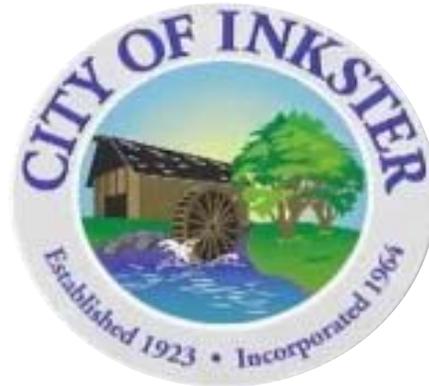


CITY OF INKSTER,  
MICHIGAN



Year Ended  
June 30, 2018

Financial  
Statements and  
Single Audit  
Compliance Act

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# CITY OF INKSTER, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT**

December 19, 2018

Honorable Mayor and Members  
of the City Council  
City of Inkster, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major discretely presented component unit, each major fund and the aggregate remaining fund information of the *City of Inkster, Michigan* (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Inkster Housing Commission or the Inkster Commission on Aging, which are reported as major discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Inkster Housing Commission and Inkster Commission on Aging, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*Basis for Disclaimer of Opinion on the Inkster Housing Commission Major Component Unit*

The Inkster Housing Commission (the "Commission"), a discretely presented component unit of the City and audited by other auditors, does not hold title to certain properties reported under capital assets on the Commission's statement of net position. The applicable properties were not individually identifiable within its internal asset records. As a result, the Commission's auditors were unable to determine the accuracy of the Commission's reported capital asset balance, net investment in capital assets net position balance, and depreciation expense charge on the Commission's financial statements. The Commission's auditors were unable to obtain sufficient appropriate audit evidence about the accuracy of the applicable balances and charge by other auditing procedures.

*Disclaimer of Opinion on the Inkster Housing Commission Major Component Unit*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we are not able to provide a basis for an audit opinion on the discretely presented Inkster Housing Commission component unit. Accordingly, we do not express an opinion on that opinion unit.

*Opinions on Remaining Opinion Units*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the remaining major discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Inkster, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and local streets special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Implementation of GASB Statement No. 75*

As described in Note 18, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of the governmental activities, the business-type activities and the water and sewer enterprise fund were restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of pension and other postemployment benefit plans information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements 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 combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the City of Inkster, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF INKSTER, MICHIGAN

## Management's Discussion and Analysis

These financial statements are the responsibility of the City of Inkster's management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

· Total net position	\$ 32,561,004
· Change in total net position	2,697,299
· Fund balances, governmental funds	11,652,157
· Change in fund balances, governmental funds	1,275,159
· Unassigned fund balance, general fund	3,257,108
· Change in fund balance, general fund	(78,964)
· Installment debt outstanding	19,125,718
· Change in installment debt	(1,248,383)

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* and the *statement of activities* provide information about the activities of the City as a whole and present a longer-term view of the City finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operation in more detail than the government-wide financial statements by providing information about the City's most significant funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, they focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# CITY OF INKSTER, MICHIGAN

## Management's Discussion and Analysis

**Proprietary Funds.** Proprietary funds are used to report the same functions reported in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and postemployment healthcare to its employees.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,561,004 at the close of the most recent fiscal year. The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 14,442,542	\$ 12,783,008	\$ 10,056,673	\$ 8,725,178	\$ 24,499,215	\$ 21,508,186
Capital assets, net	17,148,171	17,665,637	45,052,750	45,845,779	62,200,921	63,511,416
<b>Total assets</b>	<b>31,590,713</b>	<b>30,448,645</b>	<b>55,109,423</b>	<b>54,570,957</b>	<b>86,700,136</b>	<b>85,019,602</b>
Deferred outflows of resources	3,768,751	2,132,424	224,197	180,164	3,992,948	2,312,588
Long-term debt	3,495,967	3,466,625	16,030,936	17,287,516	19,526,903	20,754,141
Pension and OPEB	19,665,027	17,761,466	1,135,875	1,072,737	20,800,902	18,834,203
Other liabilities	12,450,119	12,242,460	4,179,116	4,443,616	16,629,235	16,686,076
<b>Total liabilities</b>	<b>35,611,113</b>	<b>33,470,551</b>	<b>21,345,927</b>	<b>22,803,869</b>	<b>56,957,040</b>	<b>56,274,420</b>
Deferred inflows of resources	1,072,819	1,007,006	102,221	57,056	1,175,040	1,064,062
Net position						
Net investment in capital assets	17,017,581	17,532,979	29,057,622	28,604,336	46,075,203	46,137,315
Restricted	8,577,633	6,805,726	579,732	579,695	9,157,365	7,385,421
Unrestricted (deficit)	(26,919,682)	(26,235,193)	4,248,118	2,706,165	(22,671,564)	(23,529,028)
<b>Total net position (deficit)</b>	<b>\$ (1,324,468)</b>	<b>\$ (1,896,488)</b>	<b>\$ 33,885,472</b>	<b>\$ 31,890,196</b>	<b>\$ 32,561,004</b>	<b>\$ 29,993,708</b>

# CITY OF INKSTER, MICHIGAN

## Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$46,075,203, reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery/furniture and equipment, and water and sewer distribution systems), less any debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$9,157,365 represents resources that are subject to external restriction on how they may be used. The remaining *unrestricted net position* of \$(22,671,564) represents an accumulated deficit.

The government's net position increased by \$2,697,299 during the current fiscal year. This net increase was a combination of an increase of \$588,728 in governmental activities and an increase of \$2,108,571 in business-type activities.

The following table shows the changes in net position during the current year with a comparison to prior year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,263,185	\$ 4,563,739	\$ 11,139,560	\$ 9,553,171	\$ 15,402,745	\$ 14,116,910
Operating grants	1,263,664	1,484,564	-	-	1,263,664	1,484,564
Capital grants	2,362,095	2,015,069	606,898	144,024	2,968,993	2,159,093
General revenues:						
Property taxes	5,536,185	5,665,471	2,206,298	1,994,232	7,742,483	7,659,703
State shared revenues	4,473,615	4,278,074	45,499	4,836	4,519,114	4,282,910
Other revenues	898,521	287,195	-	-	898,521	287,195
<b>Total revenues</b>	<b>18,797,265</b>	<b>18,294,112</b>	<b>13,998,255</b>	<b>11,696,263</b>	<b>32,795,520</b>	<b>29,990,375</b>
<b>Expenses</b>						
General government	4,142,617	3,717,959	-	-	4,142,617	3,717,959
Public safety	8,188,023	6,355,886	-	-	8,188,023	6,355,886
Public works	4,547,769	3,894,432	-	-	4,547,769	3,894,432
Community and economic development	789,373	2,302,851	-	-	789,373	2,302,851
Culture and recreation	528,048	466,268	-	-	528,048	466,268
Interest on long-term debt	12,707	22,023	-	-	12,707	22,023
Water and sewer	-	-	11,889,684	10,033,198	11,889,684	10,033,198
<b>Total expenses</b>	<b>18,208,537</b>	<b>16,759,419</b>	<b>11,889,684</b>	<b>10,033,198</b>	<b>30,098,221</b>	<b>26,792,617</b>
<b>Change in net position</b>	<b>588,728</b>	<b>1,534,693</b>	<b>2,108,571</b>	<b>1,663,065</b>	<b>2,697,299</b>	<b>3,197,758</b>
<b>Net position</b>						
Beginning of year	(1,896,488)	(3,431,181)	31,890,196	30,227,131	29,993,708	26,795,950
Restatement for implementation of GASB 75	(16,708)	-	(113,295)	-	(130,003)	-
<b>End of year</b>	<b>\$ (1,324,468)</b>	<b>\$ (1,896,488)</b>	<b>\$ 33,885,472</b>	<b>\$ 31,890,196</b>	<b>\$ 32,561,004</b>	<b>\$ 29,993,708</b>

# CITY OF INKSTER, MICHIGAN

## Management's Discussion and Analysis

**Governmental Activities.** Governmental activities increased the City's net position by \$588,728 thereby accounting for 22% of the total growth in net position of the City. This is primarily the result of City-wide operational savings and continued fiscal responsibility. Specific items of note include the City securing additional grants for current and new fire fighters.

**Business-type Activities.** Business-type activities increased the City's net position by \$2,108,571 accounting for 78% percent of the total growth in the government's net position. This was primarily the result of maintaining water and sewer rates at a level necessary to allow for operating revenues to exceed operating expenses and to allow for some capital expenses needed for repairs and maintenance. As with governmental activities, operational savings is also attributable to continued fiscal responsibility.

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$11,652,157, an increase of \$1,275,159 over the prior year. A portion of the fund balance is either nonspendable, restricted by external sources for specific purposes or assigned. Unassigned fund balance was \$2,934,555.

Additional information on fund balance is provided in the notes to the financial statements.

### General Fund Highlights

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by \$78,964 for the current fiscal year, resulting in unassigned fund balance of \$3,257,108.

Significant budgetary variances, as shown in the budget vs. actual statement of revenues, expenditures and changes in fund balances, are as follows:

- General fund property taxes - Chargebacks, which reduce property tax revenues, were significantly more favorable than originally projected. This was due in part to continued improvement in market conditions for residential real estate resulting in fewer property foreclosures and increased collections of delinquent property taxes compared to prior years.
- General fund intergovernmental - Allowable operating grant expenditures were not all spent during the fiscal year, therefore, reimbursements budgeted were not requested. The original budget was amended to reflect the expense related to the payment of the significant judgement levies referenced to above.

**Proprietary Fund.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

### Capital Asset and Debt Administration

**Capital Assets.** The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$62,200,921 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery/furniture and equipment, and water and sewer distribution systems.

# CITY OF INKSTER, MICHIGAN

## Management's Discussion and Analysis

The major capital asset event during the current fiscal year included the following:

- The increase in construction in progress is a result of the City's work on the Annapolis Street repavement project and other road projects, along with water and sewer maintenance projects that are being undertaken.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	831,605	669,659	548,307	354,900	1,379,912	1,024,559
Land improvements	153,625	183,039	-	-	153,625	183,039
Infrastructure	12,293,942	13,169,373	-	-	56,537,133	58,629,710
Buildings/improvements	1,385,525	1,494,454	-	-	1,385,525	1,494,454
Vehicles	946,264	1,129,324	235,659	-	1,181,923	1,129,324
Machinery, furniture and equipment	1,230,015	712,593	22,848	27,797	1,252,863	740,390
Water and sewer distribution systems	-	-	44,243,191	45,460,337		
<b>Total capital assets, net</b>	<b>\$ 17,148,171</b>	<b>\$ 17,665,637</b>	<b>\$ 45,052,750</b>	<b>\$ 45,845,779</b>	<b>\$ 62,200,921</b>	<b>\$ 63,511,416</b>

Additional information on the City's capital assets is provided in the notes to the financial statements.

Long-term Debt. The City's long-term debt totaled \$19,526,903. This amount includes bonds payable, an emergency loan from the State of Michigan, installment purchase agreements, and compensated absences (earned but unused sick and vacation time).

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ -	\$ -	\$ 15,200,111	\$ 16,245,111	\$ 15,200,111	\$ 16,245,111
Emergency loan	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Installment purchase agreements	130,590	132,658	795,017	996,332	925,607	1,128,990
Compensated absences	365,377	333,967	35,808	46,073	401,185	380,040
<b>Total long-term debt</b>	<b>\$ 3,495,967</b>	<b>\$ 3,466,625</b>	<b>\$ 16,030,936</b>	<b>\$ 17,287,516</b>	<b>\$ 19,526,903</b>	<b>\$ 20,754,141</b>

Additional information on the City's long-term debt is provided in the notes to the financial statements.

### Economic Factors and Next Year's Budget and Rates

On July 1, 2016, the City was released from its consent agreement with the State of Michigan. This action was the result of the City achieving a number of important financial and budgetary milestones. With the adoption of the fiscal year 2019 budget, the City looks to continue the fiscal discipline that allowed it to emerge from the consent agreement. The City has also taken important steps needed to maintain and improve services that are provided to citizens, businesses and visitors. This includes continued prioritizing of public safety. Steps that have been taken include investing budget resources into making police officers that were formerly employed on a "part-time" basis into full-time officers. Additionally, the City has increased the number of fire fighters that are employed and leverage several grants and dedicated additional budget dollars to upgrading and improvement in fire department vehicles and equipment.

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

As the City looks to continue its recent progress, there is a continued focus on growing revenues. This includes efforts to improve property tax revenues by decreasing the amount and impact of property foreclosures. Since 2017, the City has been acquiring tax-foreclosed properties from Wayne County and working with select qualified real estate developers to rehab these foreclosed properties. In the last couple of years, the City has been marketing a number of its vacant commercial and industrial properties. Several of these properties were sold during this fiscal year and these properties are expected to be developed and become tax generating properties in the near future.

#### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City Treasurer, 26215 Trowbridge, Inkster, Michigan 48141.

