net pension liability | (335,979) |
| Net increase in net OPEB liability    | (13,088)  |

Changes in deferred outflows and deferred inflows:

|                                                                          |          |
|--------------------------------------------------------------------------|----------|
| Decrease in deferred inflows of resources related to unavailable revenue | (21,009) |
| Net increase in deferred outflows of resources related to pension        | 207,616  |
| Net increase in deferred inflows of resources related to pension         | 169,722  |

Change in net position of *governmental activities* \$ 280,850

**STATEMENT OF NET POSITION - *proprietary funds***

June 30, 2023

|                                       | <u>Sewer</u>      |
|---------------------------------------|-------------------|
| <b>ASSETS</b>                         |                   |
| Current assets:                       |                   |
| Cash                                  | \$ 142,435        |
| Accounts receivable                   | 80,612            |
| Prepays                               | <u>5,388</u>      |
| Total current assets                  | <u>228,435</u>    |
| Noncurrent assets:                    |                   |
| Capital assets, net of depreciation   | <u>327,441</u>    |
| Total assets                          | <u>555,876</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                   |
| Pension                               | <u>14,472</u>     |
| <b>LIABILITIES</b>                    |                   |
| Current liabilities - payables        |                   |
|                                       | <u>8,088</u>      |
| Noncurrent liabilities:               |                   |
| Net Pension liability                 | <u>134,323</u>    |
| Total liabilities                     | <u>142,411</u>    |
| <b>NET POSITION</b>                   |                   |
| Investment in capital assets          | 327,441           |
| Unrestricted (deficit)                | <u>100,496</u>    |
| Total net position                    | <u>\$ 427,937</u> |

See notes to financial statements

**City of Parchment**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - *proprietary fund***

*Year ended June 30, 2023*

|                                 | <u>Sewer</u>      |
|---------------------------------|-------------------|
| <b>OPERATING REVENUES</b>       |                   |
| Charges for services            | \$ 325,976        |
| <b>OPERATING EXPENSES</b>       |                   |
| Public works - operations       | 190,954           |
| Depreciation                    | <u>14,306</u>     |
| Total operating expenses        | <u>205,260</u>    |
| <b>OPERATING INCOME (LOSS)</b>  | 120,716           |
| <b>NET POSITION - BEGINNING</b> | <u>307,221</u>    |
| <b>NET POSITION - ENDING</b>    | <u>\$ 427,937</u> |

*See notes to financial statements*

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended June 30, 2023

|                                                                                                          | <u>Sewer</u>             |
|----------------------------------------------------------------------------------------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                              |                          |
| Receipts from customers                                                                                  | \$ 319,288               |
| Payments to suppliers                                                                                    | (207,734)                |
| Payments to employees                                                                                    | <u>(18,265)</u>          |
| Net cash provided by operating activities                                                                | 93,289                   |
| <b>CASH - BEGINNING</b>                                                                                  | <u>49,146</u>            |
| <b>CASH - ENDING</b>                                                                                     | <u><u>\$ 142,435</u></u> |
| <br>                                                                                                     |                          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                          |
| Operating income (loss)                                                                                  | \$ 120,716               |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                          |
| Depreciation expense                                                                                     | 14,306                   |
| Change in assets and liabilities:                                                                        |                          |
| Increase in receivables                                                                                  | (6,688)                  |
| Increase in deferred outflows - pension                                                                  | (14,472)                 |
| Increase in net pension liability                                                                        | 17,683                   |
| Increase in prepaids                                                                                     | (1,467)                  |
| Decrease in deferred inflows - pension                                                                   | (12,775)                 |
| Increase (decrease) in payables                                                                          | <u>(24,014)</u>          |
| Net cash provided by (used in) operating activities                                                      | <u><u>\$ 93,289</u></u>  |

See notes to financial statements

**STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund**

June 30, 2023

---

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

See notes to financial statements

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund**

Year ended June 30, 2023

|                                                 | <u>Tax<br/>Collection</u> |
|-------------------------------------------------|---------------------------|
| <b>ADDITIONS</b>                                |                           |
| Property taxes collected for other governments  | \$ 2,045,585              |
| <b>DEDUCTIONS</b>                               |                           |
| Property taxes distributed to other governments | <u>2,045,585</u>          |
| <b>NET CHANGE IN FIDUCIARY NET POSITION</b>     | -                         |
| <b>NET POSITION - BEGINNING</b>                 | <u>-</u>                  |
| <b>NET POSITION - ENDING</b>                    | <u><u>\$ -</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.

*Unearned revenue* - Unearned revenue represents resources related to a federal grant, which have not yet been earned.

