

City of Parchment
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2024

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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, 2024, 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, 2024, 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 17, 2024

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

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$543,596 (about 16 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$3,469,735. However, \$3,665,013 of this total represents a net investment in capital assets and \$239,670 is restricted for various purposes. Consequently, the City's unrestricted net position is a negative \$434,948.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$345,248, which represents 19 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 2024 and 2023 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 \$3,469,735. However, \$3,665,013 of this total is invested in capital assets and \$239,670 is restricted for various purposes. Consequently, the City has an unrestricted deficit in net position of \$434,948.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,156,935	\$ 769,137	\$ 926,076	\$ 228,435	\$ 2,083,011	\$ 997,572
Capital assets	3,535,925	3,139,737	741,668	327,441	4,277,593	3,467,178
Total assets	4,692,860	3,908,874	1,667,744	555,876	6,360,604	4,464,750
Deferred outflows of resources	184,927	263,215	10,209	14,472	195,136	277,687
Current and other liabilities	2,049,186	1,673,887	424,239	142,411	2,473,425	1,816,298
Long-term debt	-	-	612,580	-	612,580	-
Total liabilities	2,049,186	1,673,887	1,036,819	142,411	3,086,005	1,816,298
Net position:						
Net investment in capital assets	3,535,925	3,139,737	129,088	327,441	3,665,013	3,467,178
Restricted	239,670	261,075	-	-	239,670	261,075
Unrestricted (deficit)	(946,994)	(902,610)	512,046	100,496	(434,948)	(802,114)
Total net position	\$ 2,828,601	\$ 2,498,202	\$ 641,134	\$ 427,937	\$ 3,469,735	\$ 2,926,139

Changes in net position

The City's total revenues totaled \$2,510,492, compared to \$2,552,148 in the prior year. Approximately 32 percent of the City's revenues comes from property taxes. About 16 percent of the City's revenues comes from operating grants and 21 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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Program revenues:						
Charges for services	\$ 188,940	\$ 237,514	\$ 336,738	\$ 325,976	\$ 525,678	\$ 563,490
Operating grants and contributions	391,727	711,029	-	-	391,727	711,029
Capital grants and contributions	409,948	148,549	-	-	409,948	148,549
General revenues:						
Property taxes	806,535	756,401	-	-	806,535	756,401
State shared revenue	250,210	244,221	-	-	250,210	244,221
Local community stabilization revenue	94,492	114,363	-	-	94,492	114,363
Excise tax	12,881	12,514	-	-	12,881	12,514
Investment income	17,211	1,581	1,810	-	19,021	1,581
Total revenues	<u>2,171,944</u>	<u>2,226,172</u>	<u>338,548</u>	<u>325,976</u>	<u>2,510,492</u>	<u>2,552,148</u>
Expenses:						
General government	705,949	256,891	-	-	705,949	256,891
Public safety	574,596	574,363	-	-	574,596	574,363
Public works	330,431	829,938	-	-	330,431	829,938
Recreation and culture	230,569	284,130	-	-	230,569	284,130
Interest on long-term debt	-	-	-	-	-	-
Sewer and water operations	-	-	125,351	205,260	125,351	205,260
Total expenses	<u>1,841,545</u>	<u>1,945,322</u>	<u>125,351</u>	<u>205,260</u>	<u>1,966,896</u>	<u>2,150,582</u>
Changes in net position	<u>330,399</u>	<u>280,850</u>	<u>213,197</u>	<u>120,716</u>	<u>543,596</u>	<u>401,566</u>
Net position, end of year	<u>\$ 2,828,601</u>	<u>\$ 2,498,202</u>	<u>\$ 641,134</u>	<u>\$ 427,937</u>	<u>\$ 3,469,735</u>	<u>\$ 2,926,139</u>

Governmental activities

Governmental activities increased the City's net position by \$330,399 in the current year compared to a \$280,850 increase in the prior year. The increase in net position resulted from a decrease in revenues of only \$54,228, while expenses decreased by \$103,777.

The total cost of governmental activities this year was \$1,841,545. After subtracting the direct charges to those who directly benefited from the programs (\$188,940), operating grants (\$391,727), and capital grants (\$409,948), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$850,930 compared to \$848,230 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 \$601,217, an increase of \$12,699 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 \$350,739, which represents an increase of \$33,696, as revenues (\$1,892,778) were sufficient to cover expenditures (\$1,859,082) during the current year.

The Major Street Fund experienced an increase in fund balance of \$92,634 as the fund's revenues of \$187,582 exceeded expenditures of \$94,948. The fund balance at the end of the fiscal year was \$182,016 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 \$79,345, as the fund's expenditures of \$213,660 exceeded revenues of \$134,315. Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$56,269 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 \$213,197 in the current year, as user fees of \$336,738, and interest revenues of \$1,810 exceeded total costs of \$125,351. Total net position is \$641,134 at year end, of which \$512,046 is unrestricted.

