

City of Parchment
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2022

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 11
BASIC FINANCIAL STATEMENTS	
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 - governmental funds	15 - 16
Statement of net position - proprietary funds	17
Statement of revenues, expenses, and change in net position - 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 - 38
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	39 - 40
Major Street Fund	41
Local Street Fund	42
Schedule of changes in the City's net pension liability and related ratios	43
Schedule of City pension contributions	44
Schedule of changes in the City's net OPEB liability and related ratios	45
Schedule of City OPEB contributions	46
SUPPLEMENTARY INFORMATION	
Balance Sheet - component unit	47
Statement of revenues, expenditures, and change in fund balance - component unit	48
Budgetary comparison schedule - Brownfield Redevelopment Authority	49

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 aggregate remaining fund information, and the discretely presented component unit, of the City of Parchment, Michigan, as of and for the year ended June 30, 2022, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Parchment, Michigan, as of June 30, 2022, 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.

November 16, 2022

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, 2022. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$5,749 (less than 1 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$2,524,573. However, \$3,162,588 of this total represents a net investment in capital assets and \$285,872 is restricted for various purposes. Consequently, the City's unrestricted net position is a negative \$923,887.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$340,399, which represents 22 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 2022 and 2021 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 \$2,524,573. However, \$3,162,588 of this total is invested in capital assets and \$285,872 is restricted for various purposes. Consequently, the City has an unrestricted deficit in net position of \$923,887.

Condensed financial information
Net position

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 980,154	\$ 788,889	\$ 123,070	\$ 38,243	\$ 1,103,224	\$ 827,132
Capital assets	<u>2,820,841</u>	<u>2,828,245</u>	<u>341,747</u>	<u>361,171</u>	<u>3,162,588</u>	<u>3,189,416</u>
Total assets	<u>3,800,995</u>	<u>3,617,134</u>	<u>464,817</u>	<u>399,414</u>	<u>4,265,812</u>	<u>4,016,548</u>
Deferred outflows of resources	<u>55,599</u>	<u>49,859</u>	<u>3,921</u>	<u>6,162</u>	<u>59,520</u>	<u>56,021</u>
Current and other liabilities	1,469,520	1,316,155	148,742	162,364	1,618,262	1,478,519
Long-term debt	-	-	-	-	-	-
Total liabilities	<u>1,469,520</u>	<u>1,316,155</u>	<u>148,742</u>	<u>162,364</u>	<u>1,618,262</u>	<u>1,478,519</u>
Deferred inflows of resources	<u>169,722</u>	<u>66,951</u>	<u>12,775</u>	<u>8,275</u>	<u>182,497</u>	<u>75,226</u>
Net position:						
Net investment in capital assets	2,820,841	2,828,245	341,747	361,171	3,162,588	3,189,416
Restricted	285,872	216,807	-	-	285,872	216,807
Unrestricted (deficit)	<u>(889,361)</u>	<u>(761,165)</u>	<u>(34,526)</u>	<u>(126,234)</u>	<u>(923,887)</u>	<u>(887,399)</u>
Total net position	<u>\$ 2,217,352</u>	<u>\$ 2,283,887</u>	<u>\$ 307,221</u>	<u>\$ 234,937</u>	<u>\$ 2,524,573</u>	<u>\$ 2,518,824</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Changes in net position**

The City's total revenues totaled \$1,991,591, compared to \$1,904,682 in the prior year. Approximately 42 percent of the City's revenues comes from property taxes. About 26 percent of the City's revenues comes from operating grants and 11 percent comes from charges for services. State shared revenue represents 14 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program revenues:						
Charges for services	\$ 198,894	\$ 258,238	\$ 238,019	\$ 60,839	\$ 436,913	\$ 319,077
Operating grants and contributions	452,570	393,454	-	234,901	452,570	628,355
General revenues:						
Property taxes	728,447	697,068	-	-	728,447	697,068
State shared revenue	247,117	210,638	-	-	247,117	210,638
Local community stabilization revenue	110,213	140,729	-	-	110,213	140,729
Excise tax	15,941	15,242	-	-	15,941	15,242
Investment income	390	2,789	-	536	390	3,325
Other	-	-	-	(109,752)	-	(109,752)
Total revenues	<u>1,753,572</u>	<u>1,718,158</u>	<u>238,019</u>	<u>186,524</u>	<u>1,991,591</u>	<u>1,904,682</u>
Expenses:						
General government	370,397	321,408	-	-	370,397	321,408
Public safety	490,933	500,290	-	-	490,933	500,290
Public works	708,478	594,128	-	-	708,478	594,128
Recreation and culture	250,299	193,350	-	-	250,299	193,350
Interest on long-term debt	-	64	-	-	-	64
Sewer and water operations	-	-	165,735	497,374	165,735	497,374
Total expenses	<u>1,820,107</u>	<u>1,609,240</u>	<u>165,735</u>	<u>497,374</u>	<u>1,985,842</u>	<u>2,106,614</u>
Transfers	-	74,351	-	(74,351)	-	-
Changes in net position	<u>(66,535)</u>	<u>183,269</u>	<u>72,284</u>	<u>(385,201)</u>	<u>5,749</u>	<u>(201,932)</u>
Net position, end of year	<u>\$ 2,217,352</u>	<u>\$ 2,283,887</u>	<u>\$ 307,221</u>	<u>\$ 234,937</u>	<u>\$ 2,524,573</u>	<u>\$ 2,518,824</u>