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## BASIC FINANCIAL STATEMENTS

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CITY OF INKSTER, MICHIGAN

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 12,144,914	\$ 5,692,066	\$ 17,836,980	\$ 4,926,469
Restricted cash and cash equivalents	313,245	579,732	892,977	318,268
Receivables, net	1,893,044	3,741,087	5,634,131	388,146
Inventories and prepaid items	91,339	43,788	135,127	18,195
Capital assets not being depreciated	1,138,800	551,052	1,689,852	1,891,186
Capital assets being depreciated, net	16,009,371	44,501,698	60,511,069	19,999,202
<b>Total assets</b>	<b>31,590,713</b>	<b>55,109,423</b>	<b>86,700,136</b>	<b>27,541,466</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	3,768,751	224,197	3,992,948	-
<b>Liabilities</b>				
Accounts payable and accrued expenses	4,582,445	4,179,116	8,761,561	704,914
Deficit equity interest in joint venture	48,653	-	48,653	-
Unearned revenue	-	-	-	14,822
Long-term debt:				
Due within one year	125,027	1,525,266	1,650,293	1,575,956
Due in more than one year	3,370,940	14,505,670	17,876,610	12,748,889
Other noncurrent liabilities:				
Debt guarantee - component units	7,819,021	-	7,819,021	-
Net pension liability	12,441,732	507,762	12,949,494	-
Total other postemployment benefit liability	7,223,295	628,113	7,851,408	-
Net other postemployment benefits obligation	-	-	-	414,206
<b>Total liabilities</b>	<b>35,611,113</b>	<b>21,345,927</b>	<b>56,957,040</b>	<b>15,458,787</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	736,868	73,008	809,876	-
Deferred other postemployment benefits amounts	335,951	29,213	365,164	-
<b>Total deferred inflows of resources</b>	<b>1,072,819</b>	<b>102,221</b>	<b>1,175,040</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	17,017,581	29,057,622	46,075,203	10,632,848
Restricted for:				
PA 495 (fire insurance escrow)	33,690	-	33,690	-
Canine unit	6,050	-	6,050	-
Construction code fees	273,505	-	273,505	-
Major and local streets	6,856,976	-	6,856,976	-
Rubbish collection	783,449	-	783,449	-
Parks and recreation	269,059	-	269,059	-
Public improvement	341,638	-	341,638	-
Drug law enforcement	13,266	-	13,266	-
Capital projects	-	579,732	579,732	-
Housing assistance	-	-	-	318,268
Unrestricted (deficit)	(26,919,682)	4,248,118	(22,671,564)	1,131,563
<b>Total net position (deficit)</b>	<b>\$ (1,324,468)</b>	<b>\$ 33,885,472</b>	<b>\$ 32,561,004</b>	<b>\$ 12,082,679</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 4,142,617	\$ 1,191,732	\$ 95,395	\$ -	\$ (2,855,490)
Public safety	8,188,023	1,745,266	1,046,162	-	(5,396,595)
Public works	4,547,769	1,227,400	81,662	2,362,095	(876,612)
Community and economic development	789,373	60,538	37,238	-	(691,597)
Culture and recreation	528,048	38,249	3,207	-	(486,592)
Interest on long-term debt	12,707	-	-	-	(12,707)
<b>Total governmental activities</b>	<b>18,208,537</b>	<b>4,263,185</b>	<b>1,263,664</b>	<b>2,362,095</b>	<b>(10,319,593)</b>
Business-type activities -					
Water and sewer	11,889,684	11,139,560	-	606,898	(143,226)
<b>Total primary government</b>	<b>\$ 30,098,221</b>	<b>\$ 15,402,745</b>	<b>\$ 1,263,664</b>	<b>\$ 2,968,993</b>	<b>\$ (10,462,819)</b>
<b>Component units</b>					
Tax Increment Finance Authority	\$ 987,850	\$ -	\$ 215,168	\$ 26,760	\$ (745,922)
Brownfield Redevelopment Authority	186,701	-	-	-	(186,701)
Housing Commission	10,386,138	1,100,569	8,743,888	354,934	(186,747)
Commission on Aging	269,183	15,000	26,316	-	(227,867)
<b>Total component units</b>	<b>\$ 11,829,872</b>	<b>\$ 1,115,569</b>	<b>\$ 8,985,372</b>	<b>\$ 381,694</b>	<b>\$ (1,347,237)</b>

continued...

# CITY OF INKSTER, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (10,319,593)	\$ (143,226)	\$ (10,462,819)	\$ (1,347,237)
General revenues:				
Property taxes	5,536,185	2,206,298	7,742,483	431,644
State revenue sharing	4,473,615	45,499	4,519,114	-
Unrestricted investment earnings	-	-	-	1,826
Other revenues	898,521	-	898,521	982,483
Total general revenues	10,908,321	2,251,797	13,160,118	1,415,953
Change in net position	588,728	2,108,571	2,697,299	68,716
Net position, beginning of year, as restated	(1,913,196)	31,776,901	29,863,705	12,013,963
Net position, end of year	\$ (1,324,468)	\$ 33,885,472	\$ 32,561,004	\$ 12,082,679

concluded.

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,097,045	\$ 4,066,278	\$ 3,981,591	\$ 12,144,914
Restricted cash and cash equivalents	313,245	-	-	313,245
Accounts receivable	560,460	-	347,263	907,723
Due from other funds	283,513	-	-	283,513
Due from other governments	610,345	114,297	260,679	985,321
Inventories	15,373	-	-	15,373
Prepaid items	74,596	-	1,370	75,966
<b>Total assets</b>	<b>\$ 5,954,577</b>	<b>\$ 4,180,575</b>	<b>\$ 4,590,903</b>	<b>\$ 14,726,055</b>
<b>Liabilities</b>				
Accounts payable	\$ 669,200	\$ 7,550	\$ 194,395	\$ 871,145
Accrued and other liabilities	266,691	5,722	15,730	288,143
Due to other funds	-	-	283,513	283,513
Due to other governments	1,066,137	-	-	1,066,137
Unearned revenue	-	-	10	10
<b>Total liabilities</b>	<b>2,002,028</b>	<b>13,272</b>	<b>493,648</b>	<b>2,508,948</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	242,227	-	322,723	564,950
<b>Fund balances</b>				
Nonspendable	89,969	-	1,370	91,339
Restricted	313,245	4,167,303	4,095,715	8,576,263
Assigned	50,000	-	-	50,000
Unassigned (deficit)	3,257,108	-	(322,553)	2,934,555
<b>Total fund balances</b>	<b>3,710,322</b>	<b>4,167,303</b>	<b>3,774,532</b>	<b>11,652,157</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,954,577</b>	<b>\$ 4,180,575</b>	<b>\$ 4,590,903</b>	<b>\$ 14,726,055</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2018

Fund balances - total governmental funds	\$ 11,652,157
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,138,800
Capital assets being depreciated, net	16,009,371
Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.	
Deferred long-term receivables	564,960
Deficit equity interest in joint venture	(48,653)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, loans and installment purchase agreements	(3,130,590)
Accrued interest on long-term debt	(3,299)
Estimated self-insurance claims payable	(1,030,790)
Estimated tax chargeback payable	(1,322,931)
Debt guarantee - component unit	(7,819,021)
Compensated absences	(365,377)
Certain pension and other postemployment benefit-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	(12,441,732)
Deferred outflows related to the net pension liability	3,768,751
Deferred inflows related to the net pension liability	(736,868)
Net other postemployment benefit liability	(7,223,295)
Deferred inflows related to the net other postemployment benefit liability	(335,951)
Net position of governmental activities	<u>\$ (1,324,468)</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 4,701,869	\$ 27,990	\$ 806,326	\$ 5,536,185
Licenses and permits	729,796	-	-	729,796
Intergovernmental	5,569,185	828,355	1,673,740	8,071,280
Charges for services	1,421,631	-	1,245,346	2,666,977
Fines and forfeitures	732,342	-	-	732,342
Refunds and reimbursements	133,152	-	-	133,152
Other	701,270	3,000	95,127	799,397
<b>Total revenues</b>	<b>13,989,245</b>	<b>859,345</b>	<b>3,820,539</b>	<b>18,669,129</b>
<b>Expenditures</b>				
Current expenditures:				
General government	4,598,984	-	-	4,598,984
Public safety	7,129,690	-	1,295	7,130,985
Public works	1,216,981	627,368	1,860,017	3,704,366
Community and economic development	1,001,406	-	382,464	1,383,870
Culture and recreation	-	-	519,807	519,807
Other	1,366,132	-	-	1,366,132
Debt service:				
Principal	37,740	-	-	37,740
Interest and fiscal charges	11,771	-	-	11,771
Allocated to other departments	(1,324,013)	-	-	(1,324,013)
<b>Total expenditures</b>	<b>14,038,691</b>	<b>627,368</b>	<b>2,763,583</b>	<b>17,429,642</b>
<b>Revenues over (under) expenditures</b>	<b>(49,446)</b>	<b>231,977</b>	<b>1,056,956</b>	<b>1,239,487</b>
<b>Other financing sources (uses)</b>				
Proceeds from capital lease	35,672	-	-	35,672
Transfers in	-	760,922	65,190	826,112
Transfers out	(65,190)	-	(760,922)	(826,112)
<b>Total other financing sources (uses)</b>	<b>(29,518)</b>	<b>760,922</b>	<b>(695,732)</b>	<b>35,672</b>
<b>Net change in fund balances</b>	<b>(78,964)</b>	<b>992,899</b>	<b>361,224</b>	<b>1,275,159</b>
<b>Fund balances, beginning of year</b>	<b>3,789,286</b>	<b>3,174,404</b>	<b>3,413,308</b>	<b>10,376,998</b>
<b>Fund balances, end of year</b>	<b>\$ 3,710,322</b>	<b>\$ 4,167,303</b>	<b>\$ 3,774,532</b>	<b>\$ 11,652,157</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,275,159

Amounts reported for *governmental activities* in the statement of activities are different because:

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

Capital assets purchased / constructed	941,190
Depreciation expense	(1,458,656)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred long-term receivable	128,136
Change in investment in joint venture	11,140

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of capital lease	(35,672)
Principal payments on long-term liabilities	37,740

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 funds.

Change in accrued interest payable on long-term debt	(936)
Change in the liability for estimated self-insurance claims	(549,837)
Change in net pension liability and deferred amounts	(689,642)
Change in net other postemployment benefits liability and deferred amounts	373,303
Change in debt guarantee - component unit	588,215
Change in the accrual for compensated absences	(31,412)

Change in net position of governmental activities \$ 588,728

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,905,160	\$ 4,725,145	\$ 4,701,869	\$ (23,276)
Licenses and permits	571,615	686,300	729,796	43,496
Intergovernmental	4,907,310	5,748,775	5,569,185	(179,590)
Charges for services	1,442,355	1,482,140	1,421,631	(60,509)
Fines and forfeitures	1,062,400	733,350	732,342	(1,008)
Refunds and reimbursements	40,180	133,675	133,152	(523)
Other	30,000	661,185	701,270	40,085
<b>Total revenues</b>	<b>11,959,020</b>	<b>14,170,570</b>	<b>13,989,245</b>	<b>(181,325)</b>
<b>Expenditures</b>				
<b>General government:</b>				
City council	82,600	93,600	91,485	(2,115)
District court	778,100	806,390	800,938	(5,452)
Mayor	362,500	398,255	390,740	(7,515)
City clerk	206,175	210,270	203,229	(7,041)
Information technology	304,300	394,800	348,867	(45,933)
Treasury	721,240	706,395	694,089	(12,306)
Buildings and grounds	823,975	814,035	888,066	74,031
City attorney	313,000	964,000	934,880	(29,120)
Personnel	232,640	243,665	246,690	3,025
<b>Total general government</b>	<b>3,824,530</b>	<b>4,631,410</b>	<b>4,598,984</b>	<b>(32,426)</b>
<b>Public safety:</b>				
Police	3,930,390	4,154,685	4,063,546	(91,139)
Fire	2,183,455	2,537,450	2,516,305	(21,145)
Building	444,925	450,060	480,113	30,053
Code enforcement	47,680	112,495	69,726	(42,769)
<b>Total public safety</b>	<b>6,606,450</b>	<b>7,254,690</b>	<b>7,129,690</b>	<b>(125,000)</b>
<b>Public works -</b>				
Department of public works	1,007,050	1,240,830	1,216,981	(23,849)

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# CITY OF INKSTER, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
Community and economic development:				
Planning	\$ 156,930	\$ 607,745	\$ 606,706	\$ (1,039)
Appropriation to Brownfield Redevelopment Authority	395,675	395,675	394,700	(975)
Total community and economic development	<u>552,605</u>	<u>1,003,420</u>	<u>1,001,406</u>	<u>(2,014)</u>
Other -				
Insurance and other	<u>1,333,035</u>	<u>1,397,095</u>	<u>1,366,132</u>	<u>(30,963)</u>
Debt service -				
Principal	-	-	37,740	37,740
Interest and fiscal charges	<u>53,810</u>	<u>61,775</u>	<u>11,771</u>	<u>(50,004)</u>
Total debt service	<u>53,810</u>	<u>61,775</u>	<u>49,511</u>	<u>(12,264)</u>
Allocated to other departments	<u>(1,313,650)</u>	<u>(1,313,650)</u>	<u>(1,324,013)</u>	<u>(10,363)</u>
Total expenditures	<u>12,063,830</u>	<u>14,275,570</u>	<u>14,038,691</u>	<u>(236,879)</u>
Revenues under expenditures	(104,810)	(105,000)	(49,446)	55,554
Other financing sources (uses)				
Proceeds from sale of capital assets	125,000	-	-	-
Proceeds from capital lease	-	-	35,672	35,672
Transfers out	<u>(65,190)</u>	<u>(65,190)</u>	<u>(65,190)</u>	<u>-</u>
Total other financing sources (uses)	<u>59,810</u>	<u>(65,190)</u>	<u>(29,518)</u>	<u>35,672</u>
Net change in fund balance	(45,000)	(170,190)	(78,964)	91,226
Fund balance, beginning	<u>3,789,286</u>	<u>3,789,286</u>	<u>3,789,286</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,744,286</u>	<u>\$ 3,619,096</u>	<u>\$ 3,710,322</u>	<u>\$ 91,226</u>

concluded.

