

City of Inkster,  
Michigan



Year Ended  
June 30, 2022

Financial  
Statements and  
Supplemental  
Information

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# CITY OF INKSTER, MICHIGAN

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## INDEPENDENT AUDITORS' REPORT

September 18, 2023

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above 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, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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	65.0%	88.0%	107.7%
Inkster Commission on Aging	1.3%	2.2%	2.8%

Those statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included for the above entities, are based solely on the reports of the other auditors.



### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 September 18, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's 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 "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.



## **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, 2022. 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	\$ 38,731,076
· Change in total net position	3,577,510
· Fund balances, governmental funds	9,892,262
· Change in fund balances, governmental funds	1,321,174
· Unassigned fund balance, general fund	(231,731)
· Change in fund balance, general fund	344,900
· Installment debt outstanding	13,857,558
· Change in installment debt	(1,865,851)

### 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 \$38,731,076 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 16,789,795	\$ 13,339,401	\$ 12,528,168	\$ 15,942,130	\$ 29,317,963	\$ 29,281,531
Capital assets, net	19,113,873	19,597,801	47,313,857	44,640,404	66,427,730	64,238,205
<b>Total assets</b>	<b>35,903,668</b>	<b>32,937,202</b>	<b>59,842,025</b>	<b>60,582,534</b>	<b>95,745,693</b>	<b>93,519,736</b>
<b>Deferred outflows of resources</b>	<b>4,843,601</b>	<b>2,376,923</b>	<b>415,548</b>	<b>307,384</b>	<b>5,259,149</b>	<b>2,684,307</b>
Long-term debt	3,345,781	3,779,976	11,070,887	12,441,837	14,416,668	16,221,813
Pension and OPEB	22,686,276	18,774,579	1,820,005	1,761,861	24,506,281	20,536,440
Other liabilities	11,612,934	12,355,678	8,611,887	7,242,949	20,224,821	19,598,627
<b>Total liabilities</b>	<b>37,644,991</b>	<b>34,910,233</b>	<b>21,502,779</b>	<b>21,446,647</b>	<b>59,147,770</b>	<b>56,356,880</b>
<b>Deferred inflows of resources</b>	<b>2,945,989</b>	<b>4,585,434</b>	<b>180,007</b>	<b>108,163</b>	<b>3,125,996</b>	<b>4,693,597</b>
Net investment in capital assets	18,907,648	19,268,601	36,362,524	32,246,195	55,270,172	51,514,796
Restricted	10,074,581	9,164,463	576,661	577,952	10,651,242	9,742,415
Unrestricted (deficit)	(28,825,940)	(32,614,606)	1,635,602	6,510,961	(27,190,338)	(26,103,645)
<b>Total net position (deficit)</b>	<b>\$ 156,289</b>	<b>\$ (4,181,542)</b>	<b>\$ 38,574,787</b>	<b>\$ 39,335,108</b>	<b>\$ 38,731,076</b>	<b>\$ 35,153,566</b>

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$55,270,172 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, \$10,651,242, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$27,190,338 represents an accumulated deficit.

The government's net position increased by \$3,577,510 during the current fiscal year. This increase was a combination of an increase of \$4,337,831 in governmental activities and a decrease of \$760,321 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	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,424,845	\$ 3,734,692	\$ 10,725,040	\$ 10,232,562	\$ 16,149,885	\$ 13,967,254
Operating grants	281,993	108,170	-	-	281,993	108,170
Capital grants	2,882,381	2,684,385	597,831	-	3,480,212	2,684,385
General revenues:						
Property taxes	8,164,866	6,604,615	1,209,225	2,010,342	9,374,091	8,614,957
State revenue sharing	6,746,079	5,766,705	25,332	38,979	6,771,411	5,805,684
Unrestricted investment earnings (losses)	(19,338)	(11,331)	(246,671)	15,346	(266,009)	4,015
Other revenues	878,113	192,646	-	-	878,113	192,646
<b>Total revenues</b>	<b>24,358,939</b>	<b>19,079,882</b>	<b>12,310,757</b>	<b>12,297,229</b>	<b>36,669,696</b>	<b>31,377,111</b>
<b>Expenses</b>						
General government	6,113,320	3,803,549	-	-	6,113,320	3,803,549
Public safety	6,974,317	8,509,661	-	-	6,974,317	8,509,661
Public works	4,719,887	4,836,379	-	-	4,719,887	4,836,379
Community and economic development	1,935,307	982,004	-	-	1,935,307	982,004
Culture and recreation	261,695	346,672	-	-	261,695	346,672
Interest on long-term debt	16,582	64,037	-	-	16,582	64,037
Water and sewer	-	-	13,071,078	11,921,646	13,071,078	11,921,646
<b>Total expenses</b>	<b>20,021,108</b>	<b>18,542,302</b>	<b>13,071,078</b>	<b>11,921,646</b>	<b>33,092,186</b>	<b>30,463,948</b>
Change in net position	4,337,831	537,580	(760,321)	375,583	3,577,510	913,163
<b>Net position (deficit)</b>						
Beginning of year	(4,181,542)	(4,719,122)	39,335,108	38,959,525	35,153,566	34,240,403
<b>End of year</b>	<b>\$ 156,289</b>	<b>\$ (4,181,542)</b>	<b>\$ 38,574,787</b>	<b>\$ 39,335,108</b>	<b>\$ 38,731,076</b>	<b>\$ 35,153,566</b>