Governmental activities

Governmental activities decreased the City's net position by \$66,535 in the current year compared to a \$183,269 increase in the prior year. The decrease in net position resulted from an increase in revenues of \$35,414, while expenses increased by \$210,867 and transfers were reduced by \$74,351.

Revenues increased primarily due to a \$36,479 increase in state shared revenue, a \$31,379 increase in property taxes and a \$59,116 increase in operating grants, these increases were offset by a \$59,344 decrease in charges for services and a \$30,516 decrease in local community stabilization revenues.

Expenses increased primarily due to a \$114,350 increase in public works expenses associated with increased street maintenance costs, a \$48,989 increase in general governmental costs, and a \$56,949 increase in recreation and culture costs.

The total cost of governmental activities this year was \$1,820,107. After subtracting the direct charges to those who directly benefited from the programs (\$198,894), operating grants (\$452,570), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$1,168,643 compared to \$957,548 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 \$630,440, a decrease of \$47,043 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 \$344,568, which represents a decrease of \$116,108, as revenues (\$1,430,993) were not sufficient to cover expenditures (\$1,522,101) and other financing uses of (\$25,000) during the current year.

The Major Street Fund experienced an increase in fund balance of \$89,758, as the fund's revenues of \$175,278 exceeded expenditures of \$85,520. Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$127,641 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 \$20,474, as the fund's expenditures of \$118,426 exceeded revenues (\$72,952) and other financing sources (\$25,000). Expenditures included substantial street improvement and maintenance costs during the current year. The fund balance at the end of the fiscal year was \$146,285 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 \$72,284 in the current year, as user fees of \$238,019 exceeded total costs of \$165,735. Total net position is \$307,221 at year end, of which \$34,526 is a deficit in unrestricted net position.

General Fund budgetary highlights

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

The City amended its revenue budget to increase total revenues by \$169,040 to reflect changes that occurred over the course of the year. The City also amended its appropriations during the current year so that budgeted expenditures were increased by \$136,040.

Total revenues were \$56,887 lower than budgeted primarily due to other revenues being less than anticipated. Total expenditures were \$7,744 less than the amounts appropriated, as all functions were under budget during the current year except for recreation and culture and capital outlay. These variances resulted in a \$49,143 negative budget variance, due to a \$116,108 decrease in fund balance compared to a budgeted decrease of \$66,965.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2022, amounts to \$3,162,588 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and infrastructure. This amount represents a net decrease of \$26,828, comprised of \$148,683 in additions offset by \$175,511 in provisions for depreciation.

Capital assets (continued)

This year's major capital asset additions included:

- Street improvements were made at a cost of \$52,000
- Administration software and equipment was purchased with a total cost of \$46,027
- Park improvements were made costing \$37,463
- Public safety equipment was purchased for \$13,193

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 \$23,101, and a net pension liability, associated with its defined benefit pension plan, in the amount of \$933,641 and a net OPEB liability of \$349,673.

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 2023 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

City of Parchment
STATEMENT OF NET POSITION
June 30, 2022

	<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	\$ 661,093	\$ 49,146	\$ 710,239	\$ 63,000
Investments	95,669	-	95,669	-
Receivables	205,072	73,924	278,996	-
Inventory / prepaids	18,320	-	18,320	-
Total current assets	980,154	123,070	1,103,224	63,000
Noncurrent assets:				
Capital assets not being depreciated	1,303,688	-	1,303,688	-
Capital assets, net of accumulated depreciation	1,517,153	341,747	1,858,900	1,144,473
Total noncurrent assets	2,820,841	341,747	3,162,588	1,144,473
Total assets	3,800,995	464,817	4,265,812	1,207,473
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	55,599	3,921	59,520	-
LIABILITIES				
Current liabilities:				
Payables	87,785	32,102	119,887	4,800
Unearned federal grant revenue	191,960	-	191,960	-
Note payable - current portion	-	-	-	48,633
Total current liabilities	279,745	32,102	311,847	53,433
Noncurrent liabilities:				
Compensated absences	23,101	-	23,101	-
Net pension liability	817,001	116,640	933,641	-
Net OPEB liability	349,673	-	349,673	-
Note payable	-	-	-	585,595
Total noncurrent liabilities	1,189,775	116,640	1,306,415	585,595
Total liabilities	1,469,520	148,742	1,618,262	639,028
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	169,722	12,775	182,497	-
NET POSITION				
Net investment in capital assets	2,820,841	341,747	3,162,588	543,968
Restricted for:				
Recreation and culture	11,946	-	11,946	-
Public works	273,926	-	273,926	-
Unrestricted (deficit)	(889,361)	(34,526)	(923,887)	24,477
Total net position	\$ 2,217,352	\$ 307,221	\$ 2,524,573	\$ 568,445

