

CITY OF INKSTER,
MICHIGAN



Year Ended
June 30, 2020

Financial
Statements and
Supplemental
Information

Rehmann

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CITY OF INKSTER, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

March 30, 2021

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, the aggregate discretely presented component units, 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, 2020, 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 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 the 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.

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We did not audit the financial statements of the following entities, which represent the indicated percentages of total aggregate discretely presented component units:

	Percent of Assets and Deferred Outflows	Percent of Revenues	Percent of Net Position
Inkster Housing Commission	68.8%	85.8%	111.5%
Inkster Commission on Aging	0.9%	2.9%	1.8%

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

Opinions

In our opinion, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Inkster, Michigan, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 March 30, 2021, 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.

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

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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 (the "City") management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2020. 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	\$ 34,240,403
· Change in total net position	(1,114,039)
· Fund balances, governmental funds	8,068,722
· Change in fund balances, governmental funds	(1,600,450)
· Unassigned fund balance, general fund	(847,982)
· Change in fund balance, general fund	(1,967,261)
· Installment debt outstanding	16,986,363
· Change in installment debt	(759,405)

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.

Other Information. 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 \$34,240,403 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 12,573,893	\$ 13,058,161	\$ 14,116,672	\$ 11,473,044	\$ 26,690,565	\$ 24,531,205
Capital assets, net	20,051,185	19,221,381	44,841,237	45,189,655	64,892,422	64,411,036
Total assets	32,625,078	32,279,542	58,957,909	56,662,699	91,582,987	88,942,241
Deferred outflows of resources	4,788,323	3,977,978	405,318	483,555	5,193,641	4,461,533
Long-term debt	3,744,740	3,602,707	13,705,612	14,537,423	17,450,352	18,140,130
Pension and OPEB	24,222,385	21,542,481	1,701,723	1,441,400	25,924,108	22,983,881
Other liabilities	13,716,337	12,804,464	4,879,222	3,443,157	18,595,559	16,247,621
Total liabilities	41,683,462	37,949,652	20,286,557	19,421,980	61,970,019	57,371,632
Deferred inflows of resources	449,061	605,472	117,145	72,228	566,206	677,700
Net investment in capital assets	19,733,890	18,980,259	31,172,169	30,685,008	50,906,059	49,665,267
Restricted	8,741,986	8,468,115	577,942	577,906	9,319,928	9,046,021
Unrestricted (deficit)	(33,194,998)	(29,745,978)	7,209,414	6,389,132	(25,985,584)	(23,356,846)
Total net position (deficit)	\$ (4,719,122)	\$ (2,297,604)	\$ 38,959,525	\$ 37,652,046	\$ 34,240,403	\$ 35,354,442

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$50,906,059 reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery, furniture, 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, \$9,319,928, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$25,985,584 represents an accumulated deficit.

The government's net position decreased by \$1,114,039 during the current fiscal year. This net decrease was a combination of a decrease of \$2,421,518 in governmental activities and an increase of \$1,307,479 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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 4,042,742	\$ 4,622,441	\$ 10,395,923	\$ 10,643,652	\$ 14,438,665	\$ 15,266,093
Operating grants	1,265,913	1,098,600	-	-	1,265,913	1,098,600
Capital grants	2,458,989	2,734,767	394,842	853,107	2,853,831	3,587,874
General revenues:						
Property taxes	6,212,196	6,001,852	2,214,765	2,885,190	8,426,961	8,887,042
State shared revenues	3,835,211	3,744,381	37,852	43,491	3,873,063	3,787,872
Unrestricted investment earnings	46,616	32,791	68,669	39,020	115,285	71,811
Gain on sale of capital assets	512,325	697,820	-	-	512,325	697,820
Other revenues	217,775	112,457	-	-	217,775	112,457
Total revenues	18,591,767	19,045,109	13,112,051	14,464,460	31,703,818	33,509,569
Expenses						
General government	5,218,529	5,245,865	-	-	5,218,529	5,245,865
Public safety	10,124,186	8,824,037	-	-	10,124,186	8,824,037
Public works	4,706,489	4,576,152	-	-	4,706,489	4,576,152
Community and economic development	406,248	639,800	-	-	406,248	639,800
Culture and recreation	496,113	601,553	-	-	496,113	601,553
Interest on long-term debt	61,720	29,672	-	-	61,720	29,672
Water and sewer	-	-	11,804,572	10,697,886	11,804,572	10,697,886
Total expenses	21,013,285	19,917,079	11,804,572	10,697,886	32,817,857	30,614,965
Change in net position	(2,421,518)	(871,970)	1,307,479	3,766,574	(1,114,039)	2,894,604
Net position (deficit)						
Beginning of year	(2,297,604)	(1,425,634)	37,652,046	33,885,472	35,354,442	32,459,838
End of year	\$ (4,719,122)	\$ (2,297,604)	\$ 38,959,525	\$ 37,652,046	\$ 34,240,403	\$ 35,354,442

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$2,421,518. This is primarily the result of increases in personnel costs including the pension and OPEB liabilities.

Business-type Activities. Business-type activities increased the City's net position by \$1,307,479. 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 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 \$8,068,722, a decrease of \$1,600,450 over the prior year. A portion of the fund balance is nonspendable, \$59,340 for inventory and prepaid items. Unassigned fund deficit, \$867,882, is approximately -10.8% of total fund balance. The remainder of fund balance is restricted by external sources for specific purposes, \$8,727,264, or assigned, \$150,000.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund deficit of the general fund was \$847,982 while total fund deficit amounted to \$98,349. Nonspendable fund balance for inventory and prepaid items amounted to \$59,340. \$540,293 is restricted by external sources for fire insurance, policing, and building permits. Assigned fund balance of \$150,000 is for the City's emergency loan borrowed in 2016.

The major street special revenue fund is used to account for expenditures associated with the construction and maintenance needs of the major street portions of the City's street network. A reduction in grant and other revenue received as compared to the prior year resulted in a decrease in fund balance of \$249,481.

The local streets special revenue fund is used to account for expenditures related to the maintenance, repair, and construction of streets and bridges within the City. Fund balance significantly increased by \$418,098 over the past year as salary and maintenance costs decreased.

The rubbish special revenue fund is used to provide waste and refuse collection and disposal services throughout the City. Fund balance decreased \$57,046 as the cost for contract services increased from the prior year.

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 \$1,967,261 for the current fiscal year, resulting in unassigned fund deficit of \$847,982.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

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

- General fund intergovernmental – Revenues in this category were negatively impacted in this fiscal year. The original budget was amended due to anticipated intergovernmental revenues of \$1.3 million related to grants; however, actual amounts were far less as the City did not complete grant reimbursements during the fiscal year for all of the expenditures that were eligible for reimbursement. While these expenditures were incurred during this fiscal year and are reflected in the financial statements, some of the reimbursements that were initially planned and budgeted were not received. The delay in requesting and receiving the reimbursements was due in part to staffing issues that the City experienced during the fiscal year. The City expects to request and receive the reimbursement for all of these already incurred expenditures in the next fiscal year and should see a corresponding positive impact to revenues in this category at that time.
- General fund charges for services – Revenue in this category fell below budgeted projections largely due to ambulance revenue in the fire department not meeting expectations. While the City has made recent investments in its vehicle fleet for the fire department, staff turnover impacted the City's ability to fully realize some of the revenue projections.
- Licenses and permits - Revenues in this category fell below budgeted projections largely due to the COVID-19 pandemic forcing the closure of municipal offices and decline in permit activity during the last three months of the fiscal year.
- Fines and forfeitures - Revenues in this category fell below budgeted projections partially due to the COVID-19 pandemic forcing the closure the court and other municipal offices.
- General fund expenditures – Some of the expenditures in this category came in above budgeted projections. The City attorney original budget was amended to account for increased litigation expenditures. Other departments included fire expenditures being higher due to the purchase of a new ambulance, which was funded through the FDCVT grant program. The fire department also purchased new radios which were funded by FEMA grant funds. The code enforcement wages were higher than originally anticipated during the fiscal year.

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, 2020, amounted to \$64,892,422 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery, furniture, 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 John Daly Road project.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	1,621,129	-	99,399	32,461	1,720,528	32,461
Land improvements	103,793	124,214	-	-	103,793	124,214
Infrastructure	12,924,250	13,904,609	-	-	12,924,250	13,904,609
Buildings/improvements	1,798,569	1,912,747	-	-	1,798,569	1,912,747
Vehicles	1,467,612	1,459,595	873,171	245,258	2,340,783	1,704,853
Machinery, furniture, and equipment	1,828,637	1,513,021	17,378	13,396	1,846,015	1,526,417
Water and sewer distribution systems	-	-	43,848,544	44,895,795	43,848,544	44,895,795
Total capital assets, net	\$ 20,051,185	\$ 19,221,381	\$ 44,841,237	\$ 45,189,655	\$ 64,892,422	\$ 64,411,036

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 \$17,450,352. 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	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ -	\$ -	\$ 13,020,111	\$ 14,130,111	\$ 13,020,111	\$ 14,130,111
Emergency loan	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Installment purchase agreements	317,295	241,122	648,957	374,536	966,252	615,658
Compensated absences	427,445	361,585	36,544	32,776	463,989	394,361
Total long-term debt	\$ 3,744,740	\$ 3,602,707	\$ 13,705,612	\$ 14,537,423	\$ 17,450,352	\$ 18,140,130

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

Crucial to the City's short and long-term financial stability is the ability to generate revenue growth and decrease expenditures. There has been small but steady increases in the City's property values and property tax collections. Additionally, there has been an increase in new developments that are planned or currently under construction in some of the City's industrial areas. The State of Michigan's growth in medical and recreational marijuana has helped increase the demand for industrial property in the City as it expands into this market. Developments and renovation projects will increase property values, thereby also increasing property tax revenues as they reach completion. A decrease in tax revenue is expected starting in 2021 due to the 2020 revision of MCL 211.7u; the revisions expand the opportunities to qualify for the poverty exemption.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

While the City was released from its consent agreement with the state of Michigan back in July 2016, the City continues to face budgetary challenges that requires fiscal discipline. The City has made recent investments in the area of public safety for both the police and fire departments as it views these as vital services that are provided to citizens, businesses, and visitors. The COVID-19 pandemic has had both negative financial and non-financial impacts on the City and will continue to impact the City likely into 2022.