General Fund budgetary highlights

The City's original budget for the General Fund budget was amended during the year to account for previously unanticipated revenues and expenditures.

Total revenues were \$354,261 greater than budgeted primarily due to state grant revenue being more than anticipated. Total expenditures were \$188,875 more than the amounts appropriated, as General governmental expenditures were \$266,884 more than budgeted while almost every other function was under budget. These variances resulted in a \$165,386 positive budget variance, due to a \$33,696 increase in fund balance compared to a budgeted decrease of \$131,690.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2024, amounts to \$4,277,593 (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 \$810,415, comprised of \$1,006,099 in additions offset by \$195,684 in provisions for depreciation.

Capital assets (continued)

This year's major capital asset additions included:

- Street and other infrastructure improvements were made at a cost of \$489,145
- City Hall equipment was purchased with a total cost of \$7,218
- DPW and water building improvements were made costing \$81,203
- Sewer system improvements were made costing \$428,533

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 \$612,580 in long-term debt outstanding, due to issuance of USDA bonds in the amount of \$612,580.

Other noncurrent liabilities of the City include accrued compensated absences, in the amount of \$27,820, a net pension liability, associated with its defined benefit pension plan, in the amount of \$1,219,799, and a net OPEB liability of \$376,797.

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 2025 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, 2024

	<u>Primary government</u>			<u>Brownfield Redevelopment Authority</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash	\$ 391,650	\$ 328,542	\$ 720,192	\$ 216
Investments	267,273	250,919	518,192	487
Receivables	481,713	346,615	828,328	68,077
Inventory / prepaids	16,299	-	16,299	-
Total current assets	<u>1,156,935</u>	<u>926,076</u>	<u>2,083,011</u>	<u>68,780</u>
Noncurrent assets:				
Capital assets not being depreciated	1,666,083	428,533	2,094,616	-
Capital assets, net of accumulated depreciation	<u>1,869,842</u>	<u>313,135</u>	<u>2,182,977</u>	<u>968,401</u>
Total noncurrent assets	<u>3,535,925</u>	<u>741,668</u>	<u>4,277,593</u>	<u>968,401</u>
Total assets	<u>4,692,860</u>	<u>1,667,744</u>	<u>6,360,604</u>	<u>1,037,181</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	<u>184,927</u>	<u>10,209</u>	<u>195,136</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Payables	524,029	293,291	817,320	19,603
Unearned federal grant revenue	31,689	-	31,689	-
Note payable - current portion	-	50,000	50,000	50,103
Total current liabilities	<u>555,718</u>	<u>343,291</u>	<u>899,009</u>	<u>69,706</u>
Noncurrent liabilities:				
Compensated absences	27,820	-	27,820	-
Net pension liability	1,088,851	130,948	1,219,799	-
Net OPEB liability	376,797	-	376,797	-
Note payable	-	562,580	562,580	486,130
Total noncurrent liabilities	<u>1,493,468</u>	<u>693,528</u>	<u>2,186,996</u>	<u>486,130</u>
Total liabilities	<u>2,049,186</u>	<u>1,036,819</u>	<u>3,086,005</u>	<u>555,836</u>
NET POSITION				
Net investment in capital assets	3,535,925	129,088	3,665,013	428,168
Restricted for:				
Recreation and culture	12,193	-	12,193	-
Public works	227,477	-	227,477	-
Unrestricted (deficit)	<u>(946,994)</u>	<u>512,046</u>	<u>(434,948)</u>	<u>53,177</u>
Total net position	<u>\$ 2,828,601</u>	<u>\$ 641,134</u>	<u>\$ 3,469,735</u>	<u>\$ 481,345</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	<i>Program revenues</i>				<i>Net (expenses) revenues and changes in net position</i>			<i>Component Unit</i> <i>Brownfield</i> <i>Redevelopment</i> <i>Authority</i>
	<i>Expenses</i>	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Capital grants and contributions</i>	<i>Primary government</i>			
					<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	
Functions/Programs								
Primary government								
Governmental activities:								
General government	\$ 705,949	\$ 39,192	\$ -	\$ -	\$ (666,757)		\$ 78,384	
Public safety	574,596	7,902	-	-	(566,694)		15,804	
Public works	330,431	139,146	263,772	409,948	482,435		1,625,732	
Recreation and culture	230,569	2,700	127,955	-	(99,914)		261,310	
Total governmental activities	<u>1,841,545</u>	<u>188,940</u>	<u>391,727</u>	<u>409,948</u>	<u>(850,930)</u>		<u>1,981,230</u>	
Business-type activities:								
Sewer fund	<u>125,351</u>	<u>336,738</u>	<u>-</u>	<u>-</u>		\$ 211,387	<u>211,387</u>	
Total primary government	<u>\$ 1,966,896</u>	<u>\$ 525,678</u>	<u>\$ 391,727</u>	<u>\$ 409,948</u>	<u>(850,930)</u>	<u>211,387</u>	<u>\$ 2,192,617</u>	
Component unit								
Brownfield Redevelopment	<u>\$ 719,128</u>	<u>\$ 4,070</u>	<u>\$ 68,077</u>	<u>\$ -</u>				<u>\$ (646,981)</u>
General revenues:								
Property taxes					806,535	-	806,535	484,388
State shared revenue					250,210	-	250,210	-
Local community stabilization revenue					94,492	-	94,492	-
Franchise fees					12,881	-	12,881	-
Unrestricted investment return					17,211	1,810	19,021	3,440
Totals					<u>1,181,329</u>	<u>1,810</u>	<u>1,183,139</u>	<u>487,828</u>
Changes in net position					330,399	213,197	543,596	(159,153)
Net position - beginning					<u>2,498,202</u>	<u>427,937</u>	<u>2,926,139</u>	<u>640,498</u>
Net position - ending					<u>\$ 2,828,601</u>	<u>\$ 641,134</u>	<u>\$ 3,469,735</u>	<u>\$ 481,345</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2024