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

**Governmental Activities.** Governmental activities increased the City's net position by \$4,337,831. This is primarily the result of revenues related to the American Rescue Plan Act funding of \$2.4 million, increased property tax collections, and increased state shared revenue. Additionally, the City sold several properties purchased from the County for resale.

**Business-type Activities.** Business-type activities decreased the City's net position by \$760,321. This was primarily the result of significant water loss due to aging and non-working meters. The City is in the process of obtaining new meters, which will result in more accurate readings and a lower water loss, thereby increasing revenues and increasing net position.

#### 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 \$9,892,262, an increase of \$1,321,174 over the prior year. A portion of the fund balance is nonspendable, \$70,995 for inventory and prepaid items. Unassigned fund deficit of \$253,314 is approximately -2.56% of total fund balance. The remainder of fund balance is restricted by external sources for specific purposes, \$10,074,581.

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 \$231,731, while total fund balance amounted to \$276,036. Nonspendable fund balance for inventory and prepaid items amounted to \$70,995. \$436,772 is restricted by external sources for fire insurance, policing, and construction code fees.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund deficit represents -1.31% of total general fund expenditures, while total fund balance represents 1.56% of that same amount.

The major streets 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. The City is in the process of engineering work for upcoming projects, instead of major construction at this time, which resulted in an increase in fund balance of \$557,421.

The rubbish special revenue fund is used to provide waste and refuse collection and disposal services throughout the City. Fund balance decreased \$56,655 due to expenditures slightly outpacing revenues. It should be noted that this fund had a budgeted decrease in fund balance of \$132,645.

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

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

#### General Fund Highlights

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$344,900 for the current fiscal year, resulting in unassigned fund deficit of \$231,731.

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

- General fund property taxes – Revenues in this category were greater than budgeted, mainly due to an increase in judgment levies collected in the current year.
- General fund intergovernmental – Revenues in this category were slightly higher than budgeted. This is mainly a result of the City recognizing grant reimbursements for prior year expenditures, as well as requesting reimbursements more timely.
- General fund other revenue – As previously described, revenues in this category were significantly higher than originally budgeted due to the sale of first right of refusal properties from Wayne County. As the amount of properties purchased and sold during the year was not known at the time of adopting the budget, the City did not budget for the sale of properties.
- General fund expenditures – Some of the expenditures in this category came in above budgeted projections. The majority of the cost categories came in over budget due to budget amendments not being presented to council during the latter part of the year. The City attorney line item is over budget due to tax judgment levies approved after the budget was adopted. Police and fire are over budget due to salaries and pension costs. Planning department is over budget due to increased professional fees.

**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, 2022, amounted to \$66,427,730 (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.

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

- For governmental activities, the increase in construction in progress is due to the beginning of the Avondale Road and Northwest Quad Road reconstruction. The decreases are due to annual depreciation with no significant other additions.
- For business-type activities, the increase in construction in progress is a result of several new projects, including the Avondale Road project (which includes water mains along the road), the sewer rehab project, lead service line replacements, and East Outfalls CWSRF project.