As of June 30, 2020, the City had uncollected grant reimbursements from both the 2019-2020 fiscal year as well as prior fiscal years. In addition to revenue growth and expenditure reduction, the City will focus on collecting these reimbursements and seek out additional funding opportunities to help bolster the general fund balance.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. As of the period-end date of these financial statements, and continuing through to the filing date of these financial statements, the outbreak has continued to negatively impact economic markets, business operations, financial operations, and the provision of many governmental services.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF INKSTER, MICHIGAN

Statement of Net Position

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,666,816	\$ 10,503,534	\$ 20,170,350	\$ 5,755,794
Restricted cash and cash equivalents	540,293	577,942	1,118,235	310,116
Receivables, net	2,305,738	2,991,685	5,297,423	704,327
Inventories and prepaid items	59,340	43,511	102,851	11,019
Surplus equity interest in joint venture	1,706	-	1,706	-
Capital assets not being depreciated	1,928,324	102,144	2,030,468	2,487,255
Capital assets being depreciated, net	18,122,861	44,739,093	62,861,954	16,288,801
Total assets	32,625,078	58,957,909	91,582,987	25,557,312
Deferred outflows of resources				
Deferred pension amounts	4,423,973	357,095	4,781,068	-
Deferred other postemployment benefits amounts	364,350	48,223	412,573	-
Total deferred outflows of resources	4,788,323	405,318	5,193,641	-
Liabilities				
Accounts payable and accrued expenses	6,952,555	4,879,222	11,831,777	1,317,905
Unearned revenue	304,673	-	304,673	41,508
Long-term debt:				
Due within one year	236,836	1,382,552	1,619,388	873,150
Due in more than one year	3,507,904	12,323,060	15,830,964	10,972,480
Other noncurrent liabilities-				
Debt guarantee - component units	6,459,109	-	6,459,109	-
Net pension liability (due in more than one year)	16,735,129	710,762	17,445,891	-
Total other postemployment benefit liability (due in more than one year)	7,487,256	990,961	8,478,217	-
Total liabilities	41,683,462	20,286,557	61,970,019	13,205,043
Deferred inflows of resources				
Deferred pension amounts	449,061	117,145	566,206	-
Net position				
Net investment in capital assets	19,733,890	31,172,169	50,906,059	9,404,365
Restricted for:				
PA 495 (fire insurance escrow)	34,040	-	34,040	-
Canine unit	6,185	-	6,185	-
Construction code fees	500,068	-	500,068	-
Major and local streets	6,780,028	-	6,780,028	-
Rubbish collection	715,665	-	715,665	-
Parks and recreation	276,452	-	276,452	-
Public improvement	418,925	-	418,925	-
Drug law enforcement	10,623	-	10,623	-
Capital projects	-	577,942	577,942	-
Housing assistance	-	-	-	223,389
Unrestricted (deficit)	(33,194,998)	7,209,414	(25,985,584)	2,724,515
Total net position (deficit)	\$ (4,719,122)	\$ 38,959,525	\$ 34,240,403	\$ 12,352,269

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

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,218,529	\$ 1,214,871	\$ 45,724	\$ -	\$ (3,957,934)
Public safety	10,124,186	1,468,614	912,427	-	(7,743,145)
Public works	4,706,489	1,250,505	90,756	2,458,989	(906,239)
Community and economic development	406,248	84,880	115,624	-	(205,744)
Culture and recreation	496,113	23,872	101,382	-	(370,859)
Interest on long-term debt	61,720	-	-	-	(61,720)
Total governmental activities	21,013,285	4,042,742	1,265,913	2,458,989	(13,245,641)
Business-type activities -					
Water and sewer	11,804,572	10,395,923	-	394,842	(1,013,807)
Total primary government	\$ 32,817,857	\$ 14,438,665	\$ 1,265,913	\$ 2,853,831	\$ (14,259,448)
Component units					
Tax Increment Finance Authority	\$ 946,913	\$ -	\$ -	\$ 39,538	\$ (907,375)
Brownfield Redevelopment Authority	156,469	-	-	-	(156,469)
Housing Commission	11,091,475	823,258	8,568,234	474,855	(1,225,128)
Commission on Aging	283,249	15,000	18,415	-	(249,834)
Total component units	\$ 12,478,106	\$ 838,258	\$ 8,586,649	\$ 514,393	\$ (2,538,806)

continued...

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (13,245,641)	\$ (1,013,807)	\$ (14,259,448)	\$ (2,538,806)
General revenues:				
Property taxes	6,212,196	2,214,765	8,426,961	540,851
State revenue sharing	3,835,211	37,852	3,873,063	-
Unrestricted investment earnings	46,616	68,669	115,285	-
Gain on sale of capital assets	512,325	-	512,325	-
Other revenues	217,775	-	217,775	1,727,104
Total general revenues	10,824,123	2,321,286	13,145,409	2,267,955
Change in net position	(2,421,518)	1,307,479	(1,114,039)	(270,851)
Net position (deficit), beginning of year	(2,297,604)	37,652,046	35,354,442	12,623,120
Net position (deficit), end of year	\$ (4,719,122)	\$ 38,959,525	\$ 34,240,403	\$ 12,352,269

concluded.

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

CITY OF INKSTER, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2020

	General Fund	Major Streets	Local Streets	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,018,480	\$ 2,777,002	\$ 4,194,708	\$ 864,407	\$ 812,219	\$ 9,666,816
Restricted cash and cash equivalents	540,293	-	-	-	-	540,293
Accounts receivable	1,297,248	-	388	5,619	43,378	1,346,633
Due from other funds	20,000	-	-	-	-	20,000
Due from other governments	398,274	237,046	103,864	-	-	739,184
Due from component unit	219,921	-	-	-	-	219,921
Inventories	9,130	-	-	-	-	9,130
Prepaid items	50,210	-	-	-	-	50,210
Total assets	\$ 3,553,556	\$ 3,014,048	\$ 4,298,960	\$ 870,026	\$ 855,597	\$ 12,592,187
Liabilities						
Accounts payable	\$ 727,515	\$ 472,902	\$ 37,143	\$ 154,361	\$ 31,586	\$ 1,423,507
Accrued and other liabilities	335,632	-	13,905	-	2,338	351,875
Due to other funds	-	-	-	-	20,000	20,000
Due to other governments	1,149,399	6,275	2,755	-	-	1,158,429
Unearned revenue	209,000	-	-	-	95,673	304,673
Total liabilities	2,421,546	479,177	53,803	154,361	149,597	3,258,484
Deferred inflows of resources						
Unavailable revenue	1,230,359	-	388	5,619	28,615	1,264,981
Fund balances						
Nonspendable	59,340	-	-	-	-	59,340
Restricted	540,293	2,534,871	4,244,769	710,046	697,285	8,727,264
Assigned	150,000	-	-	-	-	150,000
Unassigned (deficit)	(847,982)	-	-	-	(19,900)	(867,882)
Total fund balances (deficit)	(98,349)	2,534,871	4,244,769	710,046	677,385	8,068,722
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,553,556	\$ 3,014,048	\$ 4,298,960	\$ 870,026	\$ 855,597	\$ 12,592,187

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, 2020

Fund balances - total governmental funds \$ 8,068,722

Amounts reported for *governmental activities* 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	1,928,324
Capital assets being depreciated, net	18,122,861

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	1,264,981
Equity interest in joint venture	1,706

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	(3,317,295)
Accrued interest on long-term debt	(5,722)
Estimated self-insurance claims payable	(3,003,840)
Estimated tax chargeback payable	(1,009,182)
Debt guarantee - component unit	(6,459,109)
Compensated absences	(427,445)

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	(16,735,129)
Deferred outflows related to the net pension liability	4,423,973
Deferred inflows related to the net pension liability	(449,061)
Net other postemployment benefit liability	(7,487,256)
Deferred outflows related to the net other postemployment benefit liability	364,350

Net position (deficit) of governmental activities \$ (4,719,122)

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, 2020

	General Fund	Major Streets	Local Streets	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 5,026,940	\$ -	\$ 31,547	\$ 528,963	\$ 395,962	\$ 5,983,412
Licenses and permits	717,091	-	-	-	-	717,091
Intergovernmental	4,650,025	1,714,814	744,175	7,923	182,772	7,299,709
Charges for services	1,014,034	-	-	1,349,622	23,872	2,387,528
Fines and forfeitures	661,335	-	-	-	-	661,335
Refunds and reimbursements	108,914	-	-	-	-	108,914
Investment income	-	6,729	37,359	1,873	655	46,616
Other	39,859	4,471	-	-	174,642	218,972
Total revenues	12,218,198	1,726,014	813,081	1,888,381	777,903	17,423,577
Expenditures						
Current expenditures:						
General government	4,547,394	-	-	-	-	4,547,394
Public safety	8,509,955	-	-	-	8,764	8,518,719
Public works	912,765	1,975,495	394,983	1,945,427	54,716	5,283,386
Community and economic development	943,712	-	-	-	95,362	1,039,074
Culture and recreation	-	-	-	-	429,011	429,011
Other	1,224,959	-	-	-	-	1,224,959
Debt service:						
Principal	196,321	-	-	-	-	196,321
Interest and fiscal charges	59,286	-	-	-	-	59,286
Allocated to other departments	(1,489,303)	-	-	-	-	(1,489,303)
Total expenditures	14,905,089	1,975,495	394,983	1,945,427	587,853	19,808,847
Revenues over (under) expenditures	(2,686,891)	(249,481)	418,098	(57,046)	190,050	(2,385,270)
Other financing sources (uses)						
Proceeds from capital lease	272,495	-	-	-	-	272,495
Proceeds from sale of capital assets	512,325	-	-	-	-	512,325
Transfers in	-	-	-	-	65,190	65,190
Transfers out	(65,190)	-	-	-	-	(65,190)
Total other financing sources	719,630	-	-	-	65,190	784,820
Net change in fund balances	(1,967,261)	(249,481)	418,098	(57,046)	255,240	(1,600,450)
Fund balances, beginning of year	1,868,912	2,784,352	3,826,671	767,092	422,145	9,669,172
Fund balances (deficit), end of year	\$ (98,349)	\$ 2,534,871	\$ 4,244,769	\$ 710,046	\$ 677,385	\$ 8,068,722

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, 2020

Net change in fund balances (deficit) - total governmental funds \$ (1,600,450)

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	2,711,967
Depreciation expense	(1,882,163)

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	427,081
Change in estimated tax chargeback	228,784
Change in investment in joint venture	14,166

Certain proceeds, such as bonds, provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt 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	(272,495)
Principal payments on long-term liabilities	196,321

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	(2,434)
Change in the liability for estimated self-insurance claims	(1,103,430)
Change in net pension liability and deferred amounts	(1,894,739)
Change in net other postemployment benefits liability and deferred amounts	181,591
Change in debt guarantee - component unit	640,143
Change in the accrual for compensated absences	(65,860)

Change in net position (deficit) of governmental activities \$ (2,421,518)

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,478,600	\$ 4,848,800	\$ 5,026,940	\$ 178,140
Licenses and permits	1,044,500	976,500	717,091	(259,409)
Intergovernmental	4,473,220	5,777,600	4,650,025	(1,127,575)
Charges for services	1,435,420	1,262,170	1,014,034	(248,136)
Fines and forfeitures	915,500	770,200	661,335	(108,865)
Refunds and reimbursements	48,400	50,100	108,914	58,814
Other	175,500	77,600	39,859	(37,741)
Total revenues	12,571,140	13,762,970	12,218,198	(1,544,772)
Expenditures				
General government:				
City council	94,800	94,800	82,706	(12,094)
District court	881,510	837,920	781,273	(56,647)
Mayor	325,490	354,110	336,289	(17,821)
City clerk	233,000	243,000	240,710	(2,290)
Information technology	366,800	423,320	424,041	721
Treasury	738,150	734,210	631,762	(102,448)
Buildings and grounds	727,800	857,390	765,404	(91,986)
City attorney	422,000	1,037,000	1,069,168	32,168
Personnel	223,070	223,990	216,041	(7,949)
Total general government	4,012,620	4,805,740	4,547,394	(258,346)
Public safety:				
Police	4,337,100	4,496,910	4,269,009	(227,901)
Fire	2,752,590	3,163,230	3,683,003	519,773
Building	386,700	386,700	281,058	(105,642)
Code enforcement	66,000	91,490	276,885	185,395
Total public safety	7,542,390	8,138,330	8,509,955	371,625
Public works -				
Department of public works	675,200	895,500	912,765	17,265

continued...