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 164,504	\$ 54,272	\$ 168,192	\$ 4,682	\$ 391,650
Investments	164,360	95,402	-	7,511	267,273
Receivables	439,423	30,045	12,245	-	481,713
Prepays	5,491	-	-	-	5,491
Inventories	-	5,404	5,404	-	10,808
	<u>-\$ 773,778</u>	<u>\$ 185,123</u>	<u>\$ 185,841</u>	<u>\$ 12,193</u>	<u>\$ 1,156,935</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 391,350	\$ 3,107	\$ 129,572	\$ -	\$ 524,029
Unearned federal grant revenue	31,689	-	-	-	31,689
	<u>423,039</u>	<u>3,107</u>	<u>129,572</u>	<u>-</u>	<u>555,718</u>
Fund balances:					
Nonspendable - inventories					
Inventories	-	5,404	5,404	-	10,808
Prepays	5,491	-	-	-	5,491
Restricted for:					
Public works	-	176,612	50,865	-	227,477
Recreation and culture	-	-	-	12,193	12,193
Unassigned	345,248	-	-	-	345,248
	<u>350,739</u>	<u>182,016</u>	<u>56,269</u>	<u>12,193</u>	<u>601,217</u>
	<u>\$ 773,778</u>	<u>\$ 185,123</u>	<u>\$ 185,841</u>	<u>\$ 12,193</u>	<u>\$ 1,156,935</u>

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

Total fund balance - total governmental funds \$ 601,217

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. 3,535,925

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:
 Compensated absences (27,820)

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 (1,088,851)
 Net OPEB liability (376,797)
 Deferred outflows related to the pension liability 184,927

Net position of *governmental activities* \$ 2,828,601

City of Parchment

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2024

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 842,630	\$ -	\$ -	\$ -	\$ 842,630
Licenses and permits	19,086	-	-	-	19,086
State grants	746,572	187,401	133,409	-	1,067,382
Charges for services	143,652	-	-	-	143,652
Investment return and rentals	16,124	181	906	-	17,211
Other	124,714	-	-	6,229	130,943
	<u>1,892,778</u>	<u>187,582</u>	<u>134,315</u>	<u>6,229</u>	<u>2,220,904</u>
Total revenues					
EXPENDITURES					
Current:					
General government	626,749	-	-	40,515	667,264
Public safety	546,755	-	-	-	546,755
Public works	389,396	94,948	213,660	-	698,004
Recreation and culture	248,934	-	-	-	248,934
Capital outlay	47,248	-	-	-	47,248
	<u>1,859,082</u>	<u>94,948</u>	<u>213,660</u>	<u>40,515</u>	<u>2,208,205</u>
Total expenditures					
NET CHANGES IN FUND BALANCES	33,696	92,634	(79,345)	(34,286)	12,699
FUND BALANCES - BEGINNING	<u>317,043</u>	<u>89,382</u>	<u>135,614</u>	<u>46,479</u>	<u>588,518</u>
FUND BALANCES - ENDING	<u>\$ 350,739</u>	<u>\$ 182,016</u>	<u>\$ 56,269</u>	<u>\$ 12,193</u>	<u>\$ 601,217</u>

See notes to financial statements

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

Year ended June 30, 2024

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) \$ 12,699

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	577,566
Deduct - depreciation provision	(181,378)

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	(1,333)
Net decrease in net pension liability	64,129
Net increase in net OPEB liability	(14,036)

Changes in deferred outflows and deferred inflows:

Decrease in deferred inflows of resources related to unavailable revenue	(48,960)
Net decrease in deferred outflows of resources related to pension	<u>(78,288)</u>