See notes to financial statements

City of Parchment
STATEMENT OF ACTIVITIES
 Year ended June 30, 2022

	Program revenues			Net (expenses) revenues and changes in net position			Component Unit
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Totals	
Functions/Programs							
Primary government							
Governmental activities:							
General government	\$ 370,397	\$ 45,396	\$ -	\$ (325,001)	\$ -	\$ 90,792	
Public safety	490,933	10,834	-	(480,099)	-	21,668	
Public works	708,478	137,464	371,731	(199,283)	-	1,018,390	
Recreation and culture	250,299	5,200	80,839	(164,260)	-	172,078	
Total governmental activities	1,820,107	198,894	452,570	(1,168,643)	-	1,302,928	
Business-type activities:							
Sewer fund	165,735	238,019	-	\$ 72,284	\$ 72,284	72,284	
Total primary government	\$ 1,985,842	\$ 436,913	\$ 452,570	(1,168,643)	\$ 72,284	\$ 1,375,212	
Component unit							
Brownfield Redevelopment	\$ 137,638	\$ -	\$ -			\$ (137,638)	
General revenues:							
Property taxes				728,447	-	728,447	159,370
State shared revenue				247,117	-	247,117	-
Local community stabilization revenue				110,213	-	110,213	-
Franchise fees				15,941	-	15,941	-
Unrestricted investment return				390	-	390	-
Totals				1,102,108	-	1,102,108	159,370
Changes in net position				(66,535)	72,284	5,749	21,732
Net position - beginning				2,283,887	234,937	2,518,824	546,713
Net position - ending				\$ 2,217,352	\$ 307,221	2,524,573	\$ 568,445

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2022

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 423,407	\$ 95,421	\$ 130,319	\$ 11,946	\$ 661,093
Investments	95,669	-	-	-	95,669
Receivables	166,594	27,254	11,224	-	205,072
Prepays	4,169	-	-	-	4,169
Inventories	-	7,353	6,798	-	14,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 689,839</u>	<u>\$ 130,028</u>	<u>\$ 148,341</u>	<u>\$ 11,946</u>	<u>\$ 980,154</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 83,342	\$ 2,387	\$ 2,056	\$ -	\$ 87,785
Unearned federal grant revenue	191,960	-	-	-	191,960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>275,302</u>	<u>2,387</u>	<u>2,056</u>	<u>-</u>	<u>279,745</u>
Deferred inflows of resources -					
Unavailable grants	69,969	-	-	-	69,969
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:					
Nonspendable - inventories					
Inventories	-	7,353	6,798	-	14,151
Prepays	4,169	-	-	-	4,169
Restricted for:					
Public works	-	120,288	139,487	-	259,775
Recreation and culture	-	-	-	11,946	11,946
Unassigned	340,399	-	-	-	340,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>344,568</u>	<u>127,641</u>	<u>146,285</u>	<u>11,946</u>	<u>630,440</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 689,839</u>	<u>\$ 130,028</u>	<u>\$ 148,341</u>	<u>\$ 11,946</u>	<u>\$ 980,154</u>

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

Total fund balance - total governmental funds \$ 630,440

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. 2,820,841

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

Compensated absences (23,101)
Unavailable grant revenue 69,969

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 (817,001)
Net OPEB liability (349,673)
Deferred outflows related to the pension liability 55,599
Deferred inflows related to the pension liability (169,722)