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community and economic development:				
Community and Development	\$ -	\$ 69,200	\$ 33,672	\$ (35,528)
Planning	753,250	670,190	495,550	(174,640)
Appropriation to Brownfield Redevelopment Authority	414,500	414,500	414,490	(10)
Total community and economic development	1,167,750	1,153,890	943,712	(210,178)
Other -				
Insurance and other	1,306,710	1,331,260	1,224,959	(106,301)
Debt service:				
Principal	-	-	196,321	196,321
Interest and fiscal charges	80,000	109,290	59,286	(50,004)
Total debt service	80,000	109,290	255,607	146,317
Allocated to other departments	(1,329,560)	(1,329,560)	(1,489,303)	(159,743)
Total expenditures	13,455,110	15,104,450	14,905,089	(199,361)
Revenues over (under) expenditures	(883,970)	(1,341,480)	(2,686,891)	(1,345,411)
Other financing sources (uses)				
Proceeds from capital lease	-	-	272,495	272,495
Proceeds from sale of capital assets	950,000	508,000	512,325	4,325
Transfers out	(65,190)	(65,190)	(65,190)	-
Total other financing sources (uses)	884,810	442,810	719,630	276,820
Net change in fund balance	840	(898,670)	(1,967,261)	(1,068,591)
Fund balance, beginning	1,868,912	1,868,912	1,868,912	-
Fund balance (deficit), end of year	\$ 1,869,752	\$ 970,242	\$ (98,349)	\$ (1,068,591)

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 - Major Streets Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,716,070	\$ 1,716,070	\$ 1,714,814	\$ (1,256)
Investment income	-	-	6,729	6,729
Other	660	660	4,471	3,811
Total revenues	1,716,730	1,716,730	1,726,014	9,284
Expenditures				
Public works - Department of public works	1,749,180	2,166,302	1,975,495	(190,807)
Net change in fund balance	(32,450)	(449,572)	(249,481)	200,091
Fund balance, beginning	2,784,352	2,784,352	2,784,352	-
Fund balance, end of year	\$ 2,751,902	\$ 2,334,780	\$ 2,534,871	\$ 200,091

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ (50,000)	\$ (50,000)	\$ 31,547	\$ 81,547
Intergovernmental	748,730	748,730	744,175	(4,555)
Investment income	-	-	37,359	37,359
Total revenues	698,730	698,730	813,081	114,351
Expenditures				
Public works - Department of public works	2,210,820	2,301,010	394,983	(1,906,027)
Net change in fund balance	(1,512,090)	(1,602,280)	418,098	2,020,378
Fund balance, beginning	3,826,671	3,826,671	3,826,671	-
Fund balance, end of year	\$ 2,314,581	\$ 2,224,391	\$ 4,244,769	\$ 2,020,378

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 - Rubbish Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 415,730	\$ 415,730	\$ 528,963	\$ 113,233
Intergovernmental	-	-	7,923	7,923
Charges for services	1,349,300	1,349,300	1,349,622	322
Investment income	-	-	1,873	1,873
Total revenues	1,765,030	1,765,030	1,888,381	123,351
Expenditures				
Public works - Department of public works	1,934,200	1,934,200	1,945,427	11,227
Net change in fund balance	(169,170)	(169,170)	(57,046)	112,124
Fund balance, beginning	767,092	767,092	767,092	-
Fund balance, end of year	\$ 597,922	\$ 597,922	\$ 710,046	\$ 112,124

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Proprietary Fund
June 30, 2020

	Business-type Activities
	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 10,503,534
Accounts receivable, net	2,991,685
Inventories	43,511
Total current assets	<u>13,538,730</u>
Noncurrent assets:	
Restricted cash and cash equivalents	577,942
Capital assets not being depreciated	102,144
Capital assets being depreciated, net	44,739,093
Total noncurrent assets	<u>45,419,179</u>
Total assets	<u>58,957,909</u>
Deferred outflows of resources	
Deferred pension amounts	357,095
Deferred other postemployment benefits amounts	48,223
Total deferred outflows of resources	<u>405,318</u>
Liabilities	
Current liabilities:	
Accounts payable	3,716,675
Accrued liabilities	1,066,716
Accrued interest payable	95,831
Long-term debt, current portion	1,382,552
Total current liabilities	<u>6,261,774</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	12,323,060
Net pension liability (due in more than one year)	710,762
Net other postemployment benefit liability (due in more than one year)	990,961
Total noncurrent liabilities	<u>14,024,783</u>
Total liabilities	<u>20,286,557</u>
Deferred inflows of resources	
Deferred pension amounts	117,145
Net position	
Net investment in capital assets	31,172,169
Restricted for capital projects	577,942
Unrestricted	7,209,414
Total net position	<u>\$ 38,959,525</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, 2020

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 10,395,923
Operating expenses	
Cost of water	1,282,192
Cost of sewage disposal	3,161,714
Wages and fringes	1,383,229
Operating supplies	186,285
Contractual services	1,443,168
Repairs and maintenance	2,090,004
Insurance, claims, and other	524,831
Depreciation	1,360,401
Total operating expenses	<u>11,431,824</u>
Operating loss	<u>(1,035,901)</u>
Nonoperating revenues (expenses)	
Property taxes	2,214,765
Intergovernmental revenue	432,694
Investment income	68,669
Interest expense	<u>(372,748)</u>
Total nonoperating revenues	<u>2,343,380</u>
Change in net position	1,307,479
Net position, beginning of year	<u>37,652,046</u>
Net position, end of year	<u><u>\$ 38,959,525</u></u>

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, 2020

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 11,661,021
Payments to suppliers for goods and services	(7,240,788)
Payments to employees for services	(995,984)
	<hr/>
Net cash provided by operating activities	3,424,249
	<hr/>
Cash flows from noncapital and related financing activities	
Property taxes received	2,214,765
Intergovernmental revenues received	432,694
	<hr/>
Net cash provided by noncapital and and related financing activities	2,647,459
	<hr/>
Cash flows from capital and related financing activities	
Purchase of capital assets	(1,011,983)
Principal paid on debt	(1,563,322)
Interest paid on debt	(384,180)
Proceeds from issuance of debt	727,743
	<hr/>
Net cash used in capital and related financing activities	(2,231,742)
	<hr/>
Cash flows from investing activities	
Investment income	68,669
	<hr/>
Net change in cash and cash equivalents	3,908,635
	<hr/>
Cash and cash equivalents, beginning of year	7,172,841
	<hr/>
Cash and cash equivalents, end of year	\$ 11,081,476
	<hr/> <hr/>
Cash and cash equivalents as presented in the statement of net position	
Cash and cash equivalents	\$ 10,503,534
Restricted cash and cash equivalents	577,942
	<hr/>
Total cash and cash equivalents	\$ 11,081,476
	<hr/> <hr/>

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CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (1,035,901)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,360,401
Changes in assets and liabilities:	
Accounts receivable, net	1,265,098
Inventories	(90)
Accounts payable	2,330,146
Accrued liabilities	(882,650)
Compensated absences	3,768
Net pension liability and other related amounts	(98,803)
Deferred outflows related to net pension liability	115,192
Deferred inflows related to net pension liability	59,523
Net other postemployment benefits liability	359,128
Deferred outflows related to net other postemployment benefit liability	(36,955)
Deferred inflows related to net other postemployment benefit liability	(14,606)
Net cash provided by operating activities	\$ 3,424,249

concluded.

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

CITY OF INKSTER, MICHIGAN

Statement of Fiduciary Net Position

June 30, 2020

	Pension Trust Funds	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 975,723
Accounts receivable	-	19,142
Money market accounts	467,594	-
U.S. government agencies	49,533	-
Municipal bonds	7,760,025	-
Corporate bonds	735,102	-
International stocks	327,382	-
Domestic stocks	16,151,754	-
Real estate securities	211,313	-
Guaranteed investment contract	10,048,574	-
Interest receivable	105,355	-
Contributions receivable	111,054	-
Due from broker	1,818	-
	<hr/>	<hr/>
Total assets	35,969,504	\$ 994,865
Liabilities		
Due to broker	74,050	\$ -
Due to others	-	994,865
	<hr/>	<hr/>
Total liabilities	74,050	\$ 994,865
	<hr/>	<hr/>
Net position restricted for pension benefits	\$ 35,895,454	
	<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, 2020

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,235,160
Plan members	329,935
Total contributions	<u>1,565,095</u>
Investment income:	
Interest and dividends	980,304
Net change in fair value of investments	389,090
Total investment income	<u>1,369,394</u>
Total additions	<u>2,934,489</u>
Deductions	
Benefit payments	3,636,483
Administrative expenses	<u>284,398</u>
Total deductions	<u>3,920,881</u>
Change in net position	(986,392)
Net position, beginning of year	<u>36,881,846</u>
Net position, end of year	<u>\$ 35,895,454</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, 2020