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ (80,000)	\$ (80,000)	\$ 27,990	\$ 107,990
Intergovernmental	636,730	636,730	828,355	191,625
Other	-	-	3,000	3,000
<b>Total revenues</b>	<b>556,730</b>	<b>556,730</b>	<b>859,345</b>	<b>302,615</b>
<b>Expenditures</b>				
Public works - Department of public works	3,190,700	721,870	627,368	(94,502)
<b>Revenues over (under) expenditures</b>	<b>(2,633,970)</b>	<b>(165,140)</b>	<b>231,977</b>	<b>397,117</b>
<b>Other financing sources</b>				
Transfers in	724,990	724,990	760,922	35,932
<b>Net change in fund balance</b>	<b>(1,908,980)</b>	<b>559,850</b>	<b>992,899</b>	<b>433,049</b>
Fund balance, beginning	3,174,404	3,174,404	3,174,404	-
<b>Fund balance, end of year</b>	<b>\$ 1,265,424</b>	<b>\$ 3,734,254</b>	<b>\$ 4,167,303</b>	<b>\$ 433,049</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Net Position

Proprietary Fund

June 30, 2018

	Business-type Activities
	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,692,066
Accounts receivable, net	3,741,087
Inventories	43,788
Total current assets	<u>9,476,941</u>
Noncurrent assets:	
Restricted cash and cash equivalents	579,732
Capital assets not being depreciated	551,052
Capital assets being depreciated, net	44,501,698
Total noncurrent assets	<u>45,632,482</u>
<b>Total assets</b>	<u>55,109,423</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	<u>224,197</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,399,256
Accrued liabilities	2,654,050
Accrued interest payable	125,810
Long-term debt, current portion	1,525,266
Total current liabilities	<u>5,704,382</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	14,505,670
Net pension liability	507,762
Net other postemployment benefit liability	628,113
Total noncurrent liabilities	<u>15,641,545</u>
<b>Total liabilities</b>	<u>21,345,927</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	73,008
Deferred other postemployment benefit amounts	<u>29,213</u>
<b>Total deferred inflows of resources</b>	<u>102,221</u>
<b>Net position</b>	
Net investment in capital assets	29,057,622
Restricted for capital projects	579,732
Unrestricted	<u>4,248,118</u>
<b>Total net position</b>	<u>\$ 33,885,472</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Revenues, Expenses and Change in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2018

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 11,139,560
Operating expenses	
Cost of water	1,935,191
Cost of sewage disposal	3,098,455
Wages and fringes	1,051,483
Operating supplies	225,333
Contractual services	1,840,966
Repairs and maintenance	1,532,497
Insurance, claims and other	518,622
Depreciation	1,228,138
Total operating expenses	11,430,685
Operating loss	(291,125)
Nonoperating revenues (expenses)	
Property taxes	2,206,298
Intergovernmental revenue	652,397
Interest expense	(458,999)
Total nonoperating revenues	2,399,696
Change in net position	2,108,571
Net position, beginning of year, as restated	31,776,901
Net position, end of year	\$ 33,885,472

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2018

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 9,531,686
Payments to suppliers for goods and services	(9,385,793)
Payments to employees for services	(1,110,773)
	<hr/>
Net cash used in operating activities	(964,880)
	<hr/>
Cash flows from capital and related financing activities	
Purchase of capital assets	(435,109)
Principal paid on debt	(1,488,017)
Interest paid on debt	(457,485)
Proceeds from issuance of debt	241,702
	<hr/>
Net cash used in capital and related financing activities	(2,138,909)
	<hr/>
Cash flows from noncapital and related financing activities	
Property taxes received	2,206,298
Intergovernmental revenues received	652,397
	<hr/>
Net cash provided by noncapital and and related financing activities	2,858,695
	<hr/>
Net change in cash and cash equivalents	(245,094)
	<hr/>
Cash and cash equivalents, beginning of year	6,516,892
	<hr/>
Cash and cash equivalents, end of year	\$ 6,271,798
	<hr/> <hr/>
Cash and cash equivalents as presented in the statement of net position	
Cash and cash equivalents	\$ 5,692,066
Restricted cash and cash equivalents	579,732
	<hr/>
Total cash and cash equivalents	\$ 6,271,798
	<hr/> <hr/>

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# CITY OF INKSTER, MICHIGAN

## Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2018

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (291,125)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,228,138
Changes in assets and liabilities:	
Accounts receivable, net	(1,607,874)
Inventories	22,737
Prepaid items	8,548
Accounts payable	600,045
Accrued liabilities	(866,059)
Compensated absences	(10,265)
Net pension liability and other related amounts	11,517
Deferred outflows related to net pension liability	(44,033)
Deferred inflows related to net pension liability	15,952
Net other postemployment benefits liability	(61,674)
Deferred inflows related to net other postemployment benefit liability	29,213
	<hr/>
Net cash used in operating activities	<u>\$ (964,880)</u>

concluded.

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Fiduciary Net Position

June 30, 2018

	Pension Trust Funds	Agency Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 710,497
Money market accounts	327,594	-
Municipal bonds	6,913,263	-
Corporate bonds	930,752	-
International bonds	20,984	-
International stocks	255,877	-
Domestic stocks	18,079,496	-
Real estate securities	137,610	-
Guaranteed investment contract	10,032,262	-
Interest receivable	102,215	-
Contributions receivable	12,395	-
Due from broker	19,136	-
	<hr/>	<hr/>
Total assets	36,831,584	\$ 710,497
	<hr/>	<hr/>
<b>Liabilities</b>		
Due to broker	235,377	\$ -
Due to others	-	710,497
	<hr/>	<hr/>
Total liabilities	235,377	\$ 710,497
	<hr/>	<hr/>
Net position restricted for pension benefits	\$ 36,596,207	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

# CITY OF INKSTER, MICHIGAN

## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	Pension Trust Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 1,309,963
Plan members	355,285
Total contributions	<u>1,665,248</u>
Investment income:	
Interest and dividends	1,078,049
Net change in fair value of investments	1,050,780
Total investment income	<u>2,128,829</u>
<b>Total additions</b>	<u>3,794,077</u>
<b>Deductions</b>	
Benefit payments	3,529,604
Administrative expenses	291,495
Total deductions	<u>3,821,099</u>
<b>Change in net position</b>	(27,022)
<b>Net position</b>	
Beginning of year	<u>36,623,229</u>
End of year	<u>\$ 36,596,207</u>

The accompanying notes are an integral part of these financial statements.

CITY OF INKSTER, MICHIGAN

**Combining Statement of Net Position**

Discretely Presented Component Units

June 30, 2018

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,000	\$ -	\$ 4,866,148	\$ 59,321	\$ 4,926,469
Restricted cash and cash equivalents	-	-	318,268	-	318,268
Accounts receivable	-	-	336,035	52,111	388,146
Prepays	-	-	13,867	4,328	18,195
Capital assets not being depreciated	-	-	1,891,186	-	1,891,186
Capital assets being depreciated, net	8,217,230	-	11,713,131	68,841	19,999,202
<b>Total assets</b>	<b>8,218,230</b>	<b>-</b>	<b>19,138,635</b>	<b>184,601</b>	<b>27,541,466</b>
<b>Liabilities</b>					
Accounts payable	1,000	-	242,713	944	244,657
Accrued liabilities	-	-	339,006	326	339,332
Accrued interest payable	90,647	30,278	-	-	120,925
Unearned revenue	-	-	14,822	-	14,822
Long-term debt:					
Due within one year	530,000	70,000	951,488	24,468	1,575,956
Due in more than one year	6,770,000	2,920,000	3,058,889	-	12,748,889
Net other postemployment benefits obligation	-	-	414,206	-	414,206
<b>Total liabilities</b>	<b>7,391,647</b>	<b>3,020,278</b>	<b>5,021,124</b>	<b>25,738</b>	<b>15,458,787</b>
<b>Net position</b>					
Net investment in capital assets	917,230	-	9,671,245	44,373	10,632,848
Restricted for housing assistance	-	-	318,268	-	318,268
Unrestricted (deficit)	(90,647)	(3,020,278)	4,127,998	114,490	1,131,563
<b>Total net position</b>	<b>\$ 826,583</b>	<b>\$ (3,020,278)</b>	<b>\$ 14,117,511</b>	<b>\$ 158,863</b>	<b>\$ 12,082,679</b>

The accompanying notes are an integral part of these financial statements.

CITY OF INKSTER, MICHIGAN

**Combining Statement of Activities**  
Discretely Presented Component Units  
For the Year Ended June 30, 2018

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
<b>Expenses</b>					
Community and economic development	\$ 987,850	\$ 186,701	\$ -	\$ -	\$ 1,174,551
Housing assistance	-	-	10,386,138	-	10,386,138
Commission on aging	-	-	-	269,183	269,183
<b>Total expenses</b>	<b>987,850</b>	<b>186,701</b>	<b>10,386,138</b>	<b>269,183</b>	<b>11,829,872</b>
<b>Program revenues</b>					
Charges for services	-	-	1,100,569	15,000	1,115,569
Operating grants and contributions	215,168	-	8,743,888	26,316	8,985,372
Capital grants and contributions	26,760	-	354,934	-	381,694
<b>Total program revenues</b>	<b>241,928</b>	<b>-</b>	<b>10,199,391</b>	<b>41,316</b>	<b>10,482,635</b>
<b>Net expense</b>	<b>(745,922)</b>	<b>(186,701)</b>	<b>(186,747)</b>	<b>(227,867)</b>	<b>(1,347,237)</b>
<b>General revenues</b>					
Property taxes	137,238	14,201	-	280,205	431,644
Unrestricted investment earnings	-	-	1,826	-	1,826
Other revenues	551,666	394,700	30,862	5,255	982,483
<b>Total general revenues</b>	<b>688,904</b>	<b>408,901</b>	<b>32,688</b>	<b>285,460</b>	<b>1,415,953</b>
<b>Change in net position</b>	<b>(57,018)</b>	<b>222,200</b>	<b>(154,059)</b>	<b>57,593</b>	<b>68,716</b>
<b>Net position (deficit), beginning of year, as restated</b>	<b>883,601</b>	<b>(3,242,478)</b>	<b>14,271,570</b>	<b>101,270</b>	<b>12,013,963</b>
<b>Net position (deficit), end of year</b>	<b>\$ 826,583</b>	<b>\$ (3,020,278)</b>	<b>\$ 14,117,511</b>	<b>\$ 158,863</b>	<b>\$ 12,082,679</b>

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Inkster, Michigan (the "City") is a municipal corporation governed by an elected City Council and administered by an elected Mayor. The City provides the following services: public safety (police and fire), public works (including highways and streets), culture and recreation, community and economic development, water and sewer utilities, and general administration.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### *Reporting entity*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statement to emphasize that they are legally separate from the government.

#### *Blended component unit*

City of Inkster Building Authority - The City of Inkster Building Authority is governed by a board which is appointed by the City Council. Its sole purpose is to finance and construct the City's public buildings. The Building Authority has no assets, liabilities or net position for the year ended June 30, 2018 or financial activity for the year then ended and accordingly is not reported in the current year financial statements.

#### *Discretely presented component units*

The following component units are reported within the component unit column in the statement of net position. A voting majority of the governing bodies of each of these component units is appointed by the City Council.

Beech Daly Tax Increment Finance Authority (the "TIFA") - The TIFA was created to improve deteriorated areas in the TIFA district, encourage historical preservation, and to promote economic growth within the district. The TIFA's governing body, which consists of 13 members, is selected by the City Council. The TIFA does not issue separate financial statements.

Downtown Development Authority (the "DDA") - The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA is governed by a nine-member board which is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA had no financial activity during the year. The DDA does not issue separate financial statements.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

The Brownfield Redevelopment Authority (the "BRA") - The BRA was created to encourage the redevelopment of contaminated property within the City by providing economic incentives through tax increment financing for certain eligible activities and Brownfield Redevelopment Authority single business tax credits. The BRA is governed by a board of not less than five members, each selected by the City Council. In addition, the BRA's budget is subject to approval by the City Council. The BRA does not issue separate financial statements.