Net position of *governmental activities* \$ 2,217,352

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2022

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 757,124	\$ -	\$ -	\$ -	\$ 757,124
Licenses and permits	23,319	-	-	-	23,319
State grants	412,411	174,604	72,077	-	659,092
Charges for services	144,571	-	-	-	144,571
Investment return and rentals	390	-	-	-	390
Other	93,178	674	875	4,380	99,107
	<u>1,430,993</u>	<u>175,278</u>	<u>72,952</u>	<u>4,380</u>	<u>1,683,603</u>
Total revenues					
EXPENDITURES					
Current:					
General government	286,872	-	-	-	286,872
Public safety	455,487	-	-	-	455,487
Public works	453,067	85,520	118,426	-	657,013
Recreation and culture	258,556	-	-	4,599	263,155
Capital outlay	68,119	-	-	-	68,119
	<u>1,522,101</u>	<u>85,520</u>	<u>118,426</u>	<u>4,599</u>	<u>1,730,646</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(91,108)</u>	<u>89,758</u>	<u>(45,474)</u>	<u>(219)</u>	<u>(47,043)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	25,000	-	25,000
Transfers out	(25,000)	-	-	-	(25,000)
	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)					
NET CHANGES IN FUND BALANCES	(116,108)	89,758	(20,474)	(219)	(47,043)
FUND BALANCES - BEGINNING	<u>460,676</u>	<u>37,883</u>	<u>166,759</u>	<u>12,165</u>	<u>677,483</u>
FUND BALANCES - ENDING	<u>\$ 344,568</u>	<u>\$ 127,641</u>	<u>\$ 146,285</u>	<u>\$ 11,946</u>	<u>\$ 630,440</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended June 30, 2022

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) \$ (47,043)

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	148,683
Deduct - depreciation provision	(156,087)

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

Net decrease in compensated absences	15,055
Net decrease in net pension liability	77,042
Net increase in net OPEB liability	(77,123)

Changes in deferred outflows and deferred inflows:

Decrease in deferred inflows of resources related to unavailable revenue	69,969
Net increase in deferred outflows of resources related to pension	5,740
Net increase in deferred inflows of resources related to pension	<u>(102,771)</u>

Change in net position of *governmental activities* \$ (66,535)

STATEMENT OF NET POSITION - proprietary funds

June 30, 2022

	<u>Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 49,146
Accounts receivable	<u>73,924</u>
Total current assets	<u>123,070</u>
Noncurrent assets:	
Capital assets, net of depreciation	<u>341,747</u>
Total assets	<u>464,817</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>3,921</u>
LIABILITIES	
Current liabilities - payables	
	<u>32,102</u>
Noncurrent liabilities:	
Net OPEB liability	<u>116,640</u>
Total liabilities	<u>148,742</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	<u>12,775</u>
NET POSITION	
Investment in capital assets	341,747
Unrestricted (deficit)	<u>(34,526)</u>
Total net position	<u>\$ 307,221</u>

See notes to financial statements

City of Parchment

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

Year ended June 30, 2022

	<u>Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 238,019
OPERATING EXPENSES	
Public works - operations	146,311
Depreciation	<u>19,424</u>
Total operating expenses	<u>165,735</u>
OPERATING INCOME (LOSS)	72,284
NET POSITION - BEGINNING	<u>234,937</u>
NET POSITION - ENDING	<u>\$ 307,221</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2022

	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 180,442
Payments to suppliers	(121,765)
Payments to employees	<u>(31,427)</u>
Net cash provided by operating activities	27,250
CASH - BEGINNING	<u>21,896</u>
CASH - ENDING	<u><u>\$ 49,146</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 72,284
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	19,424
Change in assets and liabilities:	
Increase in receivables	(57,577)
Decrease in deferred outflows - pension	2,241
Decrease in net pension liability	(5,799)
Decrease in net OPEB liability	(34,069)
Increase in deferred inflows - pension	4,500
Increase (decrease) in payables	<u>26,246</u>
Net cash provided by (used in) operating activities	<u><u>\$ 27,250</u></u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund

June 30, 2022

	<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, 2022

	<u>Tax Collection</u>
ADDITIONS	
Property taxes collected for other governments	\$ 1,907,603
DEDUCTIONS	
Property taxes distributed to other governments	<u>1,907,603</u>
NET CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<u><u>\$ -</u></u>

See notes to financial statements

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.

Investments - Investments are reported at fair value, with changes in value recognized in the operating statements of each fund.

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:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and culture	Parks and recreation	\$ 251,855	\$ 258,556	\$ 6,701
	Capital outlay		53,800	68,119	14,319