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Assets					
Cash and cash equivalents	\$ 98,201	\$ -	\$ 5,565,301	\$ 92,292	\$ 5,755,794
Restricted cash and cash equivalents	-	-	310,116	-	310,116
Accounts receivable	220,046	-	432,561	51,720	704,327
Prepays	-	-	5,478	5,541	11,019
Capital assets not being depreciated	-	-	2,487,255	-	2,487,255
Capital assets being depreciated, net	7,416,719	-	8,782,927	89,155	16,288,801
Total assets	7,734,966	-	17,583,638	238,708	25,557,312
Liabilities					
Accounts payable	125	-	342,151	3,072	345,348
Due to primary government	219,921	-	-	-	219,921
Accrued liabilities	-	-	632,658	11,399	644,057
Accrued interest payable	83,501	25,078	-	-	108,579
Unearned revenue	-	-	41,508	-	41,508
Long-term debt:					
Due within one year	295,000	310,000	268,150	-	873,150
Due in more than one year	6,280,000	2,160,000	2,532,480	-	10,972,480
Total liabilities	6,878,547	2,495,078	3,816,947	14,471	13,205,043
Net position					
Net investment in capital assets	841,719	-	8,473,491	89,155	9,404,365
Restricted for housing assistance	-	-	223,389	-	223,389
Unrestricted (deficit)	14,700	(2,495,078)	5,069,811	135,082	2,724,515
Total net position (deficit)	\$ 856,419	\$ (2,495,078)	\$ 13,766,691	\$ 224,237	\$ 12,352,269

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, 2020

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Expenses					
Community and economic development	\$ 946,913	\$ 156,469	\$ -	\$ -	\$ 1,103,382
Housing assistance	-	-	11,091,475	-	11,091,475
Commission on aging	-	-	-	283,249	283,249
Total expenses	946,913	156,469	11,091,475	283,249	12,478,106
Program revenues					
Charges for services	-	-	823,258	15,000	838,258
Operating grants and contributions	-	-	8,568,234	18,415	8,586,649
Capital grants and contributions	39,538	-	474,855	-	514,393
Total program revenues	39,538	-	9,866,347	33,415	9,939,300
Net expense	(907,375)	(156,469)	(1,225,128)	(249,834)	(2,538,806)
General revenues					
Property taxes	202,325	19,729	-	318,797	540,851
Other revenues and transfers	705,046	414,490	602,945	4,623	1,727,104
Total general revenues	907,371	434,219	602,945	323,420	2,267,955
Change in net position	(4)	277,750	(622,183)	73,586	(270,851)
Net position (deficit), beginning of year	856,423	(2,772,828)	14,388,874	150,651	12,623,120
Net position (deficit), end of year	\$ 856,419	\$ (2,495,078)	\$ 13,766,691	\$ 224,237	\$ 12,352,269

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 "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, 2020 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.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Inkster Housing Commission (the "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") - 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 Commission on Aging 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, 2020. Complete financial statements for the Nankin Transit Commission can be obtained from its administrative offices at:

Nankin Transit Commission
37137 Marquette
Westland, Michigan 48185

The City is a member of the Central Wayne County Sanitation Authority ("CWCSA"). The City appoints one member to CWCSA's governing body which approves the annual budget. The debt of CWCSA 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 CWCSA in the government-wide statement of net position. The City's equity interest in CWCSA is computed as 13.20% of net position. Complete financial statements of CWCSA can be obtained from its administrative office at:

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

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. 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

The *major street special revenue fund* is used to account for expenditures associated with the construction and maintenance needs of the major street portion (as defined by State Act 51) of the City's street network.

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 *rubbish special revenue fund* is used to provide waste and refuse collection and disposal services throughout 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.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, except for the City's participation in an external investment pool. In accordance with GASB 79, the City's shares in the investment pool are recorded at amortized cost, which approximates 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.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

Equity in joint venture

CWCSA provides disposal services for the benefit of constituent municipalities in Wayne County, including the City. The investment as of June 30, 2020 was a surplus of \$1,706.

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.

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	5-10
Other tools and equipment	5-10

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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 City reports deferred outflows of resources related to its pension and OPEB 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.

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. The City also reports deferred inflows of resources related to its pension plan.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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 GAAP 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.

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, 2020, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Final Budget	Actual	Variance with Final Budget
General fund			
General government:			
Information technology	\$ 423,320	\$ 424,041	\$ 721
City attorney	1,037,000	1,069,168	32,168
Public safety:			
Fire	3,163,230	3,683,003	519,773
Code enforcement	91,490	276,885	185,395
Public works - Department of public works	895,500	912,765	17,265
Debt service - Principal	-	196,321	196,321
Rubbish fund			
Public works - Department of public works	1,934,200	1,945,427	11,227

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, 2020, is as follows:

Cumulative surplus, beginning of year	\$ 413,066
Building permit revenue	460,623
Related expenses - building inspector	(281,058)
Indirect expenses	(92,563)
Cumulative surplus, end of year	<u>\$ 500,068</u>

Deficit fund balance / net position

The net position deficit of \$2,495,078 in the BRA 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.

The general fund is reporting a deficit of \$98,349 due to a decrease in court revenues, fines and forfeitures, and other revenue; however, the deficit is offset by deferred inflows for grant revenues not yet received, and thus will not require a deficit elimination plan.

In addition, the City is reporting a deficit of \$19,900 in the Community Development Block Grant fund. As this fund shows a greater amount in deferred inflows, no deficit elimination plan is required to be filed with the State of Michigan.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2020:

	Primary Government	Fiduciary Funds	Component Units	Totals
Cash and cash equivalents	\$ 20,170,350	\$ 975,723	\$ 5,755,794	\$ 26,901,867
Restricted cash and cash equivalents	1,118,235	-	310,116	1,428,351
Investments	-	35,751,277	-	35,751,277
Total	\$ 21,288,585	\$ 36,727,000	\$ 6,065,910	\$ 64,081,495

Deposits and investments

Demand deposits	\$ 20,681,147
Certificates of deposit (maturities of 1-5 years)	2,018,080
Deposits held by Wayne County	577,942
Treasurer's investment pool	5,052,843
Investments - pension trust funds	35,751,277
Cash on hand	206
Total	\$ 64,081,495

Bank Deposits and Treasurer's Investment Pool

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2020, \$22,054,339 of the City's total bank balance of \$23,544,983 was exposed to custodial credit risk because they were uninsured and uncollateralized.

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 treasurer's investments as of June 30, 2020:

U.S. treasury notes	\$ 3,007,920
GovMIC Class cash management pool	2,044,923
Total	\$ 5,052,843

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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. As of June 30, 2020, the City's investments in the GovMIC Class cash management pool were rated AAAM by Standard & Poor's.

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. The maturities for the U.S. treasury notes of \$3,007,920 were 1-5 years.

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. At June 30, 2020, there were no concentrations in securities of any one issuer greater than 5% of investment fair value.

Fair Value Measurements. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. 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.

As of June 30, 2020, the recurring fair value measurements of the City's investments in the U.S. treasury notes were classified as level 1.

Pension Trust Fund Investments

The pension trusts' investments are primarily held in a bank administered trust fund (the OPEB plan has no cash or investments). Following is a summary of the pension trusts' investments as of June 30, 2020:

	Pension Trust Funds
Money market accounts	\$ 467,594
U.S. government agencies	49,533
Municipal bonds	7,760,025
Corporate bonds	735,102
International stocks	327,382
Domestic stocks	16,151,754
Real estate securities	211,313
Guaranteed investment contract	<u>10,048,574</u>
Total	<u><u>\$ 35,751,277</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Credit Risk. Credit risk ratings (Standard & Poors), where applicable, are summarized as follows:

	Pension Trust Funds
AAA	\$ 861,422
AA	3,811,004
A	1,863,637
BBB	451,656
Unrated	1,556,940
Not subject to credit risk	<u>27,206,618</u>
Total	<u><u>\$ 35,751,277</u></u>

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	\$ 27,206,619
Due within one year	722,740
Due in 1-5 years	2,354,371
Due in 6-10 years	4,258,559
Due in 11-15 years	939,835
Due in more than 15 years	<u>269,153</u>
Total	<u><u>\$ 35,751,277</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 pension trusts mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. The pension trusts' exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Amount
International stocks	<u><u>\$ 327,382</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. The pension trusts do not have any investments with concentrated credit risk.

Fair Value Measurements - The pension trusts categorizes its fair value measurements within the fair value hierarchy established by GAAP.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

The pension trusts had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Total
Money market accounts	\$ 467,594	\$ -	\$ 467,594
U.S. government agencies	-	49,533	49,533
Municipal bonds	-	7,760,025	7,760,025
Corporate bonds	-	735,102	735,102
International stocks	327,382	-	327,382
Domestic stocks	16,151,754	-	16,151,754
Real estate securities	211,313	-	211,313
Guaranteed investment contract	-	10,048,574	10,048,574
Total	\$ 17,158,043	\$ 18,593,234	\$ 35,751,277

4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 1,346,633	\$ 3,847,813	\$ 704,327
Due from component unit	219,921	-	-
Allowance for uncollectible amounts	-	(856,128)	-
Due from other governments	739,184	-	-
Total receivables	\$ 2,305,738	\$ 2,991,685	\$ 704,327

In the governmental funds, deferred inflows of \$1,264,981 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	\$ 1,423,507	\$ 3,716,675	\$ 345,348
Due to primary government	-	-	219,921
Accrued and other liabilities	351,875	1,066,716	644,057
Due to other governments	1,158,429	-	-
Estimated self-insurance claims payable	3,003,840	-	-
Estimated tax chargeback payable	1,009,182	-	-
Accrued interest on long-term debt	5,722	95,831	108,579
Total payables	\$ 6,952,555	\$ 4,879,222	\$ 1,317,905

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

Primary government

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 307,195	\$ -	\$ -	\$ -	\$ 307,195
Construction in progress	-	1,621,129	-	-	1,621,129
	<u>307,195</u>	<u>1,621,129</u>	<u>-</u>	<u>-</u>	<u>1,928,324</u>
Capital assets being depreciated:					
Land improvements	588,289	-	-	-	588,289
Infrastructure	28,346,214	-	-	-	28,346,214
Buildings/improvements	8,289,321	6,704	-	-	8,296,025
Vehicles	6,832,353	478,060	(553,341)	-	6,757,072
Machinery and equipment	7,119,415	606,074	-	-	7,725,489
	<u>51,175,592</u>	<u>1,090,838</u>	<u>(553,341)</u>	<u>-</u>	<u>51,713,089</u>
Less accumulated depreciation for:					
Land improvements	(464,075)	(20,421)	-	-	(484,496)
Infrastructure	(14,441,605)	(980,359)	-	-	(15,421,964)
Buildings/improvements	(6,376,574)	(120,882)	-	-	(6,497,456)
Vehicles	(5,372,758)	(470,043)	553,341	-	(5,289,460)
Machinery and equipment	(5,606,394)	(290,458)	-	-	(5,896,852)
	<u>(32,261,406)</u>	<u>(1,882,163)</u>	<u>553,341</u>	<u>-</u>	<u>(33,590,228)</u>
Total capital assets being depreciated, net	<u>18,914,186</u>	<u>(791,325)</u>	<u>-</u>	<u>-</u>	<u>18,122,861</u>
Governmental activities capital assets, net	<u>\$ 19,221,381</u>	<u>\$ 829,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,051,185</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in progress	32,461	66,938	-	-	99,399
	<u>35,206</u>	<u>66,938</u>	<u>-</u>	<u>-</u>	<u>102,144</u>
Capital assets being depreciated:					
Buildings/improvements	66,444	-	-	-	66,444
Furniture and equipment	76,515	9,002	-	-	85,517
Water and sewer distribution systems	67,482,461	208,300	-	-	67,690,761
Vehicles	275,471	727,743	-	-	1,003,214
	<u>67,900,891</u>	<u>945,045</u>	<u>-</u>	<u>-</u>	<u>68,845,936</u>
Less accumulated depreciation for:					
Buildings/improvements	(66,444)	-	-	-	(66,444)
Furniture and equipment	(63,119)	(5,020)	-	-	(68,139)
Water and sewer distribution systems	(22,586,666)	(1,255,551)	-	-	(23,842,217)
Vehicles	(30,213)	(99,830)	-	-	(130,043)
	<u>(22,746,442)</u>	<u>(1,360,401)</u>	<u>-</u>	<u>-</u>	<u>(24,106,843)</u>
Total capital assets being depreciated, net	<u>45,154,449</u>	<u>(415,356)</u>	<u>-</u>	<u>-</u>	<u>44,739,093</u>
Business-type activities capital assets, net	<u>\$ 45,189,655</u>	<u>\$ (348,418)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,841,237</u>

At June 30, 2020, the City had outstanding construction commitments in business-type activities of \$268,062.