Change in net position of *governmental activities* \$ 330,399

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2024

	<u>Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 328,542
Investments	250,919
Accounts receivable	<u>346,615</u>
Total current assets	<u>926,076</u>
Noncurrent assets:	
Capital assets not being depreciated	428,533
Capital assets, net of depreciation	<u>313,135</u>
Total noncurrent assets	<u>741,668</u>
Total assets	<u>1,667,744</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>10,209</u>
LIABILITIES	
Current liabilities:	
Payables	293,291
Bonds payable	<u>50,000</u>
Total current liabilities	343,291
Noncurrent liabilities:	
Net Pension liability	130,948
Bonds payable	<u>562,580</u>
Total noncurrent liabilities	<u>693,528</u>
Total liabilities	<u>1,036,819</u>
NET POSITION	
Net investment in capital assets	129,088
Unrestricted	<u>512,046</u>
Total net position	<u>\$ 641,134</u>

See notes to financial statements

City of Parchment

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

Year ended June 30, 2024

	<u>Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 336,738
OPERATING EXPENSES	
Public works - operations	111,045
Depreciation	<u>14,306</u>
Total operating expenses	<u>125,351</u>
OPERATING INCOME (LOSS)	211,387
NONOPERATING REVENUE (EXPENSES)	
Interest revenue	<u>1,810</u>
CHANGE IN NET POSITION	213,197
NET POSITION - BEGINNING	<u>427,937</u>
NET POSITION - ENDING	<u>\$ 641,134</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2024

	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 346,291
Payments to suppliers	(92,511)
Payments to employees	<u>(19,106)</u>
Net cash provided by operating activities	234,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from debt issuance	337,024
Acquisition of capital assets	<u>(136,482)</u>
Net cash used in capital and related financing activities	<u>200,542</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(250,919)
Interest received	<u>1,810</u>
Net cash used in investing activities	<u>(249,109)</u>
NET CHANGE IN CASH	186,107
CASH - BEGINNING	<u>142,435</u>
CASH - ENDING	<u><u>\$ 328,542</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 211,387
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	9,553
Increase in deferred outflows - pension	4,263
Increase in net pension liability	(3,375)
Increase in prepaids	5,388
Increase (decrease) in payables	<u>(6,848)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 234,674</u></u>
Schedule of noncash capital and related financing activities:	
Acquisition of capital assets:	
Acquisition of capital assets	\$ 428,533
Less increase in payables	<u>(292,051)</u>
Cash used to acquire capital assets	<u><u>\$ 136,482</u></u>
Issuance of debt:	
Debt issued	\$ 612,580
Plus increase in bond draw receivable	<u>(275,556)</u>
Cash provided by issuance of debt	<u><u>\$ 337,024</u></u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund

June 30, 2024

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

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year ended June 30, 2024

	<u>Tax Collection</u>
ADDITIONS	
Property taxes collected for other governments	\$ 2,351,440
DEDUCTIONS	
Property taxes distributed to other governments	<u>2,351,440</u>
NET CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSITION - ENDING	<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 and Improvements	15 - 60 years
Machinery, equipment, and vehicles	5 - 40 years
Infrastructure	15 - 25 years
Utility systems	25 - 100 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.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could vary from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Administration	\$ 299,489	\$ 577,923	\$ 278,434
	Rec and culture	Parks and recreation	185,149	248,934	63,785
Local Street	Public works	Streets	38,356	156,199	117,843

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2024, cash and investments are classified in the accompanying financial statements as follows:

	<u>Primary government</u>			<u>Totals</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component units</u>	
Statement of net position:				
Cash	\$ 391,450	\$ 328,542	\$ 216	\$ 720,208
Investments	267,273	250,919	487	518,679
Cash on hand	200	-	-	200
Totals	<u>\$ 658,923</u>	<u>\$ 579,461</u>	<u>\$ 703</u>	<u>\$ 1,239,087</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, 2024, \$187,372 of the City’s bank balances of \$738,637 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.

Investments - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The Township’s investment policy does not address credit risk or interest rate risk for investments.

NOTE 3 - CASH AND INVESTMENTS(CONTINUED)

Investments in entities that calculate net asset value per share - The Township holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. Accordingly, it has not been classified in the fair value hierarchy. At June 30, 2024, the fair value, unfunded commitments, and redemption rules of that investment is as follows:

	<u>Michigan CLASS Pool</u>
Fair value at June 30, 2024	\$ 518,679
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2024, 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- mental</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 73,898	\$ 365,525	\$ 439,423
Major Street	-	30,045	30,045
Local Street	-	<u>12,245</u>	<u>12,245</u>
Total governmental	<u>\$ 73,898</u>	<u>\$ 407,815</u>	<u>\$ 481,713</u>
Proprietary:			
Sewer	<u>\$ -</u>	<u>\$ 346,615</u>	<u>\$ 346,615</u>
Component unit:			
Brownfield	<u>\$ -</u>	<u>\$ 68,077</u>	<u>\$ 68,077</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 1,303,688	\$ -	\$ -	\$ 1,303,688
Construction in progress	<u>-</u>	<u>362,395</u>	<u>-</u>	<u>362,395</u>
Subtotal	<u>1,303,688</u>	<u>362,395</u>	<u>-</u>	<u>1,666,083</u>
Capital assets being depreciated:				
Buildings and improvements	1,027,232	81,203	-	1,108,435
Machinery, equipment, and vehicles	1,738,959	7,218	-	1,746,177
Infrastructure	<u>1,995,165</u>	<u>126,750</u>	<u>-</u>	<u>2,121,915</u>
Subtotal	<u>4,761,356</u>	<u>215,171</u>	<u>-</u>	<u>4,976,527</u>
Less accumulated depreciation for:				
Buildings and improvements	(452,529)	(30,274)	-	(482,803)
Machinery, equipment, and vehicles	(1,465,728)	(66,387)	-	(1,532,115)
Infrastructure	<u>(1,007,050)</u>	<u>(84,717)</u>	<u>-</u>	<u>(1,091,767)</u>
Subtotal	<u>(2,925,307)</u>	<u>(181,378)</u>	<u>-</u>	<u>(3,106,685)</u>
Total capital assets being depreciated	<u>1,836,049</u>	<u>33,793</u>	<u>-</u>	<u>1,869,842</u>
Governmental activities capital assets, net	<u>\$ 3,139,737</u>	<u>\$ 396,188</u>	<u>\$ -</u>	<u>\$ 3,535,925</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2024, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 428,533	\$ -	\$ 428,533
Capital assets being depreciated:				
Buildings and improvements	77,314	-	-	77,314
Machinery, equipment, and vehicles	289,403	-	-	289,403
Distribution and collection systems	<u>800,026</u>	<u>-</u>	<u>-</u>	<u>800,026</u>
Subtotal	<u>1,166,743</u>	<u>-</u>	<u>-</u>	<u>1,166,743</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,741)	(1,409)	-	(52,150)
Machinery, equipment, and vehicles	(284,690)	(7,455)	-	(292,145)
Distribution and collection systems	<u>(503,871)</u>	<u>(5,442)</u>	<u>-</u>	<u>(509,313)</u>
Subtotal	<u>(839,302)</u>	<u>(14,306)</u>	<u>-</u>	<u>(853,608)</u>
Total capital assets being depreciated	<u>327,441</u>	<u>(14,306)</u>	<u>-</u>	<u>313,135</u>
Business-type activities capital assets, net	<u>\$ 327,441</u>	<u>\$ 414,227</u>	<u>\$ -</u>	<u>\$ 741,668</u>
	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component Unit:				
Capital assets being depreciated:				
Infrastructure	\$ 1,760,728	\$ -	\$ -	\$ 1,760,728
Less accumulated depreciation for:				
Infrastructure	<u>(704,291)</u>	<u>(88,036)</u>	<u>-</u>	<u>(792,327)</u>
Component unit capital assets, net	<u>\$ 1,056,437</u>	<u>\$ (88,036)</u>	<u>\$ -</u>	<u>\$ 968,401</u>

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

Governmental activities:	
General government	\$ 17,935
Public safety	27,842
Public works	116,049
Recreation and culture	<u>19,552</u>
Total governmental activities	<u>\$ 181,378</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2024, 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>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 378,484	\$ 12,866	\$ -	\$ 391,350
Major Street	2,433	674	-	3,107
Local Street	<u>128,680</u>	<u>892</u>	-	<u>129,572</u>
Total governmental	<u>\$ 509,597</u>	<u>\$ 14,432</u>	<u>\$ -</u>	<u>\$ 524,029</u>
Proprietary:				
Sewer	<u>\$ 292,810</u>	<u>\$ 481</u>	<u>\$ -</u>	<u>\$ 293,291</u>
Component units:				
Brownfield Redevelopment Authority	<u>\$ 15,603</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 19,603</u>

NOTE 7 - LONG-TERM LIABILITIES

At June 30, 2024, long-term liabilities are comprised of the following:

Governmental activities:		
Compensated absences		<u>\$ 27,820</u>
Business-type activities:		
\$2,571,000 2024 USDA Bonds payable in semi-annual installments of \$83,000 to \$50,000 plus interest of 1.25%; final payment due March 2064		<u>\$ 612,580</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>\$ 536,233</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2024, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Net Change</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:						
Compensated absences	<u>\$ 26,487</u>	<u>\$ -</u>	<u>\$ 1,333</u>	<u>\$ -</u>	<u>\$ 27,820</u>	<u>\$ -</u>
Business-type activities:						
Bonds payable - 2024 USDA bonds payable	<u>\$ -</u>	<u>\$ 612,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,580</u>	<u>\$ 50,000</u>
Component Unit - Brownfield redevelopment						
Note payable - 2010 MDEQ note payable	<u>585,595</u>	<u>-</u>	<u>-</u>	<u>(49,362)</u>	<u>536,233</u>	<u>50,103</u>