Inkster Housing Commission - The Housing Commission was created by the City Council under the provisions of Public Act 18. It was created for the purpose of distributing rental assistance to low-income residents of the City. Because members of the Housing Commission board are appointed by the City Council and can be removed at will, the City is deemed to have effective control over the activities of the Housing Commission. The Housing Commission is presented in the accompanying financial statements on its fiscal year end of December 31. Complete financial statements of the Housing Commission are separately prepared and can be obtained from its administrative office at:

Inkster Housing Commission  
27441 Lehigh Street  
Inkster, Michigan 48141

Inkster Commission on Aging - The Commission on Aging was created by City ordinance 414. The ordinance was passed on April 3, 1972 to encourage, assist and enrich independent living of the aged in the City at a residence of their choice. As members of the Commission on Aging board are appointed by the City Council and can be removed at will, the City is deemed to have effective control over the activities of the Commission on Aging. The Commission on Aging program and services are supported through two millages as well as federal and state funding received through the Area Agency on Aging 1C (The Senior Alliance). The Commission on Aging is presented in the accompanying financial statements on its fiscal year end of June 30. Complete financial statements of the Aging Commission are separately prepared and can be obtained from its administrative office at:

Inkster Commission on Aging  
2000 Inkster Road  
Inkster, Michigan 48141

### *Joint ventures*

The City is a member of the Nankin Transit Commission, which provides transportation services to the residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,000 for its operations. The City has no definable equity interest in the Nankin Transit Commission at June 30, 2018. Complete financial statements for the Nankin Transit Commission can be obtained from its administrative offices at:

Nankin Transit Commission  
37137 Marquette  
Westland, Michigan 48185

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

The City is a member of the Central Wayne County Sanitation Authority (the "Authority"). The City appoints one member to the Authority's governing body which approves the annual budget. The debt of the Authority is being financed through current operations and a property tax millage. The City has recorded an investment related to its share of the net position of the Authority in the government-wide statement of net position. The investment as of June 30, 2018 was a deficit of \$48,653. Complete financial statements of the Authority can be obtained from its administrative office at:

Central Wayne County Sanitation Authority  
3355 W. Wayne Road  
Wayne, Michigan 48184

### *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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### *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 and fiduciary 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 revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

Governmental fund 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, intergovernmental revenue, licenses, 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 and available 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 is used to account for and report all financial resources not accounted for and reported in another fund.

The *local streets special revenue fund* receives allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair, and construction of streets and bridges within the City.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the operation and maintenance of the water and sewer systems, capital additions and improvements, and retirement of related long-term debt. Financing is provided by user charges and property taxes.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Agency funds* account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds account for property tax collections, are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

The *pension trust funds* account for the activities of the General Employees' Retirement Plan and the Policemen and Firemen Retirement Plan, defined benefit pension plans administered by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position is reported for amounts that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

### *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

State statutes authority the City to invest in the following types of investments. The City's formal investment policy is consistent with the state statutes.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Receivables and payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are recorded as unearned revenue.

### *Restricted cash and cash equivalents*

Assets that are restricted for specified uses by bond debt requirements, grant provisions or other external requirements are classified as restricted assets. Restricted assets in the Housing Commission component unit represent funding received from the U.S. Department of Housing and Urban Development for modernization and development activities. Restricted assets in the water and sewer enterprise fund consist of amounts held by Wayne County for construction and maintenance of shared infrastructure assets.

### *Inventories and prepaid items*

Inventories in the proprietary fund are accounted for utilizing the consumption method and are valued at lower of cost (first-in, first-out) or market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

### *Capital assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

	Years
Roads and sidewalks	15-30
Water and sewer systems	40-100
Buildings and improvements	40-50
Vehicles	3-10
Office furnishings	7-10
Other tools and equipment	7-10

### *Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

### *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused sick and vacation time. A liability for sick and vacation time is accrued when incurred in the government-wide and proprietary fund financial statements, whereas it is reported in governmental funds only if it has matured, for example, as a result of employee resignations or retirements.

### *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, when incurred.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City's full accrual activities and funds report deferred inflows of resources for deferred pension and other postemployment benefit amounts whereas the City's governmental funds report unavailable revenues, which arise only under a modified basis of accounting, from amounts due from others for services rendered. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### *Fund equity*

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or 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 government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City currently has no committed fund balance. The City has *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Authority to make assignments is granted by the City Council. *Unassigned fund balance* is the residual classification for the general fund or for any fund in a deficit position.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

### *Property taxes*

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services. A portion of the general fund levy is allocated to the major and local streets special revenue funds each year, as determined by the City Council. Additionally, the City collects taxes for Wayne County and various townships and school districts. Collections of property taxes and remittances to the appropriate authorities are accounted for in the tax collection agency fund.

### *Use of estimates*

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

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Pensions and other postemployment benefits*

For purposes of measuring the net pension liability and total other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the 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.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### *Budgetary information*

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Expenditures at this level in excess of amounts budgeted for activities are a violation of Michigan law. Budget amendments are proposed as needed and subject to formal approval by the City Council.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended June 30, 2018, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance with Finance Budget
General fund			
General government:			
Buildings and grounds	\$ 814,035	\$ 888,066	\$ 74,031
Personnel	243,665	246,690	3,025
Public safety - building	450,060	480,113	30,053
Debt service -			
Principal	-	37,740	37,740

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Construction code fees*

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the year ended June 30, 2018, is as follows:

Cumulative surplus, beginning of year	\$ 133,455
Building permit revenue	619,175
Related expenses - building inspector	(405,842)
Indirect expenses	<u>(73,283)</u>
Cumulative surplus, end of year	<u>\$ 273,505</u>

*Deficit fund balance / net position*

The net position deficit in the Brownfield Redevelopment Authority component unit relates to a housing project that began in fiscal year 2004 whereby the City issued bonds payable to finance engineering, acquisition and demolition of a housing project. As part of an agreement with a local developer, the City paid for the infrastructure of 108 homes and intended to make debt service payments from property tax captures in the development. However, the project has not proceeded as planned. Property tax captures have not been sufficient to meet debt service costs (which have been covered by an appropriation from the City) and the developer is unable to satisfy their guarantee on the debt payments.

In addition, the City is reporting a deficit in the miscellaneous grant fund of \$23,919 and \$298,634 in the Community Development Block Grant fund. As these funds show the same or greater amount in deferred inflows, no deficit elimination plan is required to be filed with the State of Michigan.

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2018:

	Primary Government	Fiduciary Funds	Component Units	Totals
Cash and cash equivalents	\$ 17,836,980	\$ 710,497	\$ 4,926,469	\$ 23,473,946
Restricted cash and cash equivalents	892,977	-	318,268	1,211,245
Investments	-	36,697,838	-	36,697,838
<b>Total</b>	<u>\$ 18,729,957</u>	<u>\$ 37,408,335</u>	<u>\$ 5,244,737</u>	<u>\$ 61,383,029</u>
Deposits and investments				
Demand deposits (checking and savings accounts)				\$ 24,105,289
Deposits held by Wayne County				579,732
Investments - pension trust funds				36,697,838
Cash on hand				<u>170</u>
<b>Total</b>				<u>\$ 61,383,029</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2018, \$21,260,329 of the City's total bank balance of \$22,070,528 was exposed to custodial credit risk.

In accordance with State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments are held in the name of the City by a counterparty, and thus are not exposed to custodial credit risk. Following is a summary of the City's investments as of June 30, 2018:

	Pension Trust Funds
Money market accounts	\$ 327,594
Municipal bonds	6,913,263
Corporate bonds	930,752
International bonds	20,984
International stocks	255,877
Domestic stocks	18,079,496
Real estate securities	137,610
Guaranteed investment contract	<u>10,032,262</u>
 Total investments	 <u><u>\$ 36,697,838</u></u>

*Credit Risk.* State law limits investments to specific governmental securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. Credit risk ratings (Standard & Poors), where applicable, are summarized as follows:

	Pension Trust Funds
S&P AAA/AAAm	\$ 1,174,116
S&P AA	3,452,182
S&P A	1,241,802
S&P BBB	499,804
S&P BB	41,012
Unrated	<u>30,288,922</u>
 Total investments	 <u><u>\$ 36,697,838</u></u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Interest Rate Risk.* Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. Maturity dates for investments held at year-end are as follows:

	Pension Trust Funds
No maturity	\$ 28,832,840
Due within one year	896,558
Due in 1-5 years	2,298,933
Due in 6-10 years	3,336,568
Due in 11-15 years	1,040,609
Due in more than 15 years	<u>292,330</u>
 Total investments	 <u><u>\$ 36,697,838</u></u>

*Foreign Currency Risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. The City's exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Amount
International bonds	\$ 20,984
International stocks	<u>255,877</u>
	<u><u>\$ 276,861</u></u>

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

*Fair Value Measurements.* The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund managers, if necessary.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

The City had the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 327,594	\$ -	\$ -	\$ 327,594
Municipal bonds	-	6,913,263	-	6,913,263
Corporate bonds	-	930,752	-	930,752
International bonds	-	20,984	-	20,984
International stocks	255,877	-	-	255,877
Domestic stocks	18,079,496	-	-	18,079,496
Real estate securities	137,610	-	-	137,610
Guaranteed investment contract	-	10,032,262	-	10,032,262
	<u>\$ 18,800,577</u>	<u>\$ 17,897,261</u>	<u>\$ -</u>	<u>\$ 36,697,838</u>

### 4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 907,723	\$ 4,597,215	\$ 388,146
Allowance for uncollectible amounts	-	(856,128)	-
Due from other governments	985,321	-	-
Total receivables	<u>\$ 1,893,044</u>	<u>\$ 3,741,087</u>	<u>\$ 388,146</u>

In governmental funds, deferred inflows of \$564,950 represent amounts that are considered unavailable. Such items are recognized fully in the government-wide statements.

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 871,145	\$ 1,399,256	\$ 244,657
Accrued and other liabilities	288,143	2,654,050	339,332
Due to other governments	1,066,137	-	-
Estimated self-insurance claims payable	1,030,790	-	-
Estimated tax chargeback payable	1,322,931	-	-
Accrued interest on long-term debt	3,299	125,810	120,925
Total payables	<u>\$ 4,582,445</u>	<u>\$ 4,179,116</u>	<u>\$ 704,914</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 5. CAPITAL ASSETS

#### Primary government

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 307,195	\$ -	\$ -	\$ 307,195
Construction in progress	669,659	161,946	-	831,605
	<u>976,854</u>	<u>161,946</u>	<u>-</u>	<u>1,138,800</u>
Capital assets being depreciated:				
Land improvements	588,289	-	-	588,289
Infrastructure	25,800,234	-	-	25,800,234
Buildings/improvements	7,661,512	7,800	-	7,669,312
Vehicles	6,040,236	60,142	(37,947)	6,062,431
Machinery and equipment	5,935,971	711,302	-	6,647,273
	<u>46,026,242</u>	<u>779,244</u>	<u>(37,947)</u>	<u>46,767,539</u>
Less accumulated depreciation for:				
Land improvements	(405,250)	(29,414)	-	(434,664)
Infrastructure	(12,630,861)	(875,431)	-	(13,506,292)
Buildings/improvements	(6,167,058)	(116,729)	-	(6,283,787)
Vehicles	(4,910,912)	(243,202)	37,947	(5,116,167)
Machinery and equipment	(5,223,378)	(193,880)	-	(5,417,258)
	<u>(29,337,459)</u>	<u>(1,458,656)</u>	<u>37,947</u>	<u>(30,758,168)</u>
Total capital assets being depreciated, net	<u>16,688,783</u>	<u>(679,412)</u>	<u>-</u>	<u>16,009,371</u>
Governmental activities capital assets, net	<u>\$ 17,665,637</u>	<u>\$ (517,466)</u>	<u>\$ -</u>	<u>\$ 17,148,171</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,745	\$ -	\$ -	\$ 2,745
Construction in progress	354,900	193,407	-	548,307
	<u>357,645</u>	<u>193,407</u>	<u>-</u>	<u>551,052</u>
Capital assets being depreciated:				
Buildings/improvements	66,444	-	-	66,444
Furniture and equipment	76,515	-	-	76,515
Water and sewer distribution systems	65,604,071	-	-	65,604,071
Vehicles	-	241,702	-	241,702
	<u>65,747,030</u>	<u>241,702</u>	<u>-</u>	<u>65,988,732</u>
Less accumulated depreciation for:				
Buildings/improvements	(66,444)	-	-	(66,444)
Furniture and equipment	(48,718)	(4,949)	-	(53,667)
Water and sewer distribution systems	(20,143,734)	(1,217,146)	-	(21,360,880)
Vehicles	-	(6,043)	-	(6,043)
	<u>(20,258,896)</u>	<u>(1,228,138)</u>	<u>-</u>	<u>(21,487,034)</u>
Total capital assets being depreciated, net	<u>45,488,134</u>	<u>(986,436)</u>	<u>-</u>	<u>44,501,698</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 45,845,779</u>	<u>\$ (793,029)</u>	<u>\$ -</u>	<u>\$ 45,052,750</u>

At June 30, 2018, the City had outstanding construction commitments in business-type activities of \$60,900.