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	1,857,102	929,007	4,627,223	1,048,057	6,484,325	1,977,064
Land improvements	62,951	83,372	-	-	62,951	83,372
Infrastructure	12,721,365	13,664,833	-	-	12,721,365	13,664,833
Buildings/improvements	1,776,102	1,685,331	-	-	1,776,102	1,685,331
Vehicles	996,577	1,378,005	646,013	828,635	1,642,590	2,206,640
Machinery, furniture, and equipment	1,392,581	1,550,058	25,366	7,181	1,417,947	1,557,239
Water and sewer distribution systems	-	-	42,012,510	42,753,786	42,012,510	42,753,786
<b>Total capital assets, net</b>	<b>\$ 19,113,873</b>	<b>\$ 19,597,801</b>	<b>\$ 47,313,857</b>	<b>\$ 44,640,404</b>	<b>\$ 66,427,730</b>	<b>\$ 64,238,205</b>

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

**Long-term Debt.** The City's long-term debt totaled \$14,416,668. 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	
	2022	2021	2022	2021	2022	2021
Bonds payable	\$ -	\$ -	\$ 10,710,111	\$ 11,880,111	\$ 10,710,111	\$ 11,880,111
Emergency loan	2,700,000	3,000,000	-	-	2,700,000	3,000,000
Installment purchase agreements	206,225	329,200	241,222	514,098	447,447	843,298
Compensated absences	439,556	450,776	119,554	47,628	559,110	498,404
<b>Total long-term debt</b>	<b>\$ 3,345,781</b>	<b>\$ 3,779,976</b>	<b>\$ 11,070,887</b>	<b>\$ 12,441,837</b>	<b>\$ 14,416,668</b>	<b>\$ 16,221,813</b>

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

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

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. While these increases are expected in the coming years, the tax revenue increases will be capped by inflation or five percent per year.

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.

## CITY OF INKSTER, MICHIGAN

### Management's Discussion and Analysis

As of June 30, 2022, the City had uncollected grant reimbursements from both the 2021-22 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.

#### 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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Pooled cash and investments	\$ 13,568,998	\$ 7,817,513	\$ 21,386,511	\$ 3,814,081
Restricted cash and cash equivalents	436,772	576,661	1,013,433	299,273
Receivables, net	2,697,684	4,105,945	6,803,629	1,151,637
Inventories and prepaid items	70,995	28,049	99,044	132,621
Surplus equity interest in joint venture	15,346	-	15,346	-
Capital assets not being depreciated	2,164,297	4,629,968	6,794,265	3,280,177
Capital assets being depreciated, net	16,949,576	42,683,889	59,633,465	12,351,573
<b>Total assets</b>	<b>35,903,668</b>	<b>59,842,025</b>	<b>95,745,693</b>	<b>21,029,362</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	4,843,601	415,548	5,259,149	-
<b>Liabilities</b>				
Accounts payable and accrued liabilities	7,515,615	8,611,887	16,127,502	1,516,224
Unearned revenue	127,490	-	127,490	24,961
Bonds, notes and other long-term liabilities:				
Due within one year	524,082	1,348,254	1,872,336	1,017,769
Due in more than one year	2,821,699	9,722,633	12,544,332	9,054,445
Other noncurrent liabilities:				
Debt guarantee - component units	3,969,829	-	3,969,829	-
Net pension liability	16,896,405	1,038,631	17,935,036	-
Total other postemployment benefit liability	5,789,871	781,374	6,571,245	-
<b>Total liabilities</b>	<b>37,644,991</b>	<b>21,502,779</b>	<b>59,147,770</b>	<b>11,613,399</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	2,139,407	73,253	2,212,660	-
Deferred other postemployment benefits amounts	806,582	106,754	913,336	-
<b>Total deferred inflows of resources</b>	<b>2,945,989</b>	<b>180,007</b>	<b>3,125,996</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	18,907,648	36,362,524	55,270,172	7,420,780
Restricted for:				
PA 495 (fire insurance escrow)	34,040	-	34,040	-
Community policing	8,758	-	8,758	-
Canine unit	6,185	-	6,185	-
Construction code fees	387,789	-	387,789	-
Major and local streets	7,963,461	-	7,963,461	-
Rubbish collection	625,087	-	625,087	-
Parks and recreation	540,837	-	540,837	-
Public improvement	504,932	-	504,932	-
Drug law enforcement	3,492	-	3,492	-
Capital projects	-	576,661	576,661	-
Unrestricted (deficit)	(28,825,940)	1,635,602	(27,190,338)	1,995,183
<b>Total net position (deficit)</b>	<b>\$ 156,289</b>	<b>\$ 38,574,787</b>	<b>\$ 38,731,076</b>	<b>\$ 9,415,963</b>