**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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

*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:

| <i>Fund</i>  | <i>Function</i>    | <i>Activity</i>            | <i>budget</i> | <i>Actual</i> | <i>Variance</i> |
|--------------|--------------------|----------------------------|---------------|---------------|-----------------|
| General      | General government | City council               | \$ 31,800     | \$ 33,613     | \$ 1,813        |
|              |                    | Administration             | 129,650       | 188,034       | 58,384          |
|              | Public works       | Department of public works | 397,480       | 704,295       | 306,815         |
|              | Rec and culture    | Parks and recreation       | 176,550       | 272,881       | 96,331          |
|              | Capital outlay     | Capital outlay             | 30,000        | 97,879        | 67,879          |
| Local Street | Public works       | Streets                    | 106,225       | 205,246       | 99,021          |

**NOTE 3 - CASH AND INVESTMENTS**

At June 30, 2023, cash and investments are classified in the accompanying financial statements as follows:

|                            | <i>Primary government</i>      |                                 |                        | <i>Totals</i>     |
|----------------------------|--------------------------------|---------------------------------|------------------------|-------------------|
|                            | <i>Governmental activities</i> | <i>Business-type activities</i> | <i>Component units</i> |                   |
| Statement of net position: |                                |                                 |                        |                   |
| Cash                       | \$ 555,351                     | \$ 142,435                      | \$ 174,056             | \$ 871,842        |
| Cash on hand               | 200                            | -                               | -                      | 200               |
| Totals                     | <u>\$ 555,551</u>              | <u>\$ 142,435</u>               | <u>\$ 174,056</u>      | <u>\$ 872,042</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, 2023, \$150,948 of the City’s bank balances of \$886,001 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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, 2023, 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:

| <u>Fund</u>         | <u>Accounts</u>  | <u>Intergovern-<br/>mental</u> | <u>Totals</u>     |
|---------------------|------------------|--------------------------------|-------------------|
| Primary government: |                  |                                |                   |
| Governmental:       |                  |                                |                   |
| General             | \$ 48,038        | \$ 87,802                      | \$ 135,840        |
| Major Street        | -                | 31,023                         | 31,023            |
| Local Street        | -                | 12,634                         | 12,634            |
|                     | <u>48,038</u>    | <u>131,459</u>                 | <u>179,497</u>    |
| Total governmental  | <u>\$ 48,038</u> | <u>\$ 131,459</u>              | <u>\$ 179,497</u> |
| Proprietary:        |                  |                                |                   |
| Sewer               | <u>\$ 80,612</u> | <u>\$ -</u>                    | <u>\$ 80,612</u>  |

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

|                                             | <i>Beginning<br/>balance</i> | <i>Increases</i>  | <i>Decreases</i> | <i>Ending<br/>balance</i> |
|---------------------------------------------|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities:                    |                              |                   |                  |                           |
| Capital assets not being depreciated - land | \$ 1,303,688                 | \$ -              | \$ -             | \$ 1,303,688              |
| Capital assets being depreciated:           |                              |                   |                  |                           |
| Buildings and improvements                  | 779,953                      | 247,279           | -                | 1,027,232                 |
| Machinery, equipment, and vehicles          | 1,743,524                    | 17,800            | (22,365)         | 1,738,959                 |
| Infrastructure                              | 1,752,476                    | 242,689           | -                | 1,995,165                 |
| Subtotal                                    | <u>4,275,953</u>             | <u>507,768</u>    | <u>(22,365)</u>  | <u>4,761,356</u>          |
| Less accumulated depreciation for:          |                              |                   |                  |                           |
| Buildings and improvements                  | (423,953)                    | (28,576)          | -                | (452,529)                 |
| Machinery, equipment, and vehicles          | (1,413,676)                  | (74,417)          | 22,365           | (1,465,728)               |
| Infrastructure                              | (921,171)                    | (85,879)          | -                | (1,007,050)               |
| Subtotal                                    | <u>(2,758,800)</u>           | <u>(188,872)</u>  | <u>22,365</u>    | <u>(2,925,307)</u>        |
| Total capital assets being depreciated      | <u>1,517,153</u>             | <u>318,896</u>    | <u>-</u>         | <u>1,836,049</u>          |
| Governmental activities capital assets, net | <u>\$ 2,820,841</u>          | <u>\$ 318,896</u> | <u>\$ -</u>      | <u>\$ 3,139,737</u>       |

**NOTE 5 - CAPITAL ASSETS (continued)**

Capital asset activity for the year ended June 30, 2023, was as follows:

|                                              | <i>Beginning<br/>balance</i> | <i>Increases</i>   | <i>Decreases</i> | <i>Ending<br/>balance</i> |
|----------------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Business-type activities:                    |                              |                    |                  |                           |
| Capital assets being depreciated:            |                              |                    |                  |                           |
| Buildings and improvements                   | 77,314                       | -                  | -                | 77,314                    |
| Machinery, equipment, and vehicles           | 289,403                      | -                  | -                | 289,403                   |
| Distribution and collection systems          | 800,026                      | -                  | -                | 800,026                   |
| Subtotal                                     | <u>1,166,743</u>             | <u>-</u>           | <u>-</u>         | <u>1,166,743</u>          |
| Less accumulated depreciation for:           |                              |                    |                  |                           |
| Buildings and improvements                   | (49,332)                     | (1,409)            | -                | (50,741)                  |
| Machinery, equipment, and vehicles           | (277,235)                    | (7,455)            | -                | (284,690)                 |
| Distribution and collection systems          | (498,429)                    | (5,442)            | -                | (503,871)                 |
| Subtotal                                     | <u>(824,996)</u>             | <u>(14,306)</u>    | <u>-</u>         | <u>(839,302)</u>          |
| Total capital assets being depreciated       | <u>341,747</u>               | <u>(14,306)</u>    | <u>-</u>         | <u>327,441</u>            |
| Business-type activities capital assets, net | <u>\$ 341,747</u>            | <u>\$ (14,306)</u> | <u>\$ -</u>      | <u>\$ 327,441</u>         |
|                                              | <i>Beginning<br/>balance</i> | <i>Increases</i>   | <i>Decreases</i> | <i>Ending<br/>balance</i> |
| Component Unit:                              |                              |                    |                  |                           |
| Capital assets being depreciated:            |                              |                    |                  |                           |
| Infrastructure                               | <u>\$ 1,760,728</u>          | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 1,760,728</u>       |
| Less accumulated depreciation for:           |                              |                    |                  |                           |
| Infrastructure                               | <u>(616,255)</u>             | <u>(88,036)</u>    | <u>-</u>         | <u>(704,291)</u>          |
| Component unit capital assets, net           | <u>\$ 1,144,473</u>          | <u>\$ (88,036)</u> | <u>\$ -</u>      | <u>\$ 1,056,437</u>       |

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

|                               |                   |
|-------------------------------|-------------------|
| Governmental activities:      |                   |
| General government            | \$ 15,666         |
| Public safety                 | 29,382            |
| Public works                  | 123,062           |
| Recreation and culture        | <u>20,762</u>     |
| Total governmental activities | <u>\$ 188,872</u> |

**NOTE 6 - PAYABLES**

Payables as of June 30, 2023, 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             | \$ 78,765        | \$ 13,557        | \$ 92,322        |
| Major Street        | 5,218            | 1,113            | 6,331            |
| Local Street        | <u>575</u>       | <u>742</u>       | <u>1,317</u>     |
| Total governmental  | <u>\$ 84,558</u> | <u>\$ 15,412</u> | <u>\$ 99,970</u> |
| Proprietary:        |                  |                  |                  |
| Sewer               | <u>\$ 7,901</u>  | <u>\$ 187</u>    | <u>\$ 8,088</u>  |

**NOTE 7 - LONG-TERM LIABILITIES**

At June 30, 2023, long-term liabilities are comprised of the following:

|                                                                                                                                  |                   |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Governmental activities:                                                                                                         |                   |
| Compensated absences                                                                                                             | <u>\$ 26,487</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>\$ 585,595</u> |



**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

Long-term liability activity for the year ended June 30, 2023, was as follows:

|                                           | <i>Beginning<br/>balance</i> | <i>Additions</i> | <i>Net<br/>Change</i> | <i>Reductions</i> | <i>Ending<br/>balance</i> | <i>Amounts<br/>due within<br/>one year</i> |
|-------------------------------------------|------------------------------|------------------|-----------------------|-------------------|---------------------------|--------------------------------------------|
| Governmental activities:                  |                              |                  |                       |                   |                           |                                            |
| Compensated absences                      | <u>\$ 23,101</u>             | <u>\$ -</u>      | <u>\$ 3,386</u>       | <u>\$ -</u>       | <u>\$ 26,487</u>          | <u>\$ -</u>                                |
| Component Unit - Brownfield redevelopment |                              |                  |                       |                   |                           |                                            |
| Note payable - 2010 MDEQ note payable     | <u>634,228</u>               | <u>-</u>         | <u>-</u>              | <u>(48,633)</u>   | <u>585,595</u>            | <u>49,362</u>                              |

At June 30, 2023, debt service requirements, with the exception of compensated absences, are as follows:

| <i>Year ended<br/>June 30,</i> | <i>Component Unit</i> |                  |
|--------------------------------|-----------------------|------------------|
|                                | <i>Principal</i>      | <i>Interest</i>  |
| 2024                           | 49,362                | 8,784            |
| 2025                           | 50,103                | 8,044            |
| 2026                           | 50,854                | 7,292            |
| 2027                           | 51,617                | 6,529            |
| 2028                           | 52,391                | 5,755            |
| 2029 - 2033                    | 273,982               | 16,748           |
| 2033 - 2034                    | <u>57,286</u>         | <u>859</u>       |
| Totals                         | <u>\$ 585,595</u>     | <u>\$ 54,011</u> |

All debt is a direct borrowing.

**NOTE 8 - 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](http://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, 2022, measurement date, the following employees were covered by the benefit terms:

|                                                                  |                      |
|------------------------------------------------------------------|----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 16                   |
| Inactive employees entitled to but not yet receiving benefits    | 1                    |
| Active employees                                                 | <u>5</u>             |
| <br>Total                                                        | <br><u><u>22</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, 2023, 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, 2023, the City contributed \$127,013 to the plan, and employees contributed \$11,656.