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

Depreciation of governmental activities by function

General government	\$ 210,705
Public safety	602,940
Public works	982,554
Culture and recreation	85,964
	<u>1,882,163</u>

Total governmental activities

\$ 1,882,163

Depreciation of business-type activities by function

Water and sewer	\$ 1,360,401
	<u>1,360,401</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Discretely presented component units

	Beginning Balance	Additions	Disposals	Ending Balance
Beech Daly TIFA				
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	(1,639,853)	(235,018)	-	(1,874,871)
Infrastructure	(2,583,001)	(154,167)	-	(2,737,168)
Furniture and equipment	(147,903)	(11,071)	-	(158,974)
	<u>(4,370,757)</u>	<u>(400,256)</u>	<u>-</u>	<u>(4,771,013)</u>
TIFA capital assets, net	<u>\$ 7,816,975</u>	<u>\$ (400,256)</u>	<u>\$ -</u>	<u>\$ 7,416,719</u>
Housing Commission				
Capital assets not being depreciated:				
Land	\$ 1,891,187	\$ -	\$ -	\$ 1,891,187
Construction in progress	98,003	498,065	-	596,068
	<u>1,989,190</u>	<u>498,065</u>	<u>-</u>	<u>2,487,255</u>
Capital assets being depreciated:				
Buildings	51,033,467	441,144	-	51,474,611
Furniture and equipment	1,046,445	-	-	1,046,445
	<u>52,079,912</u>	<u>441,144</u>	<u>-</u>	<u>52,521,056</u>
Less accumulated depreciation	(41,843,823)	(1,894,306)	-	(43,738,129)
	<u>10,236,089</u>	<u>(1,453,162)</u>	<u>-</u>	<u>8,782,927</u>
Housing Commission capital assets, net	<u>\$ 12,225,279</u>	<u>\$ (955,097)</u>	<u>\$ -</u>	<u>\$ 11,270,182</u>
Commission on Aging				
Capital assets being depreciated:				
Furniture and equipment	\$ 30,907	\$ -	\$ -	\$ 30,907
Vehicles	111,874	-	-	111,874
	<u>142,781</u>	<u>-</u>	<u>-</u>	<u>142,781</u>
Less accumulated depreciation	(41,446)	(12,180)	-	(53,626)
Commission on Aging capital assets, net	<u>\$ 101,335</u>	<u>\$ (12,180)</u>	<u>\$ -</u>	<u>\$ 89,155</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances at year end was \$20,000 due from the Community Development Block Grant fund to the general fund.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

During the year, \$65,190 was transferred from the general fund to the parks and recreation fund. This was the only interfund activity.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Direct borrowings and direct placements:					
Emergency loan	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ -
Installment purchase agreements	241,121	272,495	(196,321)	317,295	129,976
Total installment debt	3,241,121	272,495	(196,321)	3,317,295	129,976
Compensated absences	361,585	156,245	(90,385)	427,445	106,860
Total governmental activities	\$ 3,602,706	\$ 428,740	\$ (286,706)	\$ 3,744,740	\$ 236,836
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable	\$ 14,130,111	\$ -	\$ (1,110,000)	\$ 13,020,111	\$ 1,140,000
Direct borrowings and direct placements -					
Installment purchase agreements	374,536	727,743	(453,322)	648,957	233,416
Total bonds and installment debt	14,504,647	727,743	(1,563,322)	13,669,068	1,373,416
Compensated absences	32,776	6,800	(3,032)	36,544	9,136
Total business-type activities	\$ 14,537,423	\$ 734,543	\$ (1,566,354)	\$ 13,705,612	\$ 1,382,552
Component units					
Bonds payable	\$ 9,690,000	\$ -	\$ (645,000)	\$ 9,045,000	\$ 605,000
Direct borrowings and direct placements -					
Loan payable	3,051,157	-	(254,466)	2,796,691	268,150
Total bonds and installment debt	12,741,157	-	(899,466)	11,841,691	873,150
Compensated absences	7,619	2,037	(5,717)	3,939	-
Total component units	\$ 12,748,776	\$ 2,037	\$ (905,183)	\$ 11,845,630	\$ 873,150

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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	\$ 1,295,000
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	11,371,586
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	<u>353,525</u>
Total business-type activities bonds payable	<u><u>\$ 13,020,111</u></u>

Component units - bonds payable

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	\$ 525,000
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	2,470,000
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>6,050,000</u>
Total component units bonds payable	<u><u>\$ 9,045,000</u></u>

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.

Installment purchase agreements. The City enters into installment purchase agreements for equipment, vehicles, and energy upgrades. All related assets are pledged as collateral on the purchase agreements. Installment purchase agreements outstanding at year-end are as follows:

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Governmental activities				
2019 LED lighting upgrade	07/28/2021	0.0%	\$ 177,176	\$ 63,981
2019 Ford Explorer XLT	10/09/2021	6.45%	33,769	16,851
2018 SCBA's & Assoc. Equipment	07/15/2022	3.54%	76,155	76,156
2018 Ambulance	08/30/2023	4.3%	<u>196,340</u>	<u>160,307</u>
Total governmental activities			<u><u>\$ 483,440</u></u>	<u><u>\$ 317,295</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Business-type activities				
2019 Ford Explorer XLT	10/09/2021	6.45%	\$ 33,769	\$ 16,852
2017 Backhoe and Tandem Axle	11/14/2021	5.2%	241,702	98,940
2020 Freightliner Trucks	06/24/2022	3.87%	298,384	194,714
2020 Freightliner and Vactor	09/01/2023	2.95%	429,359	338,451
Total business-type activities			<u>\$ 1,003,214</u>	<u>\$ 648,957</u>

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

Year Ended June 30,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2021	\$ 1,140,000	\$ 348,112	\$ 605,000	\$ 640,628
2022	1,170,000	307,528	660,000	601,529
2023	1,200,000	274,528	720,000	558,618
2024	1,235,000	240,540	785,000	511,284
2025	1,270,000	205,228	850,000	459,598
2026-2030	5,838,525	517,614	2,705,000	1,646,478
2031-2035	1,166,586	14,582	2,720,000	682,500
Total	<u>\$ 13,020,111</u>	<u>\$ 1,908,132</u>	<u>\$ 9,045,000</u>	<u>\$ 5,100,635</u>

Annual debt service requirements to maturity on notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 129,976	\$ 10,011	\$ 233,416	\$ 23,305	\$ 268,150	\$ 140,435
2022	77,747	8,103	241,915	15,039	282,572	126,013
2023	66,931	4,749	85,551	5,122	297,769	110,816
2024	42,641	1,834	88,075	2,598	313,784	94,801
2025	-	-	-	-	330,660	77,926
2026-2030	-	-	-	-	1,303,756	126,290
	<u>\$ 317,295</u>	<u>\$ 24,697</u>	<u>\$ 648,957</u>	<u>\$ 46,064</u>	<u>\$ 2,796,691</u>	<u>\$ 676,281</u>

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2018	\$ 55,141	\$ 975,649	\$ 1,030,790
Claims incurred and changes in estimates	47,578	860,468	908,046
Claim payments	(38,426)	-	(38,426)
Estimated liability, June 30, 2019	65,292	1,836,118	1,900,410
Claims incurred and changes in estimates	188,562	414,164	602,726
Claim payments	(74,296)	575,000	500,704
Estimated liability, June 30, 2020	\$ 179,558	\$ 2,825,282	\$ 3,003,840

9. 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
Assets			
Investments:			
Money market accounts	\$ -	\$ 467,594	\$ 467,594
U.S. government agencies	-	49,533	49,533
Municipal bonds	-	7,760,025	7,760,025
Corporate bonds	-	735,102	735,102
International stocks	-	327,382	327,382
Domestic stocks	-	16,151,754	16,151,754
Real estate securities	-	211,313	211,313
Guaranteed investment contract	10,048,574	-	10,048,574
Total investments	10,048,574	25,702,703	35,751,277
Interest receivable	-	105,355	105,355
Contributions receivable	28,396	82,658	111,054
Due from broker	-	1,818	1,818
Total assets	10,076,970	25,892,534	35,969,504
Liabilities			
Due to broker	-	74,050	74,050
Net position restricted for pension benefits	\$ 10,076,970	\$ 25,818,484	\$ 35,895,454

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
Additions			
Contributions:			
Employer	\$ 425,557	\$ 809,603	\$ 1,235,160
Plan members	23,815	306,120	329,935
Total contributions	<u>449,372</u>	<u>1,115,723</u>	<u>1,565,095</u>
Investment income:			
Interest and dividends	286,466	693,838	980,304
Net change in fair value of investments	299,399	89,691	389,090
Net investment income	<u>585,865</u>	<u>783,529</u>	<u>1,369,394</u>
Total additions	<u>1,035,237</u>	<u>1,899,252</u>	<u>2,934,489</u>
Deductions			
Benefit payments	1,055,611	2,580,872	3,636,483
Administrative expenses	105,225	179,173	284,398
Total deductions	<u>1,160,836</u>	<u>2,760,045</u>	<u>3,920,881</u>
Change in net position	(125,599)	(860,793)	(986,392)
Net position, beginning of year	<u>10,202,569</u>	<u>26,679,277</u>	<u>36,881,846</u>
Net position, end of year	<u>\$ 10,076,970</u>	<u>\$ 25,818,484</u>	<u>\$ 35,895,454</u>

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Primary Government

Plan description. The City previously administered a single-employer defined benefit healthcare plan (the "Plan") 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 now provides an annual stipend to existing retirees to help them secure healthcare 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. The plan is funded on a pay-as-you-go (via annual stipend) basis.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Plans membership. Membership of the plans consisted of the following at June 30, 2020:

Inactive plan members receiving or entitled to future benefits	76
Active plan members	<u>33</u>
Total	<u>109</u>

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, 2020, 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 2.66 percent. Since the City has made no contributions to advance-fund and there is no net position, the discount rate used is the 20-year AA municipal index bond rate of 2.66 percent. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation — 2.50 percent

Salary increases — 3.0 percent

Investment rate of return — Maximum of 7.0 percent

Healthcare cost trend rates — N/A (stipend benefit not expected to increase in the future)

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

Mortality — AFSCME, Non-Union, MAPE, and Supervisors: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020. IPOA, COAM, and Fire: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020. Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table full generational using Scale MP-2020.