At June 30, 2024, debt service requirements, with the exception of compensated absences, are as follows:

<u>Year ended June 30,</u>	<u>Component Unit</u>		<u>Business-type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 50,103	\$ 8,044	\$ 50,000	\$ 2,208
2026	50,854	7,292	51,000	8,282
2027	51,617	6,529	51,000	7,032
2028	52,391	5,755	52,000	6,395
2029	53,177	16,748	52,000	5,757
2030-2034	278,091	859	272,000	15,574
2035-2039	-	-	84,580	1,402
Totals	<u>\$ 536,233</u>	<u>\$ 45,227</u>	<u>\$ 612,580</u>	<u>\$ 46,650</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.

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, 2023, 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>
 Total	 <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, 2024, 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, 2024, the City contributed \$155,743 to the plan, and employees contributed \$8,234.

Net pension liability:

The City’s net pension liability reported at June 30, 2024, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2023, 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, 2023 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 2023. 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, 2022	\$ 3,489,861	\$ 2,202,558	\$ 1,287,303
Changes for the year:			
Service cost	24,943	-	24,943
Interest	245,063	-	245,063
Differences between expected actual experience	(1,350)	-	(1,350)
Changes in assumptions	21,590	-	21,590
Employer contributions	-	111,672	(111,672)
Employee contributions	-	12,431	(12,431)
Net investment income	-	238,721	(238,721)
Benefit payments, including refunds	(244,309)	(244,309)	-
Administrative expenses	-	(5,074)	5,074
Net changes	45,937	113,441	(67,504)
Balances at December 31, 2023	\$ 3,535,798	\$ 2,315,999	\$ 1,219,799

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	\$ 1,547,060	\$ 1,219,799	\$ 937,383

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expense when due and payable in accordance with benefit terms.

NOTE 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, 2024, the City recognized pension expense of \$129,426. At June 30, 2024, 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 outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between projected and actual earnings	\$ 125,758	\$ -
Contributions made subsequent to the measurement date	<u>69,378</u>	<u>-</u>
Total	<u>\$ 195,136</u>	<u>\$ -</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$69,378, will be recognized as a reduction in the net pension liability in fiscal year 2024.

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 June 30,</u>	<u>Deferred outflows of resources</u>
2025	\$ 22,774
2026	44,482
2027	75,218
2028	<u>(16,716)</u>
Totals	<u>\$ 125,758</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, 2024):

Inactive participants receiving benefits	1
Active participants	<u>6</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, 2024 and a measurement date of June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll increases	3.25%
Investment rate of return	3.65%
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, 2023	\$ 362,761	\$ -	\$ 362,761
Changes for the year:			
Service cost	21,330	-	21,330
Interest	13,269	-	13,269
Experience (Gains)/Losses	(20,563)	-	(20,563)
Net changes	14,036	-	14,036
Balances at June 30, 2024	\$ 376,797	\$ -	\$ 376,797
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	\$ 401,282	\$ 376,797	\$ 355,656

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	\$ 355,940	\$ 376,797	\$ 400,458

NOTE 10 - PROPERTY TAX REVENUE

The 2023 taxable valuation of the City approximated \$56,338,000, on which ad valorem taxes levied consisted of 16.4701 mills for operating purposes raising approximately \$801,000, 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 \$239,670. Of this amount, \$12,193 is restricted for recreation and culture, \$227,477 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, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 840,400	\$ 840,400	\$ 842,630	\$ 2,230
Licenses and permits	31,621	31,621	19,086	(12,535)
Federal grants	32,228	32,228	-	(32,228)
State grants	452,200	476,300	746,572	270,272
Charges for services	151,780	151,780	143,652	(8,128)
Investment return and rentals	4,800	4,800	16,124	11,324
Other	1,388	1,388	124,714	123,326
Total revenues	<u>1,514,417</u>	<u>1,538,517</u>	<u>1,892,778</u>	<u>354,261</u>
EXPENDITURES				
General government:				
City Council	33,802	33,802	33,152	650
Administration	275,389	299,489	577,923	(278,434)
Other	26,574	26,574	15,674	10,900
Total general government	<u>335,765</u>	<u>359,865</u>	<u>626,749</u>	<u>(266,884)</u>
Public safety:				
Police department	449,335	451,735	451,668	67
Fire department	113,290	113,290	95,087	18,203
Total public safety	<u>562,625</u>	<u>565,025</u>	<u>546,755</u>	<u>18,270</u>
Department of public works	<u>471,538</u>	<u>481,538</u>	<u>389,396</u>	<u>92,142</u>
Recreation and culture - parks and recreation	<u>185,149</u>	<u>185,149</u>	<u>248,934</u>	<u>(63,785)</u>
Capital outlay	<u>78,630</u>	<u>78,630</u>	<u>47,248</u>	<u>31,382</u>
Total expenditures	<u>1,633,707</u>	<u>1,670,207</u>	<u>1,859,082</u>	<u>(188,875)</u>
NET CHANGES IN FUND BALANCES	(119,290)	(131,690)	33,696	165,386
FUND BALANCES - BEGINNING	<u>317,043</u>	<u>317,043</u>	<u>317,043</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 197,753</u>	<u>\$ 185,353</u>	<u>\$ 350,739</u>	<u>\$ 165,386</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2024