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2022, 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	\$ 660,893	\$ 49,146	\$ 63,000	\$ 773,039
Investments	95,669	-	-	95,669
Cash on hand	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Totals	<u>\$ 756,762</u>	<u>\$ 49,146</u>	<u>\$ 63,000</u>	<u>\$ 868,908</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, 2022, \$121,443 of the City’s bank balances of \$784,255 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 City’s investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two 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 City’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 City 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. At June 30, 2022, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS Pool</u>
Fair value at June 30, 2022	\$ 95,669
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, 2022, 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	\$ 53,878	\$ 112,716	\$ 166,594
Major Street	-	27,254	27,254
Local Street	-	11,224	11,224
Total governmental	<u>\$ 53,878</u>	<u>\$ 151,194</u>	<u>\$ 205,072</u>
Proprietary:			
Sewer	<u>\$ 73,924</u>	<u>\$ -</u>	<u>\$ 73,924</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, 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
Capital assets being depreciated:				
Buildings and improvements	742,490	37,463	-	779,953
Machinery, equipment, and vehicles	1,702,192	59,220	(17,888)	1,743,524
Infrastructure	1,700,476	52,000	-	1,752,476
Subtotal	<u>4,145,158</u>	<u>148,683</u>	<u>(17,888)</u>	<u>4,275,953</u>
Less accumulated depreciation for:				
Buildings and improvements	(410,923)	(13,030)	-	(423,953)
Machinery, equipment, and vehicles	(1,362,251)	(69,313)	17,888	(1,413,676)
Infrastructure	(847,427)	(73,744)	-	(921,171)
Subtotal	<u>(2,620,601)</u>	<u>(156,087)</u>	<u>17,888</u>	<u>(2,758,800)</u>
Total capital assets being depreciated	<u>1,524,557</u>	<u>(7,404)</u>	<u>-</u>	<u>1,517,153</u>
Governmental activities capital assets, net	<u>\$ 2,828,245</u>	<u>\$ (7,404)</u>	<u>\$ -</u>	<u>\$ 2,820,841</u>

NOTE 5 - CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
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	(47,923)	(1,409)	-	(49,332)
Machinery, equipment, and vehicles	(270,250)	(6,985)	-	(277,235)
Distribution and collection systems	(487,399)	(11,030)	-	(498,429)
Subtotal	<u>(805,572)</u>	<u>(19,424)</u>	<u>-</u>	<u>(824,996)</u>
Total capital assets being depreciated	<u>361,171</u>	<u>(19,424)</u>	<u>-</u>	<u>341,747</u>
Business-type activities capital assets, net	<u>\$ 361,171</u>	<u>\$ (19,424)</u>	<u>\$ -</u>	<u>\$ 341,747</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	(528,218)	(88,037)	-	(616,255)
Component unit capital assets, net	<u>\$ 1,232,510</u>	<u>\$ (88,037)</u>	<u>\$ -</u>	<u>\$ 1,144,473</u>

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

Governmental activities:	
General government	\$ 13,569
Public safety	29,382
Public works	94,138
Recreation and culture	<u>18,998</u>
Total governmental activities	<u>\$ 156,087</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES

Payables as of June 30, 2022, 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	\$ 73,419	\$ 9,923	\$ 83,342
Major Street	1,672	715	2,387
Local Street	<u>1,341</u>	<u>715</u>	<u>2,056</u>
Total governmental	<u>\$ 76,432</u>	<u>\$ 11,353</u>	<u>\$ 87,785</u>
Proprietary:			
Sewer	<u>\$ 31,387</u>	<u>\$ 715</u>	<u>\$ 32,102</u>

NOTE 7 - LONG-TERM LIABILITIES

At June 30, 2022, long-term liabilities are comprised of the following:

Governmental activities:	
Compensated absences	<u>\$ 23,101</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>\$ 634,228</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 38,156	\$ 40,312	\$ (55,367)	\$ 23,101	\$ -
Component Unit - Brownfield redevelopment					
Note payable - 2010 MDEQ note payable	682,142	-	(47,914)	634,228	48,633

At June 30, 2022, debt service requirements, with the exception of compensated absences, are as follows:

<u>Year ended June 30,</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2023	48,633	9,513
2024	49,362	8,784
2025	50,103	8,044
2026	50,854	7,292
2027	51,617	6,529
2028 - 2032	269,933	20,797
2032 - 2034	113,726	2,565
Totals	\$ 634,228	\$ 63,524

NOTE 8 - INTERFUND TRANSFERS

For the year ended June 30, 2022, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Local street	\$ 25,000	General	\$ 25,000

The transfer out of the General Fund represents the General funds share of local road projects during the fiscal year.

NOTE 9 - 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, 2021, measurement date, the following employees were covered by the benefit terms:

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

Contributions:

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2022, 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, 2022, the City contributed \$125,882 to the plan, and employees contributed \$11,210.

Net pension liability:

The City's net pension liability reported at June 30, 2022, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2021. The total pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	6.85%	net of investment expenses, including inflation