Assumption changes for the current year include a decrease in the discount rate due to a decrease in the 20-year AA municipal index bond rate and changes in mortality.

Total OPEB Liability of the City

The City is not prefunding the plan and the total OPEB liability at June 30, 2020 was \$8,478,217.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Changes in Total OPEB Liability

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

	Total OPEB Liability
Balances at June 30, 2019	<u>\$ 7,897,934</u>
Changes for the year:	
Service cost	70,065
Interest	268,190
Differences between expected and actual experience	59,765
Changes in assumptions	765,381
Benefits payments	(584,437)
Other changes	1,319
Net changes	<u>580,283</u>
Balances at June 30, 2020	<u><u>\$ 8,478,217</u></u>

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 2.66 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
\$ 9,494,300	\$ 8,478,217	\$ 7,637,916

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.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$710,411. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between actual and expected experience	\$ 29,882
Changes in assumptions	<u>382,691</u>
	<u><u>\$ 412,573</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Amount
2021	<u>\$ 412,573</u>

Payable to the OPEB Plan. At June 30, 2020, the City had no amounts payable for contributions to the OPEB plan.

Defined Contribution OPEB Plan

Contributions to HSA. At June 30, 2020, the City had contributed \$621,744 to active employee HSA accounts.

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.

11. 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 \$1,009,182 in the government-wide statements for such items.

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.

The City is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for the years 2019 and 2020. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. An estimate of the City's maximum exposure is approximately \$1,040,738 in taxable value. The City is vigorously defending all such litigation.

12. 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 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2019, the date of the latest actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	58
Terminated employees entitled to but not yet receiving benefits	6
Vested active members	<u>11</u>
Total membership	<u><u>75</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 percent of final earnings multiplied by credited service years, except for members of the Dispatchers Union for whom the formula is 2.0 percent 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 percent for each month that retirement precedes the normal retirement date.

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 5.0 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 72.2 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (rolled forward to June 30, 2020).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 (rolled forward to June 30, 2020), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	2.0 percent, average
Investment rate of return	6.0 percent, net of pension plan investment expense, including inflation
Mortality rate	2019 IRS Static Mortality Table for Males or Females

The actuarial assumptions reflect estimates of future experience, are appropriate for the purpose of the measurement, consider relevant plan characteristics, and contain no significant bias unless otherwise noted. Relevant historical information such as credible plan experience and experience from representative populations, was considered in the selection of the actuarial assumptions. Factors that may affect future experience and the views of experts were also considered.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2020 (see the discussion of the Plan'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%	7.50%
Guaranteed insurance contract	99.0%	4.35%

The actual money-weighted rate of return for the year ended June 30, 2020 was 6.0 percent.

Discount rate. The discount rate used to measure the total pension liability was 6.0 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 active and inactive plan members. For any future period where the pension plan's fiduciary net position is projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher.

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, 2019	\$ 14,155,430	\$ 10,202,569	\$ 3,952,861
Changes for the year:			
Service cost	66,446	-	66,446
Interest	818,119	-	818,119
Differences between expected and actual experience	(432,096)	-	(432,096)
Employer contributions	-	23,815	(23,815)
Employee contributions	-	425,557	(425,557)
Net investment income	-	585,865	(585,865)
Benefit payments, including refunds of employee contributions	(1,055,611)	(1,055,611)	-
Administrative expense	-	(105,225)	105,225
Net changes	(603,142)	(125,599)	(477,543)
Balances at June 30, 2020	\$ 13,552,288	\$ 10,076,970	\$ 3,475,318

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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 6.0 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 (5.0%)	Current Discount (6.0%)	1% Increase (7.0%)
City's net pension liability	\$ 4,705,128	\$ 3,475,318	\$ 2,285,889

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2020, the City recognized pension expense of \$757,460. At June 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 1,182,747	\$ 566,206	\$ 616,541
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	546,817	-	546,817
Total	<u>\$ 1,729,564</u>	<u>\$ 566,206</u>	<u>\$ 1,163,358</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,	Amortization
2021	\$ 415,257
2022	329,943
2023	252,906
2024	211,006
2025	(45,874)
2026	120
	<u>\$ 1,163,358</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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

13. 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's Policemen and Firemen Retirement System Board of Trustees, which consists of five members, one appointed by the Mayor, one appointed by the City 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, 2019, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	72
Vested active members	7
Vested inactive members	48
Total membership	127

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 percent of final average compensation (FAC) times the first 25 years of service, and 2.5 percent FAC times the next five years of service, and 1 percent of FAC for service over 30 years. Members hired after July 1, 2012 receive a benefit of 2.5 percent 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 percent COLA for three years after retirement, 1 percent COLA five years after retirement, and 2% COLA 10 years after retirement.

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 percent of gross wages for fire members and 12 percent for Police Command and Non-Union members effective July 1, 2012, and Police Officers 6.53 percent effective July 1, 2005. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 24.95 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (rolled forward to June 30, 2020).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 (rolled forward to June 30, 2020), 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	7.6 percent, net of pension plan investment expense, including inflation
Mortality rate	RP 2014 Healthy Annuitant Mortality Table with MP 2017

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Assumption changes for the current year include a decrease in the inflation rate and investment rate of return.

The actuarial assumptions used in the June 30, 2019 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, 2020 (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%
	<u>100%</u>	

The actual money-weighted rate of return for the year ended June 30, 2020 was 5.68%.

Discount rate. The discount rate used to measure the total pension liability was 7.3 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 not projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate was determined by blending the long-term expected rate of return on pension plan investments with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher, which currently stands at 2.45 percent (based on the Fidelity Index 20 Year GO AA Index as of June 30, 2020).

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, 2019	\$ 37,823,623	\$ 26,679,277	\$ 11,144,346
Changes for the year:			
Service cost	547,125	-	547,125
Interest	2,716,338	-	2,716,338
Differences between expected and actual experience	952,182	-	952,182
Changes in assumptions	330,661	-	330,661
Employer contributions	-	809,603	(809,603)
Employee contributions	-	306,120	(306,120)
Net investment income	-	783,529	(783,529)
Benefit payments, including refunds of employee contributions	(2,580,872)	(2,580,872)	-
Other	-	(179,173)	179,173
Net changes	<u>1,965,434</u>	<u>(860,793)</u>	<u>2,826,227</u>
Balances at June 30, 2020	<u>\$ 39,789,057</u>	<u>\$ 25,818,484</u>	<u>\$ 13,970,573</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.3 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 (6.3 percent) or 1 percentage-point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount (7.3%)	1% Increase (8.3%)
City's net pension liability	\$ 18,543,988	\$ 13,970,573	\$ 10,156,680

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2020, the City recognized pension expense of \$2,414,180. At June 30, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 1,163,832
Changes in assumptions	829,836
Net difference between projected and actual earnings on pension plan investments	<u>1,057,836</u>
Total	<u><u>\$ 3,051,504</u></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
2021	\$ 1,133,270
2022	902,514
2023	572,643
2024	<u>443,077</u>
	<u><u>\$ 3,051,504</u></u>

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

14. 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, 2020.

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 three percent of annual wages. The Housing Commission's contribution to the plan for its fiscal year ended December 31, 2019 was \$39,111.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

15. DEBT GUARANTEE - COMPONENT UNITS

In 2006, the City guaranteed the 20-year \$4,155,000 general obligation bond issue of the BRA, 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 BRA 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 BRA'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 also guaranteed the general obligation bond issues of the TIFA, a legally separate discrete component unit, in accordance with the related borrowing resolution including: a refinanced 19-year \$1,270,000 general obligation bond issue maturing annually through November 2025, with semiannual interest payments; a 19-year \$4,155,000 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 2035, with semiannual interest payments. In the event that the TIFA 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 TIFA'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 \$275,000 on the BRA debt leaving an estimated net present value of \$2.5 million on the guarantee and paid approximately \$370,000 on the TIFA debt leaving an estimated net present value of \$3.9 million on the guarantee.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Local Streets Fund	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ 9,130	\$ -	\$ -	\$ -	\$ -	\$ 9,130
Prepaid items	50,210	-	-	-	-	50,210
	<u>59,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,340</u>
Restricted:						
PA 495 (fire insurance escrow)	34,040	-	-	-	-	34,040
Canine unit	6,185	-	-	-	-	6,185
Construction code fees	500,068	-	-	-	-	500,068
Major and local streets	-	2,534,871	4,244,769	-	-	6,779,640
Rubbish collection	-	-	-	710,046	-	710,046
Parks and recreation	-	-	-	-	274,837	274,837
Public improvement	-	-	-	-	411,825	411,825
Drug law enforcement	-	-	-	-	10,623	10,623
	<u>540,293</u>	<u>2,534,871</u>	<u>4,244,769</u>	<u>710,046</u>	<u>697,285</u>	<u>8,727,264</u>
Assigned for loan repayment	150,000	-	-	-	-	150,000
Unassigned (deficit)	<u>(847,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,900)</u>	<u>(867,882)</u>
Total fund balances - governmental funds	<u>\$ (98,349)</u>	<u>\$ 2,534,871</u>	<u>\$ 4,244,769</u>	<u>\$ 710,046</u>	<u>\$ 677,385</u>	<u>\$ 8,068,722</u>

17. 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
Capital assets:			
Capital assets not being depreciated	\$ 1,928,324	\$ 102,144	\$ 2,487,255
Capital assets being depreciated, net	18,122,861	44,739,093	16,288,801
	<u>20,051,185</u>	<u>44,841,237</u>	<u>18,776,056</u>
Related debt:			
Total bonds, loans, and other installment debt	3,317,295	13,669,068	11,841,691
Less non-capital related debt	(3,000,000)	-	(2,470,000)
	<u>317,295</u>	<u>13,669,068</u>	<u>9,371,691</u>
Net investment in capital assets	<u>\$ 19,733,890</u>	<u>\$ 31,172,169</u>	<u>\$ 9,404,365</u>