*Net pension liability:*

The City’s net pension liability reported at June 30, 2023, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

|                           |       |                                                |
|---------------------------|-------|------------------------------------------------|
| Inflation                 | 2.50% |                                                |
| Salary increases          | 3.00% | in the long term                               |
| Investment rate of return | 7.25% | net of investment expense, including inflation |

**NOTE 8 - 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, 2022 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:

| <u>Asset class</u>        | <u>Target allocation</u> | <u>Long-term expected real rate of return</u> | <u>Expected money-weighted rate of return</u> |
|---------------------------|--------------------------|-----------------------------------------------|-----------------------------------------------|
| Global equity             | 60.00%                   | 4.50%                                         | 2.70%                                         |
| Global fixed income       | 20.00%                   | 2.00%                                         | 0.40%                                         |
| Private investments       | <u>20.00%</u>            | 7.00%                                         | 1.40%                                         |
|                           | <u>100.00%</u>           |                                               |                                               |
| Inflation                 |                          |                                               | 2.50%                                         |
| Administrative expenses   |                          |                                               | <u>0.25%</u>                                  |
| Investment rate of return |                          |                                               | <u>7.25%</u>                                  |

*Discount rate:*

The discount rate used to measure the total pension liability is 7.25% for 2022. 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 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Changes in the net pension liability:*

|                                                | <i>Increase (decrease)</i>     |                                    |                              |
|------------------------------------------------|--------------------------------|------------------------------------|------------------------------|
|                                                | <i>Total pension liability</i> | <i>Plan fiduciary net position</i> | <i>Net pension liability</i> |
|                                                | <i>(a)</i>                     | <i>(b)</i>                         | <i>(a) - (b)</i>             |
| Balances at December 31, 2021                  | \$ 3,523,807                   | \$ 2,590,166                       | \$ 933,641                   |
| Changes for the year:                          |                                |                                    |                              |
| Service cost                                   | 24,276                         | -                                  | 24,276                       |
| Interest                                       | 259,384                        | -                                  | 259,384                      |
| Differences between expected actual experience | (59,658)                       | -                                  | (59,658)                     |
| Changes in assumptions                         | -                              | -                                  | -                            |
| Employer contributions                         | -                              | 119,040                            | (119,040)                    |
| Employee contributions                         | -                              | 11,438                             | (11,438)                     |
| Net investment income                          | -                              | (267,390)                          | 267,390                      |
| Benefit payments, including refunds            | (246,002)                      | (246,002)                          | -                            |
| Administrative expenses                        | (11,946)                       | (4,694)                            | (7,252)                      |
| Net changes                                    | (33,946)                       | (387,608)                          | 353,662                      |
| Balances at December 31, 2022                  | \$ 3,489,861                   | \$ 2,202,558                       | \$ 1,287,303                 |

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

|                                      | <i>1% Decrease</i> | <i>Current rate</i> | <i>1% Increase</i> |
|--------------------------------------|--------------------|---------------------|--------------------|
|                                      | <i>(6.25%)</i>     | <i>(7.25%)</i>      | <i>(8.25%)</i>     |
| City's net pension (asset) liability | \$ 1,621,145       | \$ 1,287,303        | \$ 1,000,158       |

*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](http://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 9 - 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, 2023, the City recognized pension expense of \$79,188. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

| <u>Source</u>                                         | <u>Deferred<br/>outflows of<br/>resources</u> | <u>Deferred<br/>inflows of<br/>resources</u> |
|-------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Difference between projected and actual earnings      | \$ 211,016                                    | \$ -                                         |
| Contributions made subsequent to the measurement date | 66,671                                        | -                                            |
| Total                                                 | <u>\$ 277,687</u>                             | <u>\$ -</u>                                  |

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$66,671, will be recognized as a reduction in the net pension liability in fiscal year 2023.

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:

| <u>Year ended<br/>June 30,</u> | <u>Deferred<br/>outflows of<br/>resources</u> |
|--------------------------------|-----------------------------------------------|
| 2024                           | \$ 18,396                                     |
| 2025                           | 39,489                                        |
| 2026                           | 61,197                                        |
| 2027                           | <u>91,934</u>                                 |
| Totals                         | <u>\$ 211,016</u>                             |

**NOTE 9 - 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, 2023):

|                                          |          |
|------------------------------------------|----------|
| Inactive participants receiving benefits | -        |
| Active participants                      | <u>7</u> |
| Total participants                       | <u>7</u> |