NOTE 9 - 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, 2021 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	45.40%	4.10%	1.86%
Global fixed income	24.10%	4.10%	0.99%
Private investments	9.30%	4.10%	0.38%
Real estate	8.00%	4.10%	0.33%
Hedge funds	7.00%	4.10%	0.29%
Commodities	3.40%	4.10%	0.14%
Other	2.80%	4.10%	0.11%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>6.85%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.25% for 2021. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - 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, 2020	\$ 3,410,384	\$ 2,393,902	\$ 1,016,482
Changes for the year:			
Service cost	21,685	-	21,685
Interest	250,439	-	250,439
Differences between expected actual experience	(13,916)	-	(13,916)
Changes in assumptions	107,179	-	107,179
Employer contributions	-	110,304	(110,304)
Employee contributions	-	11,200	(11,200)
Net investment income	-	330,517	(330,517)
Benefit payments, including refunds	(251,964)	(251,964)	-
Administrative expenses	-	(3,793)	3,793
Net changes	<u>113,423</u>	<u>196,264</u>	<u>(82,841)</u>
Balances at December 31, 2021	<u>\$ 3,523,807</u>	<u>\$ 2,590,166</u>	<u>\$ 933,641</u>

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 (6.25%)</i>	<i>Current rate (7.25%)</i>	<i>1% Increase (8.25%)</i>
City's net pension (asset) liability	<u>\$ 1,273,794</u>	<u>\$ 933,641</u>	<u>\$ 641,603</u>

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, 2022, the City recognized pension expense of \$134,732. At June 30, 2022, 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	\$ -	\$ 182,497
Contributions made subsequent to the measurement date	59,520	-
Total	<u>\$ 59,520</u>	<u>\$ 182,497</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$59,520, will be recognized as a reduction in the net pension liability in fiscal year 2022.

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

<u>Year ended June 30,</u>	<u>Deferred inflows of resources</u>
2023	\$ 25,774
2024	73,539
2025	52,446
2026	<u>30,738</u>
Totals	<u>\$ 182,497</u>

NOTE 10 - 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, 2022):

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Methods and assumptions:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and a measurement date of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll increases	3.00%
Investment rate of return	5.00%
Discount rate	2.20%
Mortality	General, public employer, headcount weighted mortality table for healthy annuitants with improvement scale MP-2019
Healthcare cost trend rate	7.25% 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 2022. 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, 2021	\$ 306,619	\$ -	\$ 306,619
Changes for the year:			
Service cost	24,749	-	24,749
Interest	7,393	-	7,393
Experience (Gains)/Losses	10,912	-	10,912
Contributions/benefits paid from general operating funds	-	-	-
Benefit payments	-	-	-
Net changes	43,054	-	43,054
Balances at June 30, 2022	\$ 349,673	\$ -	\$ 349,673
Plan fiduciary net position as a percentage of total OPEB liability			0.0%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - 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	\$ 378,172	\$ 349,673	\$ 324,895

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	\$ 325,510	\$ 349,673	\$ 376,839

NOTE 11 - PROPERTY TAX REVENUE

The 2021 taxable valuation of the City approximated \$45,449,000, on which ad valorem taxes levied consisted of 16.6854 mills for operating purposes raising approximately \$721,000, which is recognized in the fund financial statements as property tax revenue.

NOTE 12 - 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 13 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$285,872. Of this amount, \$11,946 is restricted for recreation and culture, \$273,926 is restricted for public works. Net position is restricted by enabling legislation related to the amounts restricted public works.