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

<b>Depreciation of governmental activities by function</b>	
General government	\$ 154,330
Public safety	338,784
Public works	881,798
Culture and recreation	83,744
	<u>1,458,656</u>
<b>Total governmental activities</b>	<u>\$ 1,458,656</u>
<b>Depreciation of business-type activities by function</b>	
Water and sewer	<u>\$ 1,228,138</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### Discretely presented component units

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Beech Daly TIFA</b>				
Capital assets being depreciated:				
Buildings/improvements	\$ 8,725,614	\$ -	\$ -	\$ 8,725,614
Infrastructure	3,130,000	-	-	3,130,000
Furniture and equipment	332,118	-	-	332,118
	<u>12,187,732</u>	<u>-</u>	<u>-</u>	<u>12,187,732</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,169,815)	(235,018)	-	(1,404,833)
Infrastructure	(2,274,667)	(154,167)	-	(2,428,834)
Furniture and equipment	(125,764)	(11,071)	-	(136,835)
	<u>(3,570,246)</u>	<u>(400,256)</u>	<u>-</u>	<u>(3,970,502)</u>
TIFA capital assets, net	<u>\$ 8,617,486</u>	<u>\$ (400,256)</u>	<u>\$ -</u>	<u>\$ 8,217,230</u>
<b>Housing Commission</b>				
Capital assets not being depreciated -				
Land	\$ 1,891,186	\$ -	\$ -	\$ 1,891,186
Capital assets being depreciated:				
Buildings	50,689,657	82,666	-	50,772,323
Furniture and equipment	1,063,053	112,928	(89,072)	1,086,909
	<u>51,752,710</u>	<u>195,594</u>	<u>(89,072)</u>	<u>51,859,232</u>
Less accumulated depreciation	<u>(38,330,332)</u>	<u>(1,904,841)</u>	<u>89,072</u>	<u>(40,146,101)</u>
	<u>13,422,378</u>	<u>(1,709,247)</u>	<u>-</u>	<u>11,713,131</u>
Housing Commission capital assets, net	<u>\$ 15,313,564</u>	<u>\$ (1,709,247)</u>	<u>\$ -</u>	<u>\$ 13,604,317</u>
<b>Commission on Aging</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 20,500	\$ 10,407	\$ -	\$ 30,907
Vehicles	69,328	-	-	69,328
	<u>89,828</u>	<u>10,407</u>	<u>-</u>	<u>100,235</u>
Less accumulated depreciation	<u>(23,966)</u>	<u>(7,428)</u>	<u>-</u>	<u>(31,394)</u>
Commission on Aging capital assets, net	<u>\$ 65,862</u>	<u>\$ 2,979</u>	<u>\$ -</u>	<u>\$ 68,841</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances at year end was as follows:

Due from Fund	Due to Fund
	Nonmajor Governmental Funds
General fund	<u>\$ 283,513</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made. The outstanding amounts at year-end will be repaid when sufficient resources are available.

For the year ended June 30, 2018, interfund transfers are summarized as follows:

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Totals
Local streets special revenue fund	\$ -	\$ 760,922	\$ 760,922
Nonmajor governmental funds	65,190	-	65,190
<b>Totals</b>	<u>\$ 65,190</u>	<u>\$ 760,922</u>	<u>\$ 826,112</u>

During the year, \$760,922 was transferred from the major street fund to the local street fund as allowed by Act 51.

### 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Emergency loan	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ -
Installment purchase agreements	132,658	35,672	(37,740)	130,590	37,029
Total installment debt	3,132,658	35,672	(37,740)	3,130,590	37,029
Compensated absences	333,967	31,410	-	365,377	87,998
<b>Total governmental activities</b>	<u>\$ 3,466,625</u>	<u>\$ 67,082</u>	<u>\$ (37,740)</u>	<u>\$ 3,495,967</u>	<u>\$ 125,027</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Bonds payable	\$ 16,245,111	\$ -	\$ (1,045,000)	\$ 15,200,111	\$ 1,070,000
Installment purchase agreements	996,332	241,702	(443,017)	795,017	445,001
Total installment debt	17,241,443	241,702	(1,488,017)	15,995,128	1,515,001
Compensated absences	46,073	-	(10,265)	35,808	10,265
<b>Total business-type activities</b>	<b>\$ 17,287,516</b>	<b>\$ 241,702</b>	<b>\$ (1,498,282)</b>	<b>\$ 16,030,936</b>	<b>\$ 1,525,266</b>
<b>Component units</b>					
Bonds payable	\$ 10,850,000	\$ -	\$ (560,000)	\$ 10,290,000	\$ 600,000
Loan payable	3,521,788	-	(229,153)	3,292,635	241,478
Capital lease	48,935	-	(24,468)	24,467	24,468
Installment purchase agreements	1,293,213	-	(652,775)	640,438	640,437
Total installment debt	15,713,936	-	(1,466,396)	14,247,540	1,506,383
Compensated absences	64,386	29,369	(16,450)	77,305	69,573
<b>Total component units</b>	<b>\$ 15,778,322</b>	<b>\$ 29,369</b>	<b>\$ (1,482,846)</b>	<b>\$ 14,324,845</b>	<b>\$ 1,575,956</b>

*Emergency loan payable.* The City has entered into an emergency loan agreement with a State agency for program purposes. The loan is due in ten equal installments beginning in March 2022. Interest is payable annually at a rate of 0.10 percent.

### Business-type activities - bonds payable

2010 Clean Water Revolving Fund Bonds; \$643,525 at issuance; due in annual installments of \$30,000 to \$38,525 plus interest at 2.50 percent, semi-annually through April 1, 2030	\$ 418,525
2008 Clean Water Revolving Fund Bonds; \$21,160,000 approved financing; due in annual installments of \$890,000 to \$1,330,000; interest payable semi-annually at 2.5 percent through October 2030; not yet drawn in full	13,126,586
2007 General Obligation Unlimited Tax Bonds; \$3,200,000 at issuance; due in annual installments of \$150,000 to \$240,000; interest payable semi-annually at 4.00 to 5.25 percent through March 2026	<u>1,655,000</u>
<b>Total business-type activities bonds payable</b>	<b><u>\$ 15,200,111</u></b>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### Component units - bonds payable

2002 Tax Increment Finance Authority Bonds; \$1,375,000 at issuance; due in annual installments of \$95,000 to \$105,000; semi-annually at 4.60 to 5.00 percent through November 2019	\$ 195,000
2006 Tax Increment Finance Authority Bonds; \$1,270,000 at issuance; due in annual installments of \$60,000 to \$100,000; interest payable semi-annually at 4.60 to 5.00 percent through November 2025	665,000
2006 Brownfield Redevelopment Authority Tax Increment Bonds; \$4,155,000 at issuance; due in annual installments of \$145,000 to \$525,000; interest payable semi-annually at 6.00 to 6.125 percent through November 2025	2,990,000
2010 Tax Increment Finance Authority General Obligation Bonds; \$7,660,000 at issuance; due in annual installments of \$175,000 to \$590,000; interest payable semi-annually at 5.50 to 8.125 percent through May 2035	<u>6,440,000</u>
<b>Total component units bonds payable</b>	<b><u>\$ 10,290,000</u></b>

*Loan payable.* The Housing Commission component unit has a loan outstanding through the Capital Fund Financing Program (CFFP) for renovations. The loan is due in monthly installments of \$34,048 including interest at 5.25 percent with final payment due in May 2028.

*Capital lease.* The Commission on Aging component unit has a capital lease for a Ford Transit Wagon and two Ford Transit Cargo Vans for a total cost of \$69,238. The lease payments for this consist of three consecutive annual payments of \$20,393.

*Installment purchase agreements.* The City enters into installment purchase agreements for equipment, vehicles, and energy upgrades. Installment purchase agreements outstanding at year-end are as follows:

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
<b>Governmental activities</b>				
2016 Ford E-350 (Ambulance)	10/01/2021	2.67%	\$ 132,658	\$ 107,507
2017 Ford Expedition	07/17/2019	6.0%	35,672	23,083
<b>Total governmental activities</b>			<b><u>\$ 168,330</u></b>	<b><u>\$ 130,590</u></b>
<b>Business-type activities</b>				
2012 water meter lease	09/26/2019	3.00%	\$ 2,613,068	\$ 606,676
2017 backhoe and tandem axle	11/14/2021	5.20%	241,702	188,341
<b>Total business-type activities</b>			<b><u>\$ 2,854,770</u></b>	<b><u>\$ 795,017</u></b>
<b>Component units</b>				
2007 energy efficiency upgrades	01/31/2019	4.40%	\$ 6,324,830	\$ 640,438

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

Debt service requirements to maturity for all installment debt of the City are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 37,029	\$ 9,282	\$ 1,515,001	\$ 425,902	\$ 1,506,383	\$ 895,677
2020	38,390	7,920	1,361,077	381,597	899,465	831,945
2021	27,221	6,499	1,188,216	344,898	873,150	781,063
2022	327,950	5,270	1,220,723	310,165	942,572	727,542
2023	300,000	3,976	1,200,000	274,528	1,017,770	669,434
2024-2028	1,500,000	11,569	6,020,000	845,626	5,157,001	2,360,642
2029-2033	900,000	1,185	3,490,111	132,338	2,691,199	1,096,048
2034-2035	-	-	-	-	1,160,000	142,188
<b>Total</b>	<b>\$ 3,130,590</b>	<b>\$ 45,701</b>	<b>\$ 15,995,128</b>	<b>\$ 2,715,054</b>	<b>\$ 14,247,540</b>	<b>\$ 7,504,539</b>

## 8. RISK MANAGEMENT

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

*Workers' compensation insurance.* The City is self-insured for workers' compensation claims up to \$300,000 individually. Stop-loss coverage is purchased from a commercial carrier for amounts exceeding that limit.

*General liability insurance.* The City is self-insured for general liability claims up to \$2,000,000 individually. Stop-loss coverage is purchased from a commercial carrier for amounts exceeding that limit.

The City estimates the liability for workers' compensation and general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as an estimate for claims incurred but not yet reported. Changes in the estimated liability for the years ended June 30 are as follows:

	Workers' Compensation	General Liability	Total
Estimated liability, June 30, 2016	\$ 52,857	\$ 332,752	\$ 385,609
Claims incurred and changes in estimates	75,603	82,697	158,300
Claim payments	(46,955)	(16,000)	(62,955)
Estimated liability, June 30, 2017	81,505	399,449	480,954
Claims incurred and changes in estimates	(4,484)	576,200	571,716
Claim payments	(21,880)	-	(21,880)
Estimated liability, June 30, 2018	\$ 55,141	\$ 975,649	\$ 1,030,790

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 9. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Local Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Inventories	\$ 15,373	\$ -	\$ -	\$ 15,373
Prepaid items	74,596	-	1,370	75,966
	<u>89,969</u>	<u>-</u>	<u>1,370</u>	<u>91,339</u>
<b>Restricted:</b>				
PA 495 (fire insurance escrow)	33,690	-	-	33,690
Canine unit	6,050	-	-	6,050
Construction code fees	273,505	-	-	273,505
Major and local streets	-	4,167,303	2,689,673	6,856,976
Rubbish collection	-	-	783,449	783,449
Parks and recreation	-	-	267,689	267,689
Public improvement	-	-	341,638	341,638
Drug law enforcement	-	-	13,266	13,266
	<u>313,245</u>	<u>4,167,303</u>	<u>4,095,715</u>	<u>8,576,263</u>
Assigned for loan repayment	50,000	-	-	50,000
Unassigned (deficit)	3,257,108	-	(322,553)	2,934,555
<b>Total fund balances - governmental funds</b>	<u>\$ 3,710,322</u>	<u>\$ 4,167,303</u>	<u>\$ 3,774,532</u>	<u>\$ 11,652,157</u>

### 10. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the City's net investment in capital assets as presented in the government-wide statement of net position:

	Governmental Activities	Business-type Activities	Component Units
<b>Capital assets:</b>			
Capital assets not being depreciated	\$ 1,138,800	\$ 551,052	\$ 1,891,186
Capital assets being depreciated, net	16,009,371	44,501,698	19,999,202
	<u>17,148,171</u>	<u>45,052,750</u>	<u>21,890,388</u>
<b>Related debt:</b>			
Total bonds, loans and other installment debt	3,130,590	15,995,128	14,247,540
Less non-capital related debt	(3,000,000)	-	(2,990,000)
	<u>130,590</u>	<u>15,995,128</u>	<u>11,257,540</u>
<b>Net investment in capital assets</b>	<u>\$ 17,017,581</u>	<u>\$ 29,057,622</u>	<u>\$ 10,632,848</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 11. CONDENSED FINANCIAL INFORMATION - PENSION TRUST FUNDS

Financial activity for the pension trust funds is summarized as follows:

	Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
<b>Assets</b>			
Investments:			
Money market accounts	\$ -	\$ 327,594	\$ 327,594
Municipal bonds	-	6,913,263	6,913,263
Corporate bonds	-	930,752	930,752
International bonds	-	20,984	20,984
International stocks	-	255,877	255,877
Domestic stocks	-	18,079,496	18,079,496
Real estate securities	-	137,610	137,610
Guaranteed investment contract	10,032,262	-	10,032,262
Total investments	10,032,262	26,665,576	36,697,838
Interest receivable	-	102,215	102,215
Contributions receivable	1,295	11,100	12,395
Due from broker	-	19,136	19,136
Total assets	10,033,557	26,798,027	36,831,584
<b>Liabilities</b>			
Due to broker	-	235,377	235,377
Net position restricted for pension benefits	\$ 10,033,557	\$ 26,562,650	\$ 36,596,207