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

*Methods and assumptions:*

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 and a measurement date of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                                                                                                    |
|----------------------------|--------------------------------------------------------------------------------------------------------------------|
| Inflation                  | 2.50%                                                                                                              |
| Payroll increases          | 3.25%                                                                                                              |
| Investment rate of return  | 3.54%                                                                                                              |
| Discount rate              | 2.20%                                                                                                              |
| Mortality                  | General, public employer, headcount weighted mortality table for healthy annuitants with improvement scale MP-2019 |
| Healthcare cost trend rate | 7.25% 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 2023. 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, 2022                                           | \$ 349,673                  | \$ -                               | \$ 349,673                        |
| Changes for the year:                                               |                             |                                    |                                   |
| Service cost                                                        | 25,962                      | -                                  | 25,962                            |
| Interest                                                            | 12,403                      | -                                  | 12,403                            |
| Experience (Gains)/Losses                                           | (25,277)                    | -                                  | (25,277)                          |
| Contributions/benefits paid from general operating funds            | -                           | -                                  | -                                 |
| Benefit payments                                                    | -                           | -                                  | -                                 |
| Net changes                                                         | 13,088                      | -                                  | 13,088                            |
| Balances at June 30, 2023                                           | \$ 362,761                  | \$ -                               | \$ 362,761                        |
| Plan fiduciary net position as a percentage of total OPEB liability |                             |                                    | 0.0%                              |

**NOTE 9 - 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 | \$ 387,623         | \$ 362,761          | \$ 341,051         |

*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 | \$ 341,375         | \$ 362,761          | \$ 386,747         |

**NOTE 10 - PROPERTY TAX REVENUE**

The 2022 taxable valuation of the City approximated \$49,693,000, on which ad valorem taxes levied consisted of 16.4701 mills for operating purposes raising approximately \$750,000, which is recognized in the fund financial statements as property tax revenue.

**NOTE 11 - 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 12 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$261,075. Of this amount, \$46,479 is restricted for recreation and culture, \$214,596 is restricted for public works. Net position is restricted by enabling legislation related to the amounts restricted for public works.

**REQUIRED SUPPLEMENTARY INFORMATION**



**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2023

|                                               | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|-----------------------------------------------|----------------------------|-------------------------|-------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                               |                            |                         |                   |                                                                   |
| Taxes                                         | \$ 801,000                 | \$ 801,000              | \$ 785,859        | \$ (15,141)                                                       |
| Licenses and permits                          | 30,700                     | 30,700                  | 17,413            | (13,287)                                                          |
| Federal grants                                | -                          | -                       | 29,324            | 29,324                                                            |
| State grants                                  | 342,000                    | 342,000                 | 700,628           | 358,628                                                           |
| Charges for services                          | 146,700                    | 146,700                 | 148,005           | 1,305                                                             |
| Investment return and rentals                 | 4,600                      | 4,600                   | 1,581             | (3,019)                                                           |
| Other                                         | 22,800                     | 22,800                  | 145,702           | 122,902                                                           |
|                                               | <u>1,347,800</u>           | <u>1,347,800</u>        | <u>1,828,512</u>  | <u>480,712</u>                                                    |
| <b>EXPENDITURES</b>                           |                            |                         |                   |                                                                   |
| General government:                           |                            |                         |                   |                                                                   |
| City Council                                  | 31,800                     | 31,800                  | 33,613            | (1,813)                                                           |
| Administration                                | 129,650                    | 129,650                 | 188,034           | (58,384)                                                          |
| Other                                         | 25,800                     | 25,800                  | 18,034            | 7,766                                                             |
|                                               | <u>187,250</u>             | <u>187,250</u>          | <u>239,681</u>    | <u>(52,431)</u>                                                   |
| Public safety:                                |                            |                         |                   |                                                                   |
| Police department                             | 447,714                    | 447,714                 | 448,051           | (337)                                                             |
| Fire department                               | 108,100                    | 108,100                 | 93,250            | 14,850                                                            |
|                                               | <u>555,814</u>             | <u>555,814</u>          | <u>541,301</u>    | <u>14,513</u>                                                     |
| Department of public works                    | <u>397,480</u>             | <u>397,480</u>          | <u>704,295</u>    | <u>(306,815)</u>                                                  |
| Recreation and culture - parks and recreation | <u>176,550</u>             | <u>176,550</u>          | <u>272,881</u>    | <u>(96,331)</u>                                                   |
| Capital outlay                                | <u>30,000</u>              | <u>30,000</u>           | <u>97,879</u>     | <u>(67,879)</u>                                                   |
|                                               | <u>1,347,094</u>           | <u>1,347,094</u>        | <u>1,856,037</u>  | <u>(508,943)</u>                                                  |
| <b>NET CHANGES IN FUND BALANCES</b>           | 706                        | 706                     | (27,525)          | (28,231)                                                          |
| <b>FUND BALANCES - BEGINNING</b>              | <u>344,568</u>             | <u>344,568</u>          | <u>344,568</u>    | <u>-</u>                                                          |
| <b>FUND BALANCES - ENDING</b>                 | <u>\$ 345,274</u>          | <u>\$ 345,274</u>       | <u>\$ 317,043</u> | <u>\$ (28,231)</u>                                                |