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

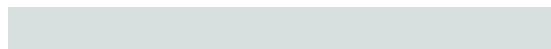
General Employees' Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Last Seven Fiscal Years

	Year Ended June 30,			
	2020	2019	2018	2017
Change in total pension liability				
Service cost	\$ 66,446	\$ 40,686	\$ 40,686	\$ 53,442
Interest	818,119	846,572	863,867	927,069
Differences between expected and actual expense	(432,096)	1,651,749	(151,472)	59,846
Benefit payments, including refunds of member contributions	(1,055,611)	(967,263)	(969,357)	(998,190)
Net change in total pension liability	(603,142)	1,571,744	(216,276)	42,167
Total pension liability, beginning	14,155,430	12,583,686	12,799,962	12,757,795
Total pension liability, ending (a)	13,552,288	14,155,430	12,583,686	12,799,962
Change in plan fiduciary net position				
Contributions - employer	425,557	683,883	625,402	539,315
Contributions - member	23,815	31,141	31,237	27,591
Net investment income	585,865	415,290	143,371	319,446
Benefit payments, including refunds of member contributions	(1,055,611)	(967,263)	(969,357)	(998,190)
Administrative expense	(105,225)	(89,992)	(102,593)	(68,401)
Net change in plan fiduciary net position	(125,599)	73,059	(271,940)	(180,239)
Plan fiduciary net position, beginning	10,202,569	10,129,510	10,401,450	10,581,689
Plan fiduciary net position, ending (b)	10,076,970	10,202,569	10,129,510	10,401,450
City's net pension liability, ending (a)-(b)	<u>\$ 3,475,318</u>	<u>\$ 3,952,861</u>	<u>\$ 2,454,176</u>	<u>\$ 2,398,512</u>
Plan fiduciary net position as a percentage of the total pension liability	74%	72%	80%	81%
Covered payroll	\$ 499,733	\$ 548,062	\$ 523,138	\$ 538,344
City's net pension liability as a percentage of covered payroll	695.4%	721.2%	469.1%	445.5%

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.



Year Ended June 30,		
2016	2015	2014

\$ 61,588	\$ 61,588	\$ 77,087
810,293	872,480	893,856
93,676	(433,961)	113,605
<u>(994,029)</u>	<u>(1,075,036)</u>	<u>(1,075,024)</u>
(28,472)	(574,929)	9,524
<u>12,786,267</u>	<u>13,361,196</u>	<u>13,351,672</u>
<u>12,757,795</u>	<u>12,786,267</u>	<u>13,361,196</u>

571,495	712,471	686,852
32,178	40,363	45,385
236,349	475,154	448,782
<u>(994,029)</u>	<u>(1,075,036)</u>	<u>(1,075,024)</u>
<u>(101,880)</u>	<u>-</u>	<u>(74,943)</u>
(255,887)	152,952	31,052
<u>10,837,576</u>	<u>10,684,624</u>	<u>10,653,572</u>
<u>10,581,689</u>	<u>10,837,576</u>	<u>10,684,624</u>
<u>\$ 2,176,106</u>	<u>\$ 1,948,691</u>	<u>\$ 2,676,572</u>

83%	85%	80%
\$ 636,501	\$ 676,421	\$ 962,730
341.9%	288.1%	278.0%

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System
 Schedule of City Contributions
 Last Seven 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%
6/30/2019	683,883	683,883	-	548,062	124.8%
6/30/2020	425,557	425,557	-	499,733	85.2%

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date	June 30, 2019 (rolled forward to June 30, 2020)
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	25 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	2.25%
Salary increases	2.0%
Investment rate of return	6.00% per annum, compounded annually
Mortality rates	2019 IRS Static Mortality Table for Males or Females

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System
Schedule of Investment Returns
Last Seven 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%
6/30/2019	5.20%
6/30/2020	6.0%

Note: This schedule is being built prospectively; ultimately, 10 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 Seven Fiscal Years

	Year Ended June 30,			
	2020	2019	2018	2017
Change in total pension liability				
Service cost	\$ 547,125	\$ 534,505	\$ 400,714	\$ 324,282
Interest	2,716,338	2,666,333	2,318,473	2,535,102
Changes of benefit terms	-	-	-	-
Differences between expected and actual expense	952,182	68,302	1,108,793	(938,050)
Changes of assumptions	330,661	78,848	1,589,423	34,145
Benefit payments, including refunds of member contributions	(2,580,872)	(2,586,627)	(2,560,247)	(2,697,771)
Net change in total pension liability	1,965,434	761,361	2,857,156	(742,292)
Total pension liability, beginning	37,823,623	37,062,262	34,205,106	34,947,398
Total pension liability, ending (a)	39,789,057	37,823,623	37,062,262	34,205,106
Change in plan fiduciary net position				
Contributions - employer	809,603	776,368	684,561	791,347
Contributions - member	306,120	148,117	324,048	270,279
Other contributions	-	-	-	200,951
Net investment income	783,529	1,801,954	2,041,442	2,736,122
Benefit payments, including refunds of member contributions	(2,580,872)	(2,586,627)	(2,560,247)	(2,697,771)
Administrative expense	-	-	-	(418,004)
Other	(179,173)	(27,479)	(184,608)	-
Net change in plan fiduciary net position	(860,793)	112,333	305,196	882,924
Plan fiduciary net position, beginning	26,679,277	26,566,944	26,261,748	25,378,824
Plan fiduciary net position, ending (b)	25,818,484	26,679,277	26,566,944	26,261,748
City's net pension liability, ending (a)-(b)	\$ 13,970,573	\$ 11,144,346	\$ 10,495,318	\$ 7,943,358
Plan fiduciary net position as a percentage of the total pension liability	64.9%	70.5%	71.7%	76.8%
Covered payroll	\$ 3,247,007	\$ 3,206,705	\$ 3,028,903	\$ 2,271,629
City's net pension liability as a percentage of covered payroll	430.3%	347.5%	346.5%	349.7%

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.



Year Ended June 30,		
2016	2015	2014

\$ 309,539	\$ 287,089	\$ 392,000
2,600,341	2,644,360	2,449,516
-	969,194	-
(695,852)	(5,593,083)	2,157,315
1,650,656	3,572,676	-
<u>(2,426,175)</u>	<u>(2,564,602)</u>	<u>(2,457,054)</u>
1,438,509	(684,366)	2,541,777
<u>33,508,889</u>	<u>34,193,255</u>	<u>31,651,478</u>
<u>34,947,398</u>	<u>33,508,889</u>	<u>34,193,255</u>
708,764	442,522	382,606
252,330	185,840	215,583
-	-	-
712,856	744,415	3,253,487
(2,426,175)	(2,564,602)	(2,457,054)
(206,592)	-	(25,300)
<u>-</u>	<u>-</u>	<u>-</u>
(958,817)	(1,191,825)	1,369,322
<u>26,337,641</u>	<u>27,520,876</u>	<u>26,151,554</u>
<u>25,378,824</u>	<u>26,337,641</u>	<u>27,520,876</u>
<u>\$ 9,568,574</u>	<u>\$ 7,171,248</u>	<u>\$ 6,672,379</u>

72.6% 78.6% 80.5%

\$ 1,864,978 \$ 1,838,533 \$ 2,009,679

513.1% 390.1% 332.0%

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Policemen and Firemen Retirement System
 Schedule of City Contributions
 Last Seven 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%
6/30/2019	776,368	776,368	-	3,206,705	24.2%
6/30/2020	809,603	809,603	-	3,247,007	24.9%

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date	June 30, 2019 (rolled forward to June 30, 2020)
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	15 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.0-7.0% including inflation
Investment rate of return	7.6% net of pension plan investment expense, including inflation
Mortality rates	Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table with MP 2017

Changes in assumptions - In 2015 and 2016, amounts reported as changes in assumptions resulted from a decrease in the annual money-weighted rate of return. In 2018, changes in assumptions resulted from increases in the inflation rate used to calculate the discount rate and changes in the mortality tables. In 2020, amounts reported as changes in assumptions resulted from a decrease in the inflation rate and investment rate of return.

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Policemen and Firemen Retirement System
Schedule of Investment Returns
Last Seven 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%
6/30/2019	7.70%
6/30/2020	5.68%

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

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

Last Three Fiscal Years

	Year Ended June 30,		
	2020	2019	2018
Total OPEB liability			
Service cost	\$ 70,065	\$ 61,764	\$ 83,432
Interest on total OPEB liability	268,190	294,896	300,888
Changes in assumptions	765,381	281,691	(364,249)
Difference between expected and actual experience	59,765	-	(183,497)
Benefit payments	(584,437)	(591,825)	(607,502)
Other changes	1,319	-	-
Net change in total OPEB liability	<u>580,283</u>	<u>46,526</u>	<u>(770,928)</u>
Total OPEB liability, beginning of year	<u>7,897,934</u>	<u>7,851,408</u>	<u>8,622,336</u>
Total OPEB liability, end of year	<u>\$ 8,478,217</u>	<u>\$ 7,897,934</u>	<u>\$ 7,851,408</u>
Covered payroll	\$ 1,916,382	\$ 4,780,254	\$ 4,607,474
Total OPEB liability as a percentage of covered payroll	442.4%	165.2%	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 and prior years include a decrease in the discount rate, an update to the payroll growth assumption, and mortality changes.

Note: As an actuarially determined contribution is not calculated for the Plan, and the Plan does not have a contribution requirement that is established by statute or contract, a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the Plan, and related ratios, is not required.