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Change in Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 625,402	\$ 684,561	\$ 1,309,963
Plan members	31,237	324,048	355,285
Total contributions	<u>656,639</u>	<u>1,008,609</u>	<u>1,665,248</u>
Investment income:			
Interest and dividends	339,371	738,678	1,078,049
Net change in fair value of investments	(251,984)	1,302,764	1,050,780
Net investment income	<u>87,387</u>	<u>2,041,442</u>	<u>2,128,829</u>
<b>Total additions</b>	<u>744,026</u>	<u>3,050,051</u>	<u>3,794,077</u>
<b>Deductions</b>			
Benefit payments	969,357	2,560,247	3,529,604
Administrative expenses	102,593	188,902	291,495
<b>Total deductions</b>	<u>1,071,950</u>	<u>2,749,149</u>	<u>3,821,099</u>
<b>Change in net position</b>	<u>(327,924)</u>	<u>300,902</u>	<u>(27,022)</u>
Net position, beginning of year	<u>10,361,481</u>	<u>26,261,748</u>	<u>36,623,229</u>
<b>Net position, end of year</b>	<u>\$ 10,033,557</u>	<u>\$ 26,562,650</u>	<u>\$ 36,596,207</u>

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### *Primary Government*

*Plan Description.* The City of Inkster administered a single-employer defined benefit healthcare plan (the "Plan") up through December 31, 2013. This Plan provided a health insurance benefit to certain retirees, which was funded on the pay-as-you-go basis. Effective January 1, 2014, the City provides an annual stipend to existing retirees to help them secure health care insurance. This stipend is a variable amount according to pre and post-Medicare status. For current employees hired before December 2010, when they retire, they will also receive a monthly stipend as described above. Current employees hired after December 2010 are provided an annual payment into an HSA to help support their postemployment health care insurance needs.

*Funding policy.* The stipend amounts may be amended by the City Council.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Plans Membership.* Membership of the plans consisted of the following at June 30, 2018:

Inactive plan members receiving or entitled to future benefits	77
Active plan members	<u>101</u>
<b>Total</b>	<b><u><u>178</u></u></b>

*Contributions.* The City has no obligation to make contributions in advance of when the stipends are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City's general fund. Plan participants are not required to contribute to the plan. For the year ended June 30, 2018, the City did not make any contributions to advance-fund the plan.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 3.87%. Since the City has made no contributions to advance-fund and there is no net position, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return on OPEB Plan investments until 2018, and discounting with the 20-year AA municipal index bond rate of 3.87% thereafter. This projection is done on a closed group basis, per GASB requirements.

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 (rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

*Inflation* – 3.75%

*Salary increases* – 3.75%

*Investment rate of return* – N/A

*Healthcare cost trend rates* – N/A (plan is pay-as-you-go)

*Retirement age for active employees* – Age-based or Service-based table of rates that are specific to the type of eligibility condition.

*Mortality* – Mortality rates used were based on the RPH-2017 Total Dataset Mortality Table. For Disabled members, the disabled version of these tables are assumed.

Assumption changes for the current year include a decrease in the discount rate and an update to the payroll growth assumption.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Total OPEB Liability of the City*

The City is not prefunding the plan and the total OPEB liability at June 30, 2018 was \$7,851,408.

### *Changes in Total OPEB Liability*

The components of the change in the total OPEB liability are summarized as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2017	\$ 8,622,336	\$ -	\$ 8,622,336
Changes for the year:			
Service cost	83,432	-	83,432
Interest	300,888	-	300,888
Differences between expected and actual experience	(183,497)	-	(183,497)
Employer contributions	-	607,502	(607,502)
Changes in assumptions	(364,249)	-	(364,249)
Benefits payments	(607,502)	(607,502)	-
Net changes	(770,928)	-	(770,928)
Balances at June 30, 2018	\$ 7,851,408	\$ -	\$ 7,851,408

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 8,715,644	\$ 7,851,408	\$ 7,129,284

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* Health care trend rates do not affect the net OPEB liability because the City's explicit subsidy is assumed not to increase in the future.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *OPEB Expense and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the City recognized OPEB expense of \$201,739. The City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 122,331
Changes in assumptions	242,833
	<u>365,164</u>

Amounts reported as deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ 182,582
2020	<u>182,582</u>
Total	<u>\$ 365,164</u>

*Payable to the OPEB Plan.* At June 30, 2018, the City had no amounts payable for contributions to the OPEB plan.

For the governmental activities, the total OPEB liability is generally liquidated by the general fund and for business-type activities the water and sewer enterprise fund liquidates the liability.

### *Housing Commission Component Unit*

*Plan Description.* The City of Inkster Housing Commission administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees, which are funded on the pay-as-you-go basis.

*Funded Status and Funding Progress.* As of January 1, 2016, the date of the most recent actuarial valuation, the plan was 0% funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$131,831. Covered payroll was \$951,014 resulting in UAAL as a percentage of covered payroll of 13.86%.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 13. CONTINGENCIES

In the normal course of its activities, the City is a party in various legal actions, including property tax assessment appeals, whistleblower protection act, assault and battery, negligence, and breach of contract. The City has recorded a liability of \$1,322,931 in the government-wide statements for an estimated tax chargeback liability.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

### 14. GENERAL EMPLOYEES' RETIREMENT SYSTEM

*Plan administration.* The City sponsors the General Employees' Retirement System, a single-employer, defined benefit pension plan which covers full-time employees over the age of 21 with one year of service and a job classification other than police or fire. The plan is closed to new hires. The Plan provides retirement, disability and death benefit to plan members and their beneficiaries. It is accounted for as a separate pension trust fund. Stand-alone financial reports are not prepared. The contribution requirements of the Plan are established and may be amended by the City Council, subject to collective bargaining agreements.

*Plan management.* Management of the City of Inkster Retirement Income Plan is in accordance with the Plan Document originally effective July 1, 1956 and last restated July 1, 2013. The employer, which per the Plan Document is the plan administrator, shall have the sole discretionary right, authority, and power to interpret and construe the Plan and to determine any disputes arising thereunder.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair values as determined by the custodian under the direction of the City Council with the assistance of a valuation service. Administrative costs are financed through investment earnings.

*Plan membership.* At June 30, 2018, the date of the latest actuarial valuation, System membership consisted of the following:

Retirees and beneficiaries receiving benefits	58
Terminated employees entitled to but not yet receiving benefits	8
Vested active members	<u>14</u>
Total membership	<u><u>80</u></u>

*Plan benefits.* Benefits are provided to full-time non-police and fire employees over age 21 with one year of service, at 2.5% of final earnings multiplied by credited service years, except for members of the Dispatchers Union for whom the formula is 2% of final earnings multiplied by years of credited service. Plan members with 25 years of service are eligible to retire at age 55 with an early retirement reduction of 0.5% for each month that retirement precedes the normal retirement date.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Contributions.* The obligation to contribute to the System for these employees was established by City ordinances and state statute, and requires a contribution from the employees of 5% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 122.7% of covered payroll.

*Net pension liability.* The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 (rolled forward to June 30, 2018).

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2017 (rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	2.0 percent, average
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rate	2016 IRS Static Mortality Table for Males or Females

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	1.0%	8.0%
Guaranteed insurance contract	99.0%	4.6%

The actual money-weighted rate of return for the year ended June 30, 2018 was 1.2%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Changes in the net pension liability.* The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 12,799,962	\$ 10,361,481	\$ 2,398,512
Changes for the year:			
Service cost	40,686	-	40,686
Interest	863,867	-	863,867
Differences between expected and actual experience	(151,472)	-	(151,472)
Employer contributions	-	625,402	(625,402)
Employee contributions	-	31,237	(31,237)
Net investment income	-	143,371	(143,371)
Benefit payments, including refunds of employee contributions	(969,357)	(969,357)	-
Administrative expense	-	(102,593)	102,593
Net changes	(216,276)	(271,940)	55,664
Balances at June 30, 2018	\$ 12,583,686	\$ 10,089,541	\$ 2,454,176

*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 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0 percent) or 1 percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
City's net pension liability	\$ 3,602,844	\$ 2,454,176	\$ 1,469,717

*Pension expense and deferred outflows of resources related to pensions.* For the year ended June 30, 2018, the City recognized pension expense of \$560,791. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 105,503	\$ 352,877
Net difference between projected and actual earnings on pension plan investments	978,118	-
Total	\$ 1,083,621	\$ 352,877

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense through annual amortization as follows:

Year Ended June 30,	Outflows Amortization	Inflows Amortization
2019	\$ 374,262	\$ 74,368
2020	321,230	74,368
2021	221,484	74,368
2022	136,103	74,368
2023	18,560	33,768
2024	11,982	21,637
	<u>\$ 1,083,621</u>	<u>\$ 352,877</u>

For the governmental activities, the net pension liability is generally liquidated by the general fund and for business-type activities the water and sewer enterprise fund liquidates the liability.

### 15. POLICE AND FIRE RETIREMENT SYSTEM

*Plan administration.* The City sponsors the Policemen and Firemen Retirement System, a single-employer defined benefit pension plan which covers full-time employees over the age of 21 within the police and fire departments. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. It is accounted for as a separate pension trust fund. Stand alone financial reports are not prepared. The contribution requirements of the Plan are established and may be amended by the City Council, subject to collective bargaining agreements.

*Plan management.* Management of the Policemen and Firemen Retirement System is vested in the City of Inkster's Policemen and Firemen Retirement System Board of Trustees, which consists of five members, one appointed by the Mayor, one appointed by the Council, one member elected by the fire force and one elected by the police force. The fifth member is appointed by the other four board members.

*Plan membership.* Plan membership at June 30, 2017, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	72
Vested active members	7
Vested inactive members	<u>44</u>
Total membership	<u><u>123</u></u>

*Plan benefits.* The Plan provides retirement benefits to full-time fire and police personnel and their beneficiaries. Benefits are provided to those with at least 25 years of service, regardless of age, at 2.75% of final average compensation (FAC) times the first 25 years of service, and 2.5% FAC times the next five years of service, and 1% of FAC for service over 30 years. Members hired after July 1, 2012 receive a benefit of 2.5% of FAC. Firefighters receive no cost of living adjustments. Police Command, Non-Union and Police Officers (members who retired after July 1, 2001) receive an annual benefit of 1/2% COLA for 3 years after retirement, 1% COLA 5 years after retirement, and 2% COLA 10 years after retirement.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Contributions.* The obligation to contribute to the Plan for these employees was established by City ordinances and state statute and requires a contribution from the employees of 12% of gross wages for fire members and 12% for Police Command and Non-Union members effective July 1, 2012, and Police Officers 6.53% effective July 1, 2005. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 22.61% of covered payroll.

*Net pension liability.* The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 (rolled forward to June 30, 2018).

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2017 (rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.0 - 7.0 percent, average, including inflation
Investment rate of return	7.40 percent, net of pension plan investment expense, including inflation
Mortality rate	RP 2014 Healthy Annuitant Mortality Table

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	42%	7.50%
International equities	17%	8.50%
Domestic bonds	38%	2.50%
Real estate	3%	4.50%
	100%	

The actual money-weighted rate of return for the year ended June 30, 2018 was 5.68%.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Discount rate.* The discount rate used to measure the total pension liability was 7.40 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

*Changes in the net pension liability.* The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 34,205,106	\$ 26,261,748	\$ 7,943,358
Changes for the year:			
Service cost	400,714	-	400,714
Interest	2,318,473	-	2,318,473
Differences between expected and actual experience	1,108,793	-	1,108,793
Changes in assumptions	1,589,423	-	1,589,423
Employer contributions	-	684,561	(684,561)
Employee contributions	-	324,048	(324,048)
Net investment income	-	2,041,442	(2,041,442)
Benefit payments, including refunds of employee contributions	(2,560,247)	(2,560,247)	-
Other	-	(184,608)	184,608
Net changes	2,857,156	305,196	2,551,960
Balances at June 30, 2018	\$ 37,062,262	\$ 26,566,944	\$ 10,495,318

*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 7.40 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.40 percent) or 1 percentage-point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount (7.40%)	1% Increase (8.40%)
City's net pension liability	\$ 14,770,979	\$ 10,495,318	\$ 6,928,062

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Pension expense and deferred outflows of resources related to pensions.* For the year ended June 30, 2018, the City recognized pension expense of \$630,698. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 862,395	\$ 456,999
Changes in assumptions	1,252,853	-
Net difference between projected and actual earnings on pension plan investments	794,079	-
	<u>2,909,327</u>	<u>456,999</u>
Total	<u>\$ 2,909,327</u>	<u>\$ 456,999</u>

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense through annual amortization as follows:

Year Ended June 30,	Outflows Amortization	Inflows Amortization
2019	\$ 1,150,846	\$ 240,256
2020	873,937	216,743
2021	557,631	-
2022	326,913	-
	<u>\$ 2,909,327</u>	<u>\$ 456,999</u>

The net pension liability is generally liquidated by the general fund.