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2023

|                                     | <i>Original<br/>budget</i> | <i>Final<br/>budget</i> | <i>Actual</i>    | <i>Variance with<br/>final budget<br/>positive<br/>(negative)</i> |
|-------------------------------------|----------------------------|-------------------------|------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                     |                            |                         |                  |                                                                   |
| State grants                        | \$ 178,200                 | \$ 178,200              | \$ 182,916       | \$ 4,716                                                          |
| Other                               | -                          | -                       | 900              | 900                                                               |
| Total revenues                      | 178,200                    | 178,200                 | 183,816          | 5,616                                                             |
| <b>EXPENDITURES</b>                 |                            |                         |                  |                                                                   |
| Public works                        | 234,320                    | 234,320                 | 222,075          | 12,245                                                            |
| <b>NET CHANGES IN FUND BALANCES</b> | (56,120)                   | (56,120)                | (38,259)         | 17,861                                                            |
| <b>FUND BALANCES - BEGINNING</b>    | 127,641                    | 127,641                 | 127,641          | -                                                                 |
| <b>FUND BALANCES - ENDING</b>       | <u>\$ 71,521</u>           | <u>\$ 71,521</u>        | <u>\$ 89,382</u> | <u>\$ 17,861</u>                                                  |

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2023

|                                     | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|-------------------------------------|----------------------------|-------------------------|-------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                     |                            |                         |                   |                                                                   |
| State grants                        | \$ 73,300                  | \$ 73,300               | \$ 74,450         | \$ 1,150                                                          |
| Federal grants                      | -                          | -                       | 119,225           | 119,225                                                           |
| Other                               | -                          | -                       | 900               | 900                                                               |
|                                     | <u>73,300</u>              | <u>73,300</u>           | <u>194,575</u>    | <u>121,275</u>                                                    |
| Total revenues                      |                            |                         |                   |                                                                   |
| <b>EXPENDITURES</b>                 |                            |                         |                   |                                                                   |
| Public works                        | <u>106,225</u>             | <u>106,225</u>          | <u>205,246</u>    | <u>(99,021)</u>                                                   |
| <b>NET CHANGES IN FUND BALANCES</b> |                            |                         |                   |                                                                   |
|                                     | (32,925)                   | (32,925)                | (10,671)          | 22,254                                                            |
| <b>FUND BALANCES - BEGINNING</b>    |                            |                         |                   |                                                                   |
|                                     | <u>146,285</u>             | <u>146,285</u>          | <u>146,285</u>    | -                                                                 |
| <b>FUND BALANCES - ENDING</b>       |                            |                         |                   |                                                                   |
|                                     | <u>\$ 113,360</u>          | <u>\$ 113,360</u>       | <u>\$ 135,614</u> | <u>\$ 22,254</u>                                                  |

City of Parchment

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

Year ended June 30, 2023

|                                                                         | <u>2023</u>         | <u>2022</u>         | <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                                                            | \$ 24,276           | \$ 21,685           | \$ 20,967           | \$ 19,217           | \$ 11,454           | \$ 20,107           | \$ 20,650           | \$ 19,559           | \$ 27,687           |
| Interest                                                                | 259,384             | 250,439             | 244,618             | 246,804             | 266,168             | 266,255             | 263,535             | 248,239             | 245,204             |
| Differences between expected and actual experience                      | (59,658)            | (13,916)            | (51,099)            | (5,549)             | (284,791)           | (29,023)            | 11,932              | 126,956             | -                   |
| Changes in assumptions                                                  | (11,946)            | 107,179             | 103,024             | 102,661             | -                   | -                   | -                   | 142,830             | -                   |
| Benefit payments, including refunds                                     | <u>(246,002)</u>    | <u>(251,964)</u>    | <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                                   | (33,946)            | 113,423             | 86,918              | 132,910             | (254,458)           | (3,567)             | 33,308              | 294,603             | 51,790              |
| Total pension liability, beginning of year                              | <u>3,523,807</u>    | <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>    | <u>3,068,880</u>    |
| Total pension liability, end of year                                    | <u>\$ 3,489,861</u> | <u>\$ 3,523,807</u> | <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                                                | \$ 119,040          | \$ 110,304          | \$ 91,332           | \$ 354,649          | \$ 80,570           | \$ 78,922           | \$ 47,447           | \$ 57,416           | \$ 56,620           |
| Contributions - employee                                                | 11,438              | 11,200              | 10,986              | 8,639               | 9,990               | 10,727              | 11,025              | 14,201              | 15,009              |
| Net investment income (loss)                                            | (267,390)           | 330,517             | 274,652             | 259,710             | (77,137)            | 257,702             | 218,445             | (31,877)            | 137,991             |
| Benefit payments, including refunds                                     | (246,002)           | (251,964)           | (230,592)           | (230,223)           | (247,289)           | (260,906)           | (262,809)           | (242,981)           | (221,101)           |
| Administrative expenses                                                 | <u>(4,694)</u>      | <u>(3,793)</u>      | <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                               | (387,608)           | 196,264             | 141,933             | 388,344             | (237,821)           | 82,347              | 9,785               | (207,961)           | (16,520)            |
| Plan fiduciary net position, beginning of year                          | <u>2,590,166</u>    | <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>    | <u>2,233,795</u>    |
| Plan fiduciary net position, end of year                                | <u>\$ 2,202,558</u> | <u>\$ 2,590,166</u> | <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>\$ 1,287,303</u> | <u>\$ 933,641</u>   | <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     | 63.11%              | 73.50%              | 70.19%              | 67.76%              | 58.41%              | 61.00%              | 58.55%              | 58.83%              | 71.05%              |
| Covered payroll                                                         | \$ 247,963          | \$ 238,293          | \$ 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 | 519.15%             | 391.80%             | 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>2023</u>    | <u>2022</u>    | <u>2021</u>    | <u>2020</u>         | <u>2019</u>        | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|-----------------------------------------------------------------------|----------------|----------------|----------------|---------------------|--------------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contributions                                  | \$ 132,719     | \$ 125,882     | \$ 108,429     | \$ 97,043           | \$ 71,789          | \$ 78,922     | \$ 47,447     | \$ 57,416     | \$ 56,620     | \$ 45,910     |
| Contributions in relation to the actuarially determined contributions | <u>132,719</u> | <u>125,882</u> | <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> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ (182,457)</u> | <u>\$ (90,775)</u> | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered payroll                                                       | \$ 247,963     | \$ 238,293     | \$ 233,750     | \$ 228,926          | \$ 228,231         | \$ 234,654    | \$ 225,589    | \$ 319,346    | \$ 309,877    | \$ 316,188    |
| Contributions as a percentage of covered payroll                      | 53.52%         | 52.83%         | 46.39%         | 122.09%             | 71.23%             | 33.63%        | 21.03%        | 17.98%        | 18.27%        | 14.52%        |