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 186,500	\$ 186,500	\$ 187,401	\$ 901
Interest	-	-	181	181
Total revenues	<u>186,500</u>	<u>186,500</u>	<u>187,582</u>	<u>1,082</u>
EXPENDITURES				
Public works				
Preservation	126,973	126,973	25,086	101,887
Traffic services	27,120	27,120	22,269	4,851
Winter maintenance	26,420	26,420	24,999	1,421
Administration	<u>22,504</u>	<u>22,504</u>	<u>22,594</u>	<u>(90)</u>
Total expenditures	<u>203,017</u>	<u>203,017</u>	<u>94,948</u>	<u>108,069</u>
NET CHANGES IN FUND BALANCES	(16,517)	(16,517)	92,634	109,151
FUND BALANCES - BEGINNING	<u>89,382</u>	<u>89,382</u>	<u>89,382</u>	-
FUND BALANCES - ENDING	<u>\$ 72,865</u>	<u>\$ 72,865</u>	<u>\$ 182,016</u>	<u>\$ 109,151</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 76,000	\$ 76,000	\$ 133,409	\$ 57,409
Interest	-	-	906	906
Total revenues	<u>76,000</u>	<u>76,000</u>	<u>134,315</u>	<u>58,315</u>
EXPENDITURES				
Public works				
Preservation	38,356	38,356	156,199	(117,843)
Traffic services	19,028	19,028	12,886	6,142
Winter maintenance	23,350	23,350	21,899	1,451
Administration	<u>23,133</u>	<u>23,133</u>	<u>22,676</u>	<u>457</u>
Total expenditures	<u>103,867</u>	<u>103,867</u>	<u>213,660</u>	<u>(109,793)</u>
NET CHANGES IN FUND BALANCES	(27,867)	(27,867)	(79,345)	(51,478)
FUND BALANCES - BEGINNING	<u>135,614</u>	<u>135,614</u>	<u>135,614</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 107,747</u>	<u>\$ 107,747</u>	<u>\$ 56,269</u>	<u>\$ (51,478)</u>

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

Year ended June 30, 2024

	<u>2024</u>	<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	\$ 24,943	\$ 24,276	\$ 21,685	\$ 20,967	\$ 19,217	\$ 11,454	\$ 20,107	\$ 20,650	\$ 19,559	\$ 27,687
Interest	245,063	259,384	250,439	244,618	246,804	266,168	266,255	263,535	248,239	245,204
Differences between expected and actual experience	(1,350)	(59,658)	(13,916)	(51,099)	(5,549)	(284,791)	(29,023)	11,932	126,956	-
Changes in assumptions	21,590	(11,946)	107,179	103,024	102,661	-	-	-	142,830	-
Benefit payments, including refunds	(244,309)	(246,002)	(251,964)	(230,592)	(230,223)	(247,289)	(260,906)	(262,809)	(242,981)	(221,101)
Net change in total pension liability	45,937	(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>3,489,861</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>	<u>3,068,880</u>
Total pension liability, end of year	<u>\$ 3,535,798</u>	<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	\$ 111,672	\$ 119,040	\$ 110,304	\$ 91,332	\$ 354,649	\$ 80,570	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620
Contributions - employee	12,431	11,438	11,200	10,986	8,639	9,990	10,727	11,025	14,201	15,009
Net investment income (loss)	238,721	(267,390)	330,517	274,652	259,710	(77,137)	257,702	218,445	(31,877)	137,991
Benefit payments, including refunds	(244,309)	(246,002)	(251,964)	(230,592)	(230,223)	(247,289)	(260,906)	(262,809)	(242,981)	(221,101)
Administrative expenses	(5,074)	(4,694)	(3,793)	(4,445)	(4,431)	(3,955)	(4,098)	(4,323)	(4,720)	(5,039)
Net change in plan fiduciary net position	113,441	(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>2,202,558</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>	<u>2,233,795</u>
Plan fiduciary net position, end of year	<u>\$ 2,315,999</u>	<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>\$ 1,219,799</u>	<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	65.50%	63.11%	73.50%	70.19%	67.76%	58.41%	61.00%	58.55%	58.83%	71.05%
Covered payroll	\$ 255,298	\$ 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	477.79%	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>2024</u>	<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>
Actuarially determined contributions	\$ 147,500	\$ 132,719	\$ 125,882	\$ 108,429	\$ 97,043	\$ 71,789	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620
Contributions in relation to the actuarially determined contributions	<u>147,500</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (182,457)</u>	<u>\$ (90,775)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 255,298	\$ 247,963	\$ 238,293	\$ 233,750	\$ 228,926	\$ 228,231	\$ 234,654	\$ 225,589	\$ 319,346	\$ 309,877
Contributions as a percentage of covered payroll	57.78%	53.52%	52.83%	46.39%	122.09%	71.23%	33.63%	21.03%	17.98%	18.27%