**COMBINING FUND FINANCIAL
STATEMENTS**

CITY OF INKSTER, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Assets				
Cash and cash equivalents	\$ 302,117	\$ 100	\$ 397,062	\$ 10,623
Accounts receivable	1,615	20,000	21,763	-
Total assets	<u>\$ 303,732</u>	<u>\$ 20,100</u>	<u>\$ 418,825</u>	<u>\$ 10,623</u>
Liabilities				
Accounts payable	\$ 24,942	\$ -	\$ -	\$ -
Accrued and other liabilities	2,338	-	-	-
Due to other funds	-	20,000	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>27,280</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	1,615	20,000	7,000	-
Fund balances				
Restricted	274,837	-	411,825	10,623
Unassigned (deficit)	-	(19,900)	-	-
Total fund balances (deficit)	<u>274,837</u>	<u>(19,900)</u>	<u>411,825</u>	<u>10,623</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 303,732</u>	<u>\$ 20,100</u>	<u>\$ 418,825</u>	<u>\$ 10,623</u>



Special Revenue	
Michigan Indigent Defense Commission	Totals
\$ 102,317	\$ 812,219
-	43,378
<u>\$ 102,317</u>	<u>\$ 855,597</u>
\$ 6,644	\$ 31,586
-	2,338
-	20,000
95,673	95,673
<u>102,317</u>	<u>149,597</u>
-	28,615
-	697,285
-	(19,900)
-	677,385
<u>\$ 102,317</u>	<u>\$ 855,597</u>

CITY OF INKSTER, MICHIGAN

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Revenues				
Property taxes	\$ 395,962	\$ -	\$ -	\$ -
Intergovernmental	6,073	115,624	-	-
Charges for services	23,872	-	-	-
Investment income	655	-	-	-
Other	1,857	99,525	73,260	-
Total revenues	428,419	215,149	73,260	-
Expenditures				
Current expenditures:				
Public safety	-	-	-	2,405
District court	-	-	-	-
Community and economic development	-	20,000	75,362	-
Culture and recreation	429,011	-	-	-
Total expenditures	429,011	20,000	75,362	2,405
Revenues over (under) expenditures	(592)	195,149	(2,102)	(2,405)
Other financing sources				
Transfers in	65,190	-	-	-
Net change in fund balances	64,598	195,149	(2,102)	(2,405)
Fund balances (deficit), beginning of year	210,239	(215,049)	413,927	13,028
Fund balances (deficit), end of year	\$ 274,837	\$ (19,900)	\$ 411,825	\$ 10,623



Special Revenue	
Michigan Indigent Defense Commission	Totals
\$ -	\$ 395,962
61,075	182,772
-	23,872
-	655
-	174,642
<hr/>	<hr/>
61,075	777,903
<hr/>	<hr/>
6,359	8,764
54,716	54,716
-	95,362
-	429,011
<hr/>	<hr/>
61,075	587,853
<hr/>	<hr/>
-	190,050
-	65,190
<hr/>	<hr/>
-	255,240
-	422,145
<hr/>	<hr/>
\$ -	\$ 677,385
<hr/> <hr/>	<hr/> <hr/>

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AGENCY FUNDS

CITY OF INKSTER, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2020

	Escrow Fund	Tax Collection Fund	District Court Trust	Aging Tax Collection	District Court Bond	Total
Assets						
Cash and cash equivalents	\$ 626,926	\$ 30,313	\$ 49,909	\$ 46,117	\$ 222,458	\$ 975,723
Account receivables	-	-	-	-	19,142	19,142
Total assets	<u>\$ 626,926</u>	<u>\$ 30,313</u>	<u>\$ 49,909</u>	<u>\$ 46,117</u>	<u>\$ 241,600</u>	<u>\$ 994,865</u>
Liabilities						
Due to others	<u>\$ 626,926</u>	<u>\$ 30,313</u>	<u>\$ 49,909</u>	<u>\$ 46,117</u>	<u>\$ 241,600</u>	<u>\$ 994,865</u>

TAX INCREMENT FINANCE AUTHORITY

CITY OF INKSTER, MICHIGAN

Balance Sheet / Statement of Net Position

Tax Increment Finance Authority

June 30, 2020

	Tax Increment Finance Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 98,201	\$ -	\$ 98,201
Accounts receivable	220,046	-	220,046
Capital assets being depreciated, net	-	7,416,719	7,416,719
Total assets	<u>\$ 318,247</u>	<u>7,416,719</u>	<u>7,734,966</u>
Liabilities			
Accounts payable	\$ 125	-	125
Due to primary government	219,921	-	219,921
Accrued interest payable	83,501	-	83,501
Due within one year	-	295,000	295,000
Due in more than one year	-	6,280,000	6,280,000
Total liabilities	<u>220,046</u>	<u>-</u>	<u>6,878,547</u>
Deferred inflows of resources			
Unavailable - loans receivable	<u>220,046</u>	<u>(220,046)</u>	
Fund balances			
Unassigned (deficit)	<u>(205,346)</u>	<u>205,346</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 234,746</u>	<u>(14,700)</u>	<u>-</u>
Net position			
Net investment in capital assets		841,719	841,719
Unrestricted		<u>14,700</u>	<u>14,700</u>
Total net position		<u>\$ 856,419</u>	<u>\$ 856,419</u>

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities Tax Increment Finance Authority Year Ended June 30, 2020

	Tax Increment Finance Authority	Adjustments	Statement of Activities
Expenditures / expenses			
Community and economic development	\$ 546,657	\$ 400,256	\$ 946,913
Revenues			
Capital grants and contributions	39,538	-	39,538
Property taxes	202,325	-	202,325
Other revenues and transfers	485,000	220,046	705,046
Total revenues	<u>726,863</u>	<u>220,046</u>	<u>946,909</u>
Change in fund balance / net position	180,206	180,210	(4)
Fund balance (deficit) / net position			
Beginning of year	<u>(385,552)</u>	<u>1,241,975</u>	<u>856,423</u>
End of year	<u>\$ (205,346)</u>	<u>\$ 1,422,185</u>	<u>\$ 856,419</u>

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**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***

March 30, 2021

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, the aggregate discretely presented component units, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2021. 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) as a basis for designing 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.

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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 2020-001 through 2020-005 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 2020-006 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 financial statements. 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 responses. 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.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2020

2020-001 – Material Audit Adjustments (repeat comment)

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 the two material adjustments (which were approved and posted by management) to adjust the City's general ledger to the appropriate balances. These adjustments included entries to adjust accounts payable, expenditures, deferred inflows, and revenues.

Cause. This condition was the result of a lack of management oversight. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements. Specifically, the following areas were misstated:

- Accounts payable and expenditures for the major streets fund were understated by \$414,542.
- Deferred inflows and revenues related to governmental activities were overstated by \$132,022.

Recommendation. We recommend that the City prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

View of Responsible Officials: This year there was a new accounts payable clerk and one invoice was entered in the wrong fiscal year. A formula issue was identified in the deferred inflows spreadsheet and has since been corrected to ensure this error will not occur in the future. Once identified by the auditors, the City made correcting adjustments to properly state the liability, expense, deferred inflows, and revenue. Management concurs with this finding.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2020

2020-002 - 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 balances for utility billing customers.

Condition. We noted that the City is carrying approximately \$114,000 of outstanding utility billing receivable balances, most of which should be transferred to the tax roll or wrote off.

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 \$114,000 noted above is old activity and may or may not be proper receivables. The City has implemented procedures in recent years to prevent a recurrence of similar problems. The City recognizes and acknowledges the utility billing module requires some adjustments to eliminate these balances if it is determined the balances are in fact inaccurate.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2020

2020-003 - Internal Controls Over Cash Receipts (repeat comment)

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

Criteria. The City is responsible for depositing cash receipts collected in a timely manner. Additionally, support for all deposits must be maintained and bank reconciliations reviewed by someone independent of the preparer.

Condition. We noted that the City had receipts that were 12 days old waiting to be deposited as of June 30, 2020. 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. It also appears that documentation of receipts is not kept in an orderly fashion.

Effect. As a result of this condition, exposure to theft may be increased or receipts needing to be deposited may be missed. Also, errors may occur during the bank reconciliation process that are not identified in a timely manner.

Recommendation. We recommend that the City make daily deposits of deposits to the bank and retain appropriate support for each deposit. Evidence of independent review of the bank reconciliations must be retained as well.

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 Responses

For the Year Ended June 30, 2020

2020-004 - Pension and Other Postemployment Benefits (OPEB) Census Data (repeat comment) and Payroll Documentation

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

Criteria. The City is responsible for maintaining information on its personnel. This information is retained to support pay data and 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 one general employee, two active OPEB employees, four OPEB retirees, one police and firemen employee, one terminated general plan member, 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 on file for payroll and for what is 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. Some files were left behind in the City's previous city hall building after the move to the new city hall. The old city hall subsequently flooded and many of the files were damaged or destroyed, including some of the missing files noted above.

The City needs to obtain replacement information from the actuaries or from the retirees in order to compile accurate records.

In addition, the City acknowledges certain inconsistencies in the personnel files of active employees. The City will perform an audit of personnel files, identify missing information, and obtain it from the active employees.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2020

2020-005 - Timely Report Issuance (repeat comment)

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) and submitting required reporting packages by established deadlines.

Condition. The City did not submit its fiscal year 2020 audited financial statements by the state deadline of December 31, 2020 (i.e. six months after its fiscal year-end).

Cause. The City's Housing Commission component unit audit was granted a six month extension in response to the pandemic and was completed in February 2021. This was the primary factor for the City's late filing. Information related to pension and OPEB was also not obtained in a timely fashion, which resulted in actuarial report and audit delays.

Effect. As a result of this condition, the City was unable to comply with state reporting requirements. The City did however obtain extensions from the state for a final filing deadline of April 1, 2021.

Recommendation: The City should ensure compliance with reporting deadlines, in future years.

View of Responsible Official. The City has filed the CAP for fiscal year 2019 and will promptly file the CAP for fiscal year 2020 upon completion of this audit. Due to the pandemic the Housing Commission was granted a six month extension to 3/31/21 which resulted in a delay of the City receiving the audit report. Next year the City anticipates to receive the Housing Commission audit by the regular deadline 9/30. OPEB valuations will also be requested earlier to prevent a recurrence of this finding in fiscal year 2021.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2020

2020-006 - Unsupported Liabilities (repeat comment)

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

Criteria. The City uses an agency fund to account for court bonds payable held on behalf of outside parties. Accordingly, the City is required to keep accurate subsidiary records of the amounts held in these liability accounts. These accounts should be analyzed and reconciled on a regular basis (e.g. monthly or quarterly).

Condition. Management was able to provide current year reconciliations to the general ledger for the changes in the bond payable amounts; however, they were unable to provide a detail of what comprises the ending balance. Additionally, the payroll withholding liability accounts have been accumulating balances and the actual payments that offset these liabilities have not been reconciled resulting in unsupported liabilities.

Cause. The City does not have a policy to reconcile a complete subsidiary detail to the general ledger.

Effect. As a result of the condition, the City is exposed to an increased risk that misstatements, whether through error or fraud, may occur and not be prevented, or detected and corrected, on a timely basis. Balances in agency funds are particularly sensitive as this fund type, by its nature, is not subject to the normal budgetary oversight found in other funds. Accordingly, it is especially important that these funds be reconciled regularly to a complete detail. While the related cash balances were reconciled, this only verifies the amounts actually on hand, not the balances that should be on hand.

Recommendation. We recommend the City implement procedures to ensure that a detail is maintained to support the balances being reported and that all accounts are reconciled to the general ledger.

View of Responsible Officials. The Court bank account cash balance is greater than the open bonds listing which would seem to indicate that bonds were forfeited or applied to costs and the cash should have been moved to the Court's operating bank account to be distributed to the District Control Unit and other entities. This problem has been accumulating over many years and the magnitude has finally passed the threshold for being reported in the audit. The City will work with the Court during the current fiscal year as GASB 84 is implemented to resolve this matter.