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, 2023

|                                                                       | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       |
|-----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability:                                                 |                   |                   |                   |                   |                   |
| Service cost                                                          | \$ 25,962         | \$ 24,749         | \$ 22,556         | \$ 20,778         | \$ 11,589         |
| Interest                                                              | 12,403            | 7,393             | 6,600             | 9,205             | 6,042             |
| Difference between expected and actual                                | (25,277)          | 10,912            | 35,803            | 94,107            | (27,099)          |
| Benefit payments, including refunds                                   | <u>-</u>          | <u>-</u>          | <u>(30,550)</u>   | <u>(30,550)</u>   | <u>(27,955)</u>   |
| Net change in total OPEB liability                                    | 13,088            | 43,054            | 34,409            | 93,540            | (37,423)          |
| Total OPEB liability, beginning of year                               | <u>349,673</u>    | <u>306,619</u>    | <u>272,210</u>    | <u>178,670</u>    | <u>216,093</u>    |
| Total OPEB liability, end of year                                     | <u>\$ 362,761</u> | <u>\$ 349,673</u> | <u>\$ 306,619</u> | <u>\$ 272,210</u> | <u>\$ 178,670</u> |
| Plan fiduciary net position:                                          |                   |                   |                   |                   |                   |
| Contributions/benefit payments made from general operating funds      | \$ -              | \$ -              | \$ 30,550         | \$ 30,550         | \$ 27,955         |
| Benefit payments, including refunds                                   | <u>-</u>          | <u>-</u>          | <u>(30,550)</u>   | <u>(30,550)</u>   | <u>(27,955)</u>   |
| Net change in plan fiduciary net position                             | -                 | -                 | -                 | -                 | -                 |
| Plan fiduciary net position, beginning of year                        | <u>-</u>          | <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>       |
| City's net OPEB liability, end of year                                | <u>\$ 362,761</u> | <u>\$ 349,673</u> | <u>\$ 306,619</u> | <u>\$ 272,210</u> | <u>\$ 178,670</u> |
| Plan fiduciary net position as a percent of total OPEB liability      | 0.00%             | 0.00%             | 0.00%             | 0.00%             | 0.00%             |
| Covered employee payroll                                              | \$ 363,892        | \$ 311,693        | \$ 389,087        | \$ 297,081        | \$ 343,081        |
| City's net OPEB liability as a percentage of covered employee payroll | N/A               | 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, 2023 (schedule is built prospectively upon implementation of GASB 75)*

|                                                 | <u>2023</u>      | <u>2022</u>      | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     |
|-------------------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
| Actuarially determined employer contributions:  |                  |                  |                 |                 |                 |
| Normal costs                                    | \$ 62,239        | \$ 37,699        | \$ 33,507       | \$ 30,165       | \$ 33,923       |
| Amortization of unfunded liability              | -                | -                | -               | -               | -               |
| Interest cost                                   | -                | -                | -               | -               | -               |
| Actuarily determined employer contribution      | 62,239           | 37,699           | 33,507          | 30,165          | 33,923          |
| Employer contribution (benefit payment)         | -                | -                | 30,550          | 30,550          | 27,955          |
| Contribution Deficiency                         | <u>\$ 62,239</u> | <u>\$ 37,699</u> | <u>\$ 2,957</u> | <u>\$ (385)</u> | <u>\$ 5,968</u> |
| Covered employee payroll                        | <u>N/A</u>       | <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             | N/A             |