NOTE 14 - PENDING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

NOTE 15 – AMERICAN RESCUE PLAN ACT of 2021

On March 11, 2021, the United States executed the American Rescue Plan Act of 2021 (ARPA), which included \$362 billion in funds to be awarded as economic assistance to state and local units to prepare for and respond to COVID-19. Under the American Rescue Plan Act, the City, was awarded approximately \$192,000 in federal Coronavirus Local Fiscal Recovery Funds ("ARPA Funds"). The City received \$95,980 of the ARPA Funds in September 2021, with the second half received in June 2022. The City is subject to rules issued by the U.S. Treasury Department regarding the use of ARPA Funds and has identified the following allowable uses: support public health expenditures, address negative economic impacts caused by the COVID-19 public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and invest in water, sewer, and broadband infrastructure. The City expects to spend the awarded funds under the applicable federal guidelines.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 755,700	\$ 755,700	\$ 757,124	\$ 1,424
Licenses and permits	24,300	24,300	23,319	(981)
State grants	330,000	355,000	412,411	57,411
Charges for services	130,900	130,900	144,571	13,671
Investment return and rentals	4,300	4,300	390	(3,910)
Other	73,640	217,680	93,178	(124,502)
Total revenues	<u>1,318,840</u>	<u>1,487,880</u>	<u>1,430,993</u>	<u>(56,887)</u>
EXPENDITURES				
General government:				
City Council	39,965	39,965	39,475	490
Administration	226,400	226,400	227,657	(1,257)
Other	25,000	25,000	19,740	5,260
Total general government	<u>291,365</u>	<u>291,365</u>	<u>286,872</u>	<u>4,493</u>
Public safety:				
Police department	369,000	369,000	363,095	5,905
Fire department	102,300	102,300	92,392	9,908
Total public safety	<u>471,300</u>	<u>471,300</u>	<u>455,487</u>	<u>15,813</u>
Department of public works	<u>361,000</u>	<u>461,525</u>	<u>453,067</u>	<u>8,458</u>
Recreation and culture - parks and recreation	<u>216,340</u>	<u>251,855</u>	<u>258,556</u>	<u>(6,701)</u>
Capital outlay	<u>53,800</u>	<u>53,800</u>	<u>68,119</u>	<u>(14,319)</u>
Total expenditures	<u>1,393,805</u>	<u>1,529,845</u>	<u>1,522,101</u>	<u>7,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(74,965)</u>	<u>(41,965)</u>	<u>(91,108)</u>	<u>(49,143)</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(25,000)	(25,000)	-
NET CHANGES IN FUND BALANCES	(74,965)	(66,965)	(116,108)	(49,143)
FUND BALANCES - BEGINNING	460,676	460,676	460,676	-
FUND BALANCES - ENDING	<u>\$ 385,711</u>	<u>\$ 393,711</u>	<u>\$ 344,568</u>	<u>\$ (49,143)</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 163,900	\$ 163,900	\$ 174,604	\$ 10,704
Other	-	-	674	674
Total revenues	163,900	163,900	175,278	11,378
EXPENDITURES				
Public works	101,825	101,825	85,520	16,305
NET CHANGES IN FUND BALANCES	62,075	62,075	89,758	27,683
FUND BALANCES - BEGINNING	37,883	37,883	37,883	-
FUND BALANCES - ENDING	<u>\$ 99,958</u>	<u>\$ 99,958</u>	<u>\$ 127,641</u>	<u>\$ 27,683</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 66,900	\$ 66,900	\$ 72,077	\$ 5,177
Other	-	-	875	875
Total revenues	66,900	66,900	72,952	6,052
EXPENDITURES				
Public works	94,900	145,900	118,426	27,474
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(28,000)	(79,000)	(45,474)	33,526
OTHER FINANCING SOURCES				
Transfers in	-	25,000	25,000	-
NET CHANGES IN FUND BALANCES				
	(28,000)	(54,000)	(20,474)	33,526
FUND BALANCES - BEGINNING				
	166,759	166,759	166,759	-
FUND BALANCES - ENDING				
	<u>\$ 138,759</u>	<u>\$ 112,759</u>	<u>\$ 146,285</u>	<u>\$ 33,526</u>

City of Parchment
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
 Year ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ 21,685	\$ 20,967	\$ 19,217	\$ 11,454	\$ 20,107	\$ 20,650	\$ 19,559	\$ 27,687
Interest	250,439	244,618	246,804	266,168	266,255	263,535	248,239	245,204
Differences between expected and actual experience	(13,916)	(51,099)	(5,549)	(284,791)	(29,023)	11,932	126,956	-
Changes in assumptions	107,179	103,024	102,661	-	-	-	142,830	-
Benefit payments, including refunds	<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	113,423	86,918	132,910	(254,458)	(3,567)	33,308	294,603	51,790
Total pension liability, beginning of year	<u>3,410,384</u>	<u>3,323,466</u>	<u>3,190,556</u>	<u>3,445,014</u>	<u>3,448,581</u>	<u>3,415,273</u>	<u>3,120,670</u>	<u>3,068,880</u>
Total pension liability, end 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>
Plan fiduciary net position:								
Contributions - employer	\$ 110,304	\$ 91,332	\$ 354,649	\$ 80,570	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620
Contributions - employee	11,200	10,986	8,639	9,990	10,727	11,025	14,201	15,009
Net investment income (loss)	330,517	274,652	259,710	(77,137)	257,702	218,445	(31,877)	137,991
Benefit payments, including refunds	<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>
Administrative expenses	<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	196,264	141,933	388,344	(237,821)	82,347	9,785	(207,961)	(16,520)
Plan fiduciary net position, beginning of year	<u>2,393,902</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>\$2,590,166</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	\$ 933,641	\$ 1,016,482	\$ 1,071,497	\$ 1,326,931	\$ 1,343,568	\$ 1,429,482	\$ 1,405,959	\$ 903,395
Plan fiduciary net position as a percent of total pension liability	73.50%	70.19%	67.76%	58.41%	61.00%	58.55%	58.83%	71.05%
Covered payroll	\$ 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	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.