## 16. DEFINED CONTRIBUTION PENSION PLANS

*City.* The General Employees' Retirement System is closed to new hires. Employees hired after December 20, 2010 are enrolled in a defined contribution plan. There were no employer contributions to the plan for the year ended June 30, 2018.

*Housing Commission.* The Housing Commission offers a non-mandatory defined contribution retirement plan to all full-time employees with at least one year of service. Participants are required to contribute 3 percent of annual wages. The Housing Commission's contribution to the plan for its fiscal year ended December 31, 2017 was \$62,760

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 17. DEBT GUARANTEE - COMPONENT UNITS

In 2006, the City of Inkster guaranteed the 20-year \$4,155,000 general obligation bond issue of the Brownfield Redevelopment Authority, a legally separate discrete component unit, in accordance with the related borrowing resolution. The bonds mature annually through November 2025, with semiannual interest payments. In the event that the Brownfield Redevelopment Authority is unable to make a payment, the City is required to make that payment or any deficiency. As a result of insufficient captured tax revenue that occurred starting in 2010, the City determined that it was more likely than not that the City would be required to pay a portion of the remaining obligation of the Brownfield Redevelopment Authority's debt service payments based on the guarantee. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

The City of Inkster also guaranteed the general obligation bond issues of the Tax Increment Financing Authority, a legally separate discrete component unit, in accordance with the related borrowing resolution including: a refinanced 17-year \$1,375,000 general obligation bond issue maturing annually through November 2019, with semiannual interest payments; a refinanced 19-year \$1,270,000 general obligation bond issue maturing annually through November 2025, with semiannual interest payments; and a 25-year \$7,660,000 general obligation bond issue maturing annually through May 2025, with semiannual interest payments. In the event that the Tax Increment Financing Authority is unable to make payment on the bonds referred to above, the City is required to make that payment or any deficiency. As a result of insufficient captured tax revenue that occurred starting in 2015, the City determined that it was more likely than not that the City would be required to pay a portion of the remaining obligation of the Tax Increment Financing Authority's debt service payments based on the guarantee. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

Related to these guarantees, during the current year the City paid approximately \$382,000 on the Brownfield Redevelopment Authority debt leaving an estimated net present value of \$3.4 million on the guarantee and paid approximately \$511,000 on the TIFA debt leaving an estimated net present value of \$5.0 million on the guarantee.

### 18. RESTATEMENTS

For the year ended June 30, 2018, the City implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 eliminated the existing net other postemployment benefits obligation (an amount representing the cumulative deficiency of actual plan contributions compared to the actuarially-calculated annual required contribution) and replaced it with the net other postemployment liability (an amount representing the full actuarial accrued liability of the plan, less the resources held in trust). This resulted in a decrease in net position as of July 1, 2017 of \$16,708 for governmental activities and \$113,295 for business-type activities. Because the Inkster Housing Commission is on a different fiscal year end, it has not yet implemented GASB 75 and the unfunded actuarial accrued liability is calculated under GASB 45.



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## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF INKSTER, MICHIGAN

## Required Supplementary Information

General Employees' Retirement System  
Schedule of Investment Returns  
Last Five Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2014	4.11%
6/30/2015	4.40%
6/30/2016	2.30%
6/30/2017	2.90%
6/30/2018	1.20%

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented.

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System  
 Schedule of Changes in the City's Net Pension Liability and Related Ratios  
 Last Five Fiscal Years

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Change in total pension liability					
Service cost	\$ 40,686	\$ 53,442	\$ 61,588	\$ 61,588	\$ 77,087
Interest	863,867	927,069	810,293	872,480	893,856
Differences between expected and actual expense	(151,472)	59,846	93,676	(433,961)	113,605
Benefit payments, including refunds of member contributions	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
Net change in total pension liability	(216,276)	42,167	(28,472)	(574,929)	9,524
Total pension liability, beginning	12,799,962	12,757,795	12,786,267	13,361,196	13,351,672
Total pension liability, ending (a)	12,583,686	12,799,962	12,757,795	12,786,267	13,361,196
Change in plan fiduciary net position					
Contributions - employer	625,402	539,315	571,495	712,471	686,852
Contributions - member	31,237	27,591	32,178	40,363	45,385
Net investment income	143,371	319,446	236,349	475,154	448,782
Benefit payments, including refunds of member contributions	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
Administrative expense	(102,593)	(68,401)	(101,880)	-	(74,943)
Net change in plan fiduciary net position	(271,940)	(180,239)	(255,887)	152,952	31,052
Plan fiduciary net position, beginning	10,401,450	10,581,689	10,837,576	10,684,624	10,653,572
Plan fiduciary net position, ending (b)	10,129,510	10,401,450	10,581,689	10,837,576	10,684,624
City's net pension liability, ending (a)-(b)	\$ 2,454,176	\$ 2,398,512	\$ 2,176,106	\$ 1,948,691	\$ 2,676,572
Plan fiduciary net position as a percentage of the total pension liability	80%	81%	83%	85%	80%
Covered payroll	\$ 523,138	\$ 538,344	\$ 636,501	\$ 676,421	\$ 962,730
City's net pension liability as a percentage of covered payroll	469.1%	445.5%	341.9%	288.1%	278.0%

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented.

# CITY OF INKSTER, MICHIGAN

## Required Supplementary Information

### General Employees' Retirement System

#### Schedule of City Contributions

#### Last Six Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 261,676	\$ 261,676	\$ -	\$ 1,501,498	17.4%
6/30/2014	686,852	686,852	-	962,730	71.3%
6/30/2015	712,471	712,471	-	676,421	105.3%
6/30/2016	571,495	571,495	-	636,501	89.8%
6/30/2017	539,315	539,315	-	538,344	100.2%
6/30/2018	625,402	625,402	-	523,138	119.5%

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented

#### Notes to Schedule of Contributions

Valuation date	June 30, 2017 (rolled forward to June 30, 2018)
Notes	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	There were no benefit changes during the year.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	3.0%
Salary increases	2.0%
Investment rate of return	7.0% net of pension plan investment expense, including inflation
Mortality rates	2016 IRS Static Mortality Table for Males or Females

# CITY OF INKSTER, MICHIGAN

## Required Supplementary Information

Policemen and Firemen Retirement System  
Schedule of Investment Returns  
Last Five Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2014	13.60%
6/30/2015	3.39%
6/30/2016	2.50%
6/30/2017	10.83%
6/30/2018	5.68%

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented.

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Policemen and Firemen Retirement System  
 Schedule of Changes in the City's Net Pension Liability and Related Ratios  
 Last Five Fiscal Years

	Year Ended June 30,				
	2018	2017	2016	2015	2014
<b>Change in total pension liability</b>					
Service cost	\$ 400,714	\$ 324,282	\$ 309,539	\$ 287,089	\$ 392,000
Interest	2,318,473	2,535,102	2,600,341	2,644,360	2,449,516
Changes of benefit terms	-	-	-	969,194	-
Differences between expected and actual expense	1,108,793	(938,050)	(695,852)	(5,593,083)	2,157,315
Changes of assumptions	1,589,423	34,145	1,650,656	3,572,676	-
Benefit payments, including refunds of member contributions	(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
<b>Net change in total pension liability</b>	<b>2,857,156</b>	<b>(742,292)</b>	<b>1,438,509</b>	<b>(684,366)</b>	<b>2,541,777</b>
<b>Total pension liability, beginning</b>	<b>34,205,106</b>	<b>34,947,398</b>	<b>33,508,889</b>	<b>34,193,255</b>	<b>31,651,478</b>
<b>Total pension liability, ending (a)</b>	<b>37,062,262</b>	<b>34,205,106</b>	<b>34,947,398</b>	<b>33,508,889</b>	<b>34,193,255</b>
<b>Change in plan fiduciary net position</b>					
Contributions - employer	684,561	791,347	708,764	442,522	382,606
Contributions - member	324,048	270,279	252,330	185,840	215,583
Other contributions	-	200,951	-	-	-
Net investment income	2,041,442	2,736,122	712,856	744,415	3,253,487
Benefit payments, including refunds of member contributions	(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
Administrative expense	-	(418,004)	(206,592)	-	(25,300)
Other	(184,608)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>305,196</b>	<b>882,924</b>	<b>(958,817)</b>	<b>(1,191,825)</b>	<b>1,369,322</b>
<b>Plan fiduciary net position, beginning</b>	<b>26,261,748</b>	<b>25,378,824</b>	<b>26,337,641</b>	<b>27,520,876</b>	<b>26,151,554</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>26,566,944</b>	<b>26,261,748</b>	<b>25,378,824</b>	<b>26,337,641</b>	<b>27,520,876</b>
<b>City's net pension liability, ending (a)-(b)</b>	<b>\$ 10,495,318</b>	<b>\$ 7,943,358</b>	<b>\$ 9,568,574</b>	<b>\$ 7,171,248</b>	<b>\$ 6,672,379</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>71.7%</b>	<b>76.8%</b>	<b>72.6%</b>	<b>78.6%</b>	<b>80.5%</b>
<b>Covered payroll</b>	<b>\$ 3,028,903</b>	<b>\$ 2,271,629</b>	<b>\$ 1,864,978</b>	<b>\$ 1,838,533</b>	<b>\$ 2,009,679</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>346.5%</b>	<b>349.7%</b>	<b>513.1%</b>	<b>390.1%</b>	<b>332.0%</b>

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented.

# CITY OF INKSTER, MICHIGAN

## Required Supplementary Information

Policemen and Firemen Retirement System  
 Schedule of City Contributions  
 Last Six Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 399,725	\$ 399,725	\$ -	\$ 3,116,746	12.8%
6/30/2014	382,606	382,606	-	2,009,679	19.0%
6/30/2015	442,522	442,522	-	1,838,533	24.1%
6/30/2016	708,764	708,764	-	1,864,978	38.0%
6/30/2017	791,347	791,347	-	2,271,629	34.8%
6/30/2018	684,561	684,561	-	3,028,903	22.6%

Note: This schedule is being built prospectively; ultimately, ten years of data will be presented.

### Notes to Schedule of Contributions

Valuation date June 30, 2017 (rolled forward to June 30, 2018)  
 Notes Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.  
 Other information There were no benefit changes during the year.

### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	4.0%
Salary increases	4.0-7.0% including inflation
Investment rate of return	7.4% net of pension plan investment expense, including inflation
Mortality rates	RP 2014 Healthy Annuitant Mortality Table

*Changes in assumptions* - In 2018, amounts reported as changes in assumptions resulted from increases in the inflation rate used to calculate the discount rate and changes in the mortality tables.

## CITY OF INKSTER, MICHIGAN

### Required Supplementary Information

#### Other Postemployment Benefits Plan

#### Schedule of Changes in the City's Total Other Postemployment Benefit (OPEB) Liability and Related Ratios

This Fiscal Year

	Year Ended June 30, 2018
Total OPEB liability	
Service cost	\$ 83,432
Interest on total OPEB liability	300,888
Changes in assumptions	(364,249)
Difference between expected and actual experience	(183,497)
Benefit payments	(607,502)
Net change in total OPEB liability	<u>(770,928)</u>
Total OPEB liability, beginning of year	<u>8,622,336</u>
Total OPEB liability, end of year	<u>\$ 7,851,408</u>
Covered-employee payroll	\$ 4,607,474
Total OPEB liability as a percentage of covered-employee payroll	170.4%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in assumptions: Assumption changes for the current year include a decrease in the discount rate and an update to the payroll growth assumption.