Methods and assumptions used to determine actuarial determined contribution:

Valuation date June 30, 2023

Actuarial assumptions:

|                               |                                        |
|-------------------------------|----------------------------------------|
| Actuarial cost method         | Entry age normal                       |
| Amortization method           | Average future services                |
| Remaining amortization period | 8 years                                |
| Asset valuation method        | N/A                                    |
| Inflation                     | 2.20%                                  |
| Salary increases              | 3.25%                                  |
| Investment rate of return     | 3.54%                                  |
| Retirement age                | 62                                     |
| Mortality rates               | Pub-2010 Mortality Table Scale MP-2019 |
| Health care cost trend rate   | 7.25% decreasing to 4.50%              |

**SUPPLEMENTARY INFORMATION**



**BALANCE SHEET - Component Unit**

June 30, 2023

|                                                                                                                                                 | <b><i>Brownfield<br/>Redevelopment<br/>Authority</i></b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>ASSETS</b>                                                                                                                                   |                                                          |
| Cash                                                                                                                                            | \$ 174,056                                               |
| <b>FUND BALANCE</b>                                                                                                                             |                                                          |
| Restricted                                                                                                                                      | <u>174,056</u>                                           |
| Reconciliation of the balance sheet to the statement of net position:                                                                           |                                                          |
| Total fund balance                                                                                                                              | \$ 174,056                                               |
| 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.                     | 1,056,437                                                |
| Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.                                      | (585,595)                                                |
| Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. | <u>(4,400)</u>                                           |
| Net position of <i>component unit</i>                                                                                                           | <u>\$ 640,498</u>                                        |

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND**

**BALANCE - component unit**

Year ended June 30, 2023

|                                                                                                                | <i><b>Brownfield<br/>Redevelopment<br/>Authority</b></i> |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>REVENUES</b>                                                                                                |                                                          |
| Tax increment financing                                                                                        | \$ 297,670                                               |
| Other                                                                                                          | <u>2,597</u>                                             |
| Total revenues                                                                                                 | <u>300,267</u>                                           |
| <b>EXPENDITURES</b>                                                                                            |                                                          |
| Current - general government                                                                                   | 131,065                                                  |
| Debt service:                                                                                                  |                                                          |
| Principal                                                                                                      | 48,633                                                   |
| Interest                                                                                                       | <u>9,513</u>                                             |
| Total expenditures                                                                                             | <u>189,211</u>                                           |
| <b>NET CHANGE IN FUND BALANCES</b>                                                                             | 111,056                                                  |
| <b>FUND BALANCES - BEGINNING</b>                                                                               | <u>63,000</u>                                            |
| <b>FUND BALANCES - ENDING</b>                                                                                  | <u><u>\$ 174,056</u></u>                                 |
| Net change in fund balance                                                                                     | \$ 111,056                                               |
| 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                                                                            | 48,633                                                   |
| Change in other assets and liabilities:                                                                        | <u>400</u>                                               |
| Change in net position of the <i>component unit</i>                                                            | <u>\$ 72,053</u>                                         |

City of Parchment

**BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority**

Year ended June 30, 2023

|                                     | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|-------------------------------------|----------------------------|-------------------------|-------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                     |                            |                         |                   |                                                                   |
| Tax increment financing             | \$ 299,300                 | \$ 299,300              | \$ 297,670        | \$ (1,630)                                                        |
| Other                               | -                          | -                       | 2,597             | 2,597                                                             |
| Total revenues                      | 299,300                    | 299,300                 | 300,267           | 967                                                               |
| <b>EXPENDITURES</b>                 |                            |                         |                   |                                                                   |
| General government                  | 130,000                    | 130,000                 | 131,065           | (1,065)                                                           |
| Debt service:                       |                            |                         |                   |                                                                   |
| Principal                           | 48,633                     | 48,633                  | 48,633            | -                                                                 |
| Interest                            | 9,513                      | 9,513                   | 9,513             | -                                                                 |
| Total expenditures                  | 188,146                    | 188,146                 | 189,211           | (1,065)                                                           |
| <b>NET CHANGES IN FUND BALANCES</b> | 111,154                    | 111,154                 | 111,056           | (98)                                                              |
| <b>FUND BALANCES - BEGINNING</b>    | 63,000                     | 63,000                  | 63,000            | -                                                                 |
| <b>FUND BALANCES - ENDING</b>       | <u>\$ 174,154</u>          | <u>\$ 174,154</u>       | <u>\$ 174,056</u> | <u>\$ (98)</u>                                                    |