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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability:					
Service cost	\$ 21,330	\$ 25,962	\$ 24,749	\$ 22,556	\$ 20,778
Interest	13,269	12,403	7,393	6,600	9,205
Difference between expected and actual	(20,563)	(25,277)	10,912	35,803	94,107
Benefit payments, including refunds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,550)</u>	<u>(30,550)</u>
Net change in total OPEB liability	14,036	13,088	43,054	34,409	93,540
Total OPEB liability, beginning of year	<u>362,761</u>	<u>349,673</u>	<u>306,619</u>	<u>272,210</u>	<u>178,670</u>
Total OPEB liability, end of year	<u>\$ 376,797</u>	<u>\$ 362,761</u>	<u>\$ 349,673</u>	<u>\$ 306,619</u>	<u>\$ 272,210</u>
Plan fiduciary net position:					
Contributions/benefit payments made from general operating funds	\$ -	\$ -	\$ -	\$ 30,550	\$ 30,550
Benefit payments, including refunds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,550)</u>	<u>(30,550)</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>\$ 376,797</u>	<u>\$ 362,761</u>	<u>\$ 349,673</u>	<u>\$ 306,619</u>	<u>\$ 272,210</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	\$ 383,684	\$ 363,892	\$ 311,693	\$ 389,087	\$ 297,081
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.

SUPPLEMENTARY INFORMATION

BALANCE SHEET - Component Unit

June 30, 2024

	<i>Brownfield Redevelopment Authority</i>
ASSETS	
Cash	\$ 216
Investment	487
Receivables	<u>68,077</u>
Total assets	<u>\$ 68,780</u>
LIABILITIES AND FUND BALANCE	
Liabilities - payables	<u>\$ 15,603</u>
FUND BALANCE	
Restricted	<u>\$ 53,177</u>
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance	\$ 53,177
Amounts reported for <i>component unit activities</i> in the statement of net position (page 12) are different because:	
Capital assets used in <i>governmental funds</i> are not financial resources and, therefore, are not reported in the funds.	968,401
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(536,233)
Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(4,000)</u>
Net position of <i>component unit</i>	<u>\$ 481,345</u>

City of Parchment

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - component unit

Year ended June 30, 2024

	<i>Brownfield Redevelopment Authority</i>
REVENUES	
Tax increment financing	\$ 484,388
Federal grants	68,077
Interest	3,440
Other	<u>4,070</u>
Total revenues	<u>559,975</u>
EXPENDITURES	
Current - general government	95,554
Public works	527,154
Debt service:	
Principal	49,362
Interest	<u>8,784</u>
Total expenditures	<u>680,854</u>
NET CHANGE IN FUND BALANCES	(120,879)
FUND BALANCES - BEGINNING	<u>174,056</u>
FUND BALANCES - ENDING	<u><u>\$ 53,177</u></u>
Net change in fund balance	\$ (120,879)
Amounts reported for the <i>component unit</i> in the statement of activities (page 13) are different because:	
Capital assets - provision for depreciation	(88,036)
Long-term debt - principal payments	49,362
Change in other assets and liabilities: interest payable	<u>400</u>
Change in net position of the <i>component unit</i>	<u><u>\$ (159,153)</u></u>

City of Parchment

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 540,000	\$ 540,000	\$ 484,388	\$ (55,612)
Federal grants	-	-	68,077	68,077
Interest	-	-	3,440	3,440
Other	-	-	4,070	4,070
	<u>540,000</u>	<u>540,000</u>	<u>559,975</u>	<u>19,975</u>
Total revenues				
EXPENDITURES				
General government	40,000	40,000	95,554	(55,554)
Public works	10,000	506,000	527,154	(21,154)
Debt service:				
Principal	49,362	49,362	49,362	-
Interest	8,784	8,784	8,784	-
	<u>108,146</u>	<u>604,146</u>	<u>680,854</u>	<u>(76,708)</u>
Total expenditures				
NET CHANGES IN FUND BALANCES	431,854	(64,146)	(120,879)	(56,733)
FUND BALANCES - BEGINNING	<u>174,056</u>	<u>174,056</u>	<u>174,056</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 605,910</u>	<u>\$ 109,910</u>	<u>\$ 53,177</u>	<u>\$ (56,733)</u>