**COMBINING FUND FINANCIAL  
STATEMENTS**

# CITY OF INKSTER, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Special Revenue			
	Major Streets	Parks and Recreation	Rubbish Collection	Community Development Block Grant
<b>Assets</b>				
Cash and cash equivalents	\$ 2,442,560	\$ 275,713	\$ 930,708	\$ -
Accounts receivable	-	2,246	-	298,804
Due from other governments	260,679	-	-	-
Prepaid items	-	1,370	-	-
<b>Total assets</b>	<b>\$ 2,703,239</b>	<b>\$ 279,329</b>	<b>\$ 930,708</b>	<b>\$ 298,804</b>
<b>Liabilities</b>				
Accounts payable	\$ 13,563	\$ 6,954	\$ 147,259	\$ 21,950
Accrued liabilities	3	3,316	-	12,411
Due to other funds	-	-	-	264,263
Unearned revenue	-	-	-	10
<b>Total liabilities</b>	<b>13,566</b>	<b>10,270</b>	<b>147,259</b>	<b>298,634</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	-	298,804
<b>Fund balances (deficit)</b>				
Nonspendable	-	1,370	-	-
Restricted	2,689,673	267,689	783,449	-
Unassigned (deficit)	-	-	-	(298,634)
<b>Total fund balances (deficit)</b>	<b>2,689,673</b>	<b>269,059</b>	<b>783,449</b>	<b>(298,634)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,703,239</b>	<b>\$ 279,329</b>	<b>\$ 930,708</b>	<b>\$ 298,804</b>



Special Revenue			
PEG Public Improvement	Drug Law Enforcement	Miscellaneous Grants	Totals
\$ 319,344	\$ 13,266	\$ -	\$ 3,981,591
22,294	-	23,919	347,263
-	-	-	260,679
-	-	-	1,370
<u>\$ 341,638</u>	<u>\$ 13,266</u>	<u>\$ 23,919</u>	<u>\$ 4,590,903</u>
\$ -	\$ -	\$ 4,669	\$ 194,395
-	-	-	15,730
-	-	19,250	283,513
-	-	-	10
-	-	23,919	493,648
-	-	23,919	322,723
-	-	-	1,370
341,638	13,266	-	4,095,715
-	-	(23,919)	(322,553)
<u>341,638</u>	<u>13,266</u>	<u>(23,919)</u>	<u>3,774,532</u>
<u>\$ 341,638</u>	<u>\$ 13,266</u>	<u>\$ 23,919</u>	<u>\$ 4,590,903</u>

# CITY OF INKSTER, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Special Revenue			
	Major Streets	Parks and Recreation	Rubbish Collection	Community Development Block Grant
<b>Revenues</b>				
Property taxes	\$ -	\$ 376,023	\$ 430,303	\$ -
Intergovernmental	1,533,740	65,308	36,704	37,238
Charges for services	-	37,196	1,208,150	-
Other	690	3,207	37	-
<b>Total revenues</b>	<b>1,534,430</b>	<b>481,734</b>	<b>1,675,194</b>	<b>37,238</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Public works	336,013	-	1,519,335	-
Community and economic development	-	-	-	336,051
Culture and recreation	-	519,807	-	-
<b>Total expenditures</b>	<b>336,013</b>	<b>519,807</b>	<b>1,519,335</b>	<b>336,051</b>
<b>Revenues over (under) expenditures</b>	<b>1,198,417</b>	<b>(38,073)</b>	<b>155,859</b>	<b>(298,813)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	65,190	-	-
Transfers out	(760,922)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(760,922)</b>	<b>65,190</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>437,495</b>	<b>27,117</b>	<b>155,859</b>	<b>(298,813)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>2,252,178</b>	<b>241,942</b>	<b>627,590</b>	<b>179</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 2,689,673</b>	<b>\$ 269,059</b>	<b>\$ 783,449</b>	<b>\$ (298,634)</b>



Special Revenue			
PEG Public Improvement	Drug Law Enforcement	Miscellaneous Grants	Totals
\$ -	\$ -	\$ -	\$ 806,326
-	750	-	1,673,740
-	-	-	1,245,346
91,193	-	-	95,127
<u>91,193</u>	<u>750</u>	<u>-</u>	<u>3,820,539</u>
-	1,295	-	1,295
-	-	4,669	1,860,017
46,413	-	-	382,464
-	-	-	519,807
<u>46,413</u>	<u>1,295</u>	<u>4,669</u>	<u>2,763,583</u>
<u>44,780</u>	<u>(545)</u>	<u>(4,669)</u>	<u>1,056,956</u>
-	-	-	65,190
-	-	-	(760,922)
-	-	-	(695,732)
44,780	(545)	(4,669)	361,224
296,858	13,811	(19,250)	3,413,308
<u>\$ 341,638</u>	<u>\$ 13,266</u>	<u>\$ (23,919)</u>	<u>\$ 3,774,532</u>

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## AGENCY FUNDS

CITY OF INKSTER, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Agency Funds  
June 30, 2018

	Escrow Fund	Tax Collection Fund	District Court Trust	Aging Tax Collection	District Court Bond	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 552,331	\$ 665	\$ 63,586	\$ 33,763	\$ 60,152	\$ 710,497
<b>Liabilities</b>						
Due to others	\$ 552,331	\$ 665	\$ 63,586	\$ 33,763	\$ 60,152	\$ 710,497

## SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

December 19, 2018

Honorable Mayor and  
Members of the City Council  
City of Inkster, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major component unit, each major fund, and the aggregate remaining fund information of the *City of Inkster, Michigan* (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

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# CITY OF INKSTER, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant				
Entitlement Grants Cluster:				
CDBG - Entitlement Grants - 2015	14.218	WC	MSC-07-3715-HO	\$ 31,000
CDBG - Entitlement Grants - 2016	14.218	WC	MSC-07-3716-HO	168,496
CDBG - Entitlement Grants - 2017	14.218	WC	MSC-07-3717-HO	<u>136,556</u>
Total U.S. Department of Housing and Urban Development				<u>336,052</u>
U.S. Department of Justice				
Justice Assistance Grant	16.738	WC	2016-DJ-BX-0989	7,023
Justice Assistance Grant	16.738	WC	n/a	<u>7,551</u>
Total U.S. Department of Justice				<u>14,574</u>
U.S. Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Direct	EMW-2014-FH-00742	<u>640,272</u>
Total Expenditures of Federal Awards				<u><u>\$ 990,898</u></u>

See notes to schedule of expenditures of federal awards.

# CITY OF INKSTER, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Inkster, Michigan under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Inkster, Michigan, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

The reporting entity of the City of Inkster, Michigan is defined in Note 1 to the City's basic financial statements. The City's financial statements include the operations of the Inkster Housing Commission and Inkster Commission on Aging discretely presented component units that received federal awards which are not included in the Schedule for the year ended June 30, 2018, as these entities were separately audited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the City has elected not to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
WC	Charter County of Wayne, Michigan

### 4. SUBRECIPIENTS

The City did not pass-through any federal awards to subrecipients.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 19, 2018

Honorable Mayor and  
Members of the City Council  
City of Inkster, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Inkster* (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018. Our report includes a reference to other auditors who audited the financial statements of the Inkster Housing Commission and the Inkster Commission on Aging, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### City of Inkster's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 19, 2018

Honorable Mayor and  
Members of the City Council  
City of Inkster, Michigan**Report on Compliance for Major Federal Program**

We have audited the compliance of the *City of Inkster* (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Inkster Housing Commission and the Inkster Commission on Aging, which received \$9,098,822 and \$5,255 in federal awards, respectively, and which were not included in the schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the Inkster Housing Commission or the Inkster Commission on Aging because each arranged for a separate audit in accordance with the Uniform Guidance.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Independent Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### *Opinion on the Major Federal Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

#### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-005. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

#### Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(ies) identified?   yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   yes  X  no

Identification of major programs and type of auditor's

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:  \$ 750,000

Auditee qualified as low-risk auditee?   yes  X  no

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2018-001 - Material Audit Adjustments

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, we identified and proposed certain material adjustments (which were approved and posted by management) to adjust the City's general ledger to the appropriate balances.

**Cause.** Internal controls did not detect all adjustments necessary to properly record year-end balances.

**Effect.** As a result of this condition, the incurred but not reported (IBNR) liability and related expense were understated by \$327,525. Additionally, receivables and revenue were understated for unavailable revenues in the government-wide financial statements by \$123,457.

**Recommendation.** Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustment.

**View of Responsible Officials.** The City has updated procedures to detect this type of error in the future.

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2018-002 - Utility Billing Receivables (repeat comment)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** The City is responsible for maintaining a complete and accurate receivable balance for utility billing customers.

**Condition.** We noted that the City is carrying approximately \$257,000 of outstanding utility billing receivable balances, most of which should be transferred to the tax roll.

**Cause.** This is caused by a lack of review of the aged receivables to identify customer accounts that should be transferred to the tax roll. Additionally, some customers have payment agreements with the City, allowing the customer additional time to pay outstanding balances. We noted that, following the payment agreement, there is no procedure in place to reverse the customer account status, therefore potentially allowing long outstanding balances to accumulate without payment.

**Effect.** As a result of this condition, the City's accounting records may be misstated by amounts material to the financial statements. The City records an allowance for uncollectible utility billing receivables, therefore the risk that the financial statements are materially misstated is mitigated.

**Recommendation.** We recommend that the City establish procedures to review long outstanding customer balances and to review customer accounts after the payment agreement with the City have ended.

**View of Responsible Official.** The City has developed and is implementing an updated monthly reporting and review process for overdue utility accounts. This will require that the receivables are reviewed each month by the Treasurer and Department staff and that follow-up steps are being documented regularly and more completely.

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

2018-003 - Timeliness and Review of Cash Receipts (repeat comment)

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** The City is responsible for depositing cash receipts collected in a timely manner.

**Condition.** We noted that the City had receipts that were 12 days old waiting to be deposited as of June 30, 2018. Considering the City's large amount of cash receipts, this is not considered timely.

**Cause.** This is caused by a lack of review of cash receipts collected by the City on a daily basis, allowing money received by the City to remain in a safe and not transferred to the bank in a timely manner.

**Effect.** As a result of this condition, exposure to theft may be increased or receipts needing to be deposited may be missed.

**Recommendation.** We recommend that the City make daily deposits of deposits to the bank.

**View of Responsible Official.** The City has added a second person that is authorized to deliver deposits to the bank as currently only the Treasurer is authorized to do this. The employee that was previously authorized to assist with this responsibility left the City and no one was assigned to replace them at that time. Having a second person authorized to assist with this function will avoid deposits not being able to get made when the Treasurer is on vacation or otherwise away from the office.

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2018-004 - Pension and Other Postemployment Benefits (OPEB) Census Data

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** The City is responsible for maintaining information on its personnel to support census data being sent to the pension and OPEB actuaries.

**Condition.** We noted that the City was unable to provide complete personnel file information for three active OPEB employees, seven OPEB retirees, one police and firemen pension retiree and one general pension retiree.

**Cause.** It appears that the records are dated for many retirees and new City employees are unable to locate the older files.

**Effect.** As a result of this condition, the City may have inaccurate information being provided to the actuaries who are determining the net pension and other postemployment benefits liabilities and related amounts.

**Recommendation.** We recommend that the City find its personnel files and verify that all information being reported to the actuaries is correct.

**View of Responsible Official.** The City will work with its two pension funds to review the information and data that these funds have collected in their separately maintained files. The City will look to identify information and data that the funds have that may be used to update, supplement and replace missing and incomplete data in the City's files. The City has also worked to update and improve the collection of data that acquires from employees. This includes new and updated forms and making process improvements to ensure that all documentation is acquired and securely placed into the respective files. The City several years ago moved its City Hall location. During that move some files were left behind in the old City Hall. Since the move, the prior location's building has experienced some flooding issues that has impacted the City's ability to access some of the old files. The City will look at trying to recover these files from its former City Hall and will look at contractors who may be able to assist in this process. Because of improved data collection that is being implemented, the City expects that going forward, some of the more recent retirees and actives will have fewer problems related to data collection and personnel files.

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-005 - Written Policies Required by the Uniform Grant Guidance (repeat comment)

Finding Type. Immaterial noncompliance.

Federal Program. Staffing for Adequate Fire and Emergency Response (SAFER); U.S. Department of Homeland Security; CFDA 97.083; Award Number EMW-2014-FH-00742

Criteria. The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); 2) Allowability of costs charged to federal programs (§200.302(7)); and 3) Compensation (personnel and benefits policy) (§200.430 and §200.431).

Condition. Although the City has processes in place to cover these areas, there are no formal written policies covering payments and allowability of costs.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the City did not fully comply with the Uniform Guidance applicable to the above noted grant.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that the City formalize written grant policies and procedures to incorporate the criteria noted above and to include all requirements noted in the Uniform Guidance.

View of Responsible Officials. The City will be developing a comprehensive set of formal written policies and procedures to ensure that the City is fully compliant with the Uniform Grant Guidance.



# CITY OF INKSTER, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

### 2017-001 - Utility Billing Receivables (Repeat)

The auditors noted that the City is carrying approximately \$56,000 of outstanding utility billing receivable balances, most of which should be transferred to the tax roll. As a result of this condition, the City's accounting records may be misstated by amounts material to the financial statements. The City records an allowance for uncollectible utility billing receivables, therefore the risk that the financial statements are materially misstated is mitigated.

This finding was not adequately resolved. See finding 2018-002 in the current year Schedule of Findings and Questioned Costs.

### 2017-002 - Timeliness and Review of Cash Receipts

The City had a range of 4 to 14 days of receipts waiting to be deposited to the bank during our cash receipt procedures. For the large amount of cash receipts the City has, this is not considered timely. In addition, cash receipts are handled by one individual and taken to the bank by another individual, but there is not a detail review of the deposits being performed.

This finding was not adequately resolved. See finding 2018-003 in the current year Schedule of Findings and Questioned Costs.

### 2017-003 - Written Policies Required by the Uniform Grant Guidance (Repeat)

The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); 2) Allowability of costs charged to federal programs (§200.302(7)); and 3) Compensation (personnel and benefits policy) (§200.430 and §200.431). Although the City has processes in place to cover these areas, there are no formal written policies covering payments and allowability of costs. As a result of this condition, the City did not fully comply with the Uniform Guidance.

This finding was not adequately resolved. See finding 2018-004 in the current year Schedule of Findings and Questioned Costs.

### 2017-004 - Activities Costs/Cost Principles - Payroll Documentation

Two out of forty timesheets selected for testing did not have proper approval by the supervisor (in this instance, the Fire Chief) but were paid despite having no approval.

This finding was adequately resolved.



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