City of Parchment
SCHEDULE OF CITY PENSION CONTRIBUTIONS
 Last Ten Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contributions	\$ 125,882	\$ 108,429	\$ 97,043	\$ 71,789	\$ 78,922	\$ 47,447	\$ 57,416	\$ 56,620	\$ 45,910	\$ 24,330
Contributions in relation to the actuarially determined contributions	125,882	108,429	279,500	162,564	78,922	47,447	57,416	56,620	45,910	24,330
Contribution deficiency (excess)	\$ -	\$ -	\$ (182,457)	\$ (90,775)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 238,293	\$ 233,750	\$ 228,926	\$ 228,231	\$ 234,654	\$ 225,589	\$ 319,346	\$ 309,877	\$ 316,188	\$ 303,188
Contributions as a percentage of covered payroll	52.83%	46.39%	122.09%	71.23%	33.63%	21.03%	17.98%	18.27%	14.52%	8.02%

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%

City of Parchment
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
 Year ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	\$ 24,749	\$ 22,556	\$ 20,778	\$ 11,589	\$ 12,958
Interest	7,393	6,600	9,205	6,042	8,052
Difference between expected and actual	10,912	35,803	94,107	(27,099)	-
Benefit payments, including refunds	-	(30,550)	(30,550)	(27,955)	-
	43,054	34,409	93,540	(37,423)	21,010
Net change in total OPEB liability					
Total OPEB liability, beginning of year	306,619	272,210	178,670	216,093	195,083
Total OPEB liability, end of year	\$ 349,673	\$ 306,619	\$ 272,210	\$ 178,670	\$ 216,093
Plan fiduciary net position:					
Contributions/benefit payments made from general operating funds	\$ -	\$ 30,550	\$ 30,550	\$ 27,955	\$ -
Benefit payments, including refunds	-	(30,550)	(30,550)	(27,955)	-
	-	-	-	-	-
Net change in plan fiduciary net position					
Plan fiduciary net position, beginning of year	-	-	-	-	-
Plan fiduciary net position, end of year	\$ -	\$ -	\$ -	\$ -	\$ -
City's net OPEB liability, end of year	\$ 349,673	\$ 306,619	\$ 272,210	\$ 178,670	\$ 216,093
Plan fiduciary net position as a percent of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 311,693	\$ 389,087	\$ 297,081	\$ 343,081	\$ 398,617
City's net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	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, 2022 (schedule is built prospectively upon implementation of GASB 75)

	2022	2021	2020	2019	2018
Actuarially determined employer contributions:					
Normal costs	\$ 37,699	\$ 33,507	\$ 30,165	\$ 33,923	\$ -
Amortization of unfunded liability	-	-	-	-	-
Interest cost	-	-	-	-	-
Actuarially determined employer contribution	37,699	33,507	30,165	33,923	-
Employer contribution (benefit payment)	-	30,550	30,550	27,955	-
Contribution Deficiency	\$ 37,699	\$ 2,957	\$ (385)	\$ 5,968	\$ -
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
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, 2022

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	3.00%
Investment rate of return	5.00%
Retirement age	62
Mortality rates	Pub-2010 Mortality Table Scale MP-2019
Health care cost trend rate	7.25% decreasing to 4.50%

SUPPLEMENTARY INFORMATION

BALANCE SHEET - Component Unit

June 30, 2022

	<u>Brownfield Redevelopment Authority</u>
ASSETS	
Cash	\$ <u>63,000</u>
FUND BALANCE	
Restricted	<u>63,000</u>
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance	\$ 63,000
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.	1,144,473
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(634,228)
Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(4,800)</u>
Net position of <i>component unit</i>	<u>\$ 568,445</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - component unit**

Year ended June 30, 2022

	<u>Brownfield Redevelopment Authority</u>
REVENUES	
Tax increment financing	\$ 159,370
 EXPENDITURES	
Current - general government	40,969
Debt service:	
Principal	47,914
Interest	<u>10,232</u>
Total expenditures	<u>99,115</u>
 NET CHANGE IN FUND BALANCES	 60,255
 FUND BALANCES - BEGINNING	 <u>2,745</u>
 FUND BALANCES - ENDING	 <u>\$ 63,000</u>
 Net change in fund balance	 \$ 60,255
 Amounts reported for the <i>component unit</i> in the statement of activities (page 12) are different because:	
Capital assets - provision for depreciation	(88,037)
Long-term debt - principal payments	47,914
Change in other assets and liabilities:	<u>1,600</u>
Change in net position of the <i>component unit</i>	<u>\$ 21,732</u>

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Tax increment financing	\$ 158,717	\$ 158,717	\$ 159,370	\$ 653
EXPENDITURES				
General government	40,700	40,700	40,969	(269)
Debt service:				
Principal	46,400	46,400	47,914	(1,514)
Interest	12,000	12,000	10,232	1,768
Total expenditures	99,100	99,100	99,115	(15)
NET CHANGES IN FUND BALANCES	59,617	59,617	60,255	638
FUND BALANCES - BEGINNING	2,745	2,745	2,745	-
FUND BALANCES - ENDING	<u>\$ 62,362</u>	<u>\$ 62,362</u>	<u>\$ 63,000</u>	<u>\$ 638</u>