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

**CITY OF INKSTER, MICHIGAN**

**Statement of Activities**

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 6,113,320	\$ 1,314,554	\$ 64,792	\$ -	\$ (4,733,974)
Public safety	6,974,317	1,953,610	89,684	-	(4,931,023)
Public works	4,719,887	1,988,890	94,105	2,882,381	245,489
Community and economic development	1,935,307	65,883	33,412	-	(1,836,012)
Culture and recreation	261,695	101,908	-	-	(159,787)
Interest on long-term debt	16,582	-	-	-	(16,582)
<b>Total governmental activities</b>	<b>20,021,108</b>	<b>5,424,845</b>	<b>281,993</b>	<b>2,882,381</b>	<b>(11,431,889)</b>
Business-type activities -					
Water and sewer	13,071,078	10,725,040	-	597,831	(1,748,207)
<b>Total primary government</b>	<b>\$ 33,092,186</b>	<b>\$ 16,149,885</b>	<b>\$ 281,993</b>	<b>\$ 3,480,212</b>	<b>\$ (13,180,096)</b>
<b>Component units</b>					
Beech Daly Tax Increment Finance Authority	\$ 1,008,355	\$ -	\$ 103,910	\$ 41,840	\$ (862,605)
Brownfield Redevelopment Authority	118,069	-	-	-	(118,069)
Housing Commission	15,145,623	711,572	10,234,113	1,768,945	(2,430,993)
Commission on Aging	284,122	15,000	1,969	-	(267,153)
<b>Total component units</b>	<b>\$ 16,556,169</b>	<b>\$ 726,572</b>	<b>\$ 10,339,992</b>	<b>\$ 1,810,785</b>	<b>\$ (3,678,820)</b>

continued...

# CITY OF INKSTER, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net position</b>				
Net expense	\$ (11,431,889)	\$ (1,748,207)	\$ (13,180,096)	\$ (3,678,820)
General revenues:				
Property taxes	8,164,866	1,209,225	9,374,091	623,133
State revenue sharing	6,746,079	25,332	6,771,411	-
Unrestricted investment losses	(19,338)	(246,671)	(266,009)	-
Other revenues	878,113	-	878,113	1,599,961
Total general revenues	15,769,720	987,886	16,757,606	2,223,094
<b>Change in net position</b>	4,337,831	(760,321)	3,577,510	(1,455,726)
Net position (deficit), beginning of year, as restated	(4,181,542)	39,335,108	35,153,566	10,871,689
<b>Net position, end of year</b>	\$ 156,289	\$ 38,574,787	\$ 38,731,076	\$ 9,415,963

concluded

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

## CITY OF INKSTER, MICHIGAN

### Balance Sheet

Governmental Funds

June 30, 2022

	General	Major Streets	Rubbish	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Pooled cash and investments	\$ 3,561,810	\$ 3,802,823	\$ 812,586	\$ 5,391,779	\$ 13,568,998
Restricted cash and cash equivalents	436,772	-	-	-	436,772
Accounts receivable	756,890	-	-	35,628	792,518
Due from other funds	17,513	-	-	-	17,513
Due from other governments	1,252,916	311,709	-	135,878	1,700,503
Due from component unit	204,663	-	-	-	204,663
Inventories	18,450	-	-	-	18,450
Prepaid items	52,545	-	-	-	52,545
<b>Total assets</b>	<b>\$ 6,301,559</b>	<b>\$ 4,114,532</b>	<b>\$ 812,586</b>	<b>\$ 5,563,285</b>	<b>\$ 16,791,962</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,949,731	\$ 448,021	\$ 187,499	\$ 54,887	\$ 2,640,138
Accrued and other liabilities	1,561,370	8,611	-	3,413	1,573,394
Due to other funds	-	-	-	17,513	17,513
Due to other governments	1,065,783	6,275	-	2,755	1,074,813
Unearned revenue	-	-	-	127,490	127,490
<b>Total liabilities</b>	<b>4,576,884</b>	<b>462,907</b>	<b>187,499</b>	<b>206,058</b>	<b>5,433,348</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	1,448,639	-	-	17,713	1,466,352
<b>Fund balances</b>					
Nonspendable	70,995	-	-	-	70,995
Restricted	436,772	3,651,625	625,087	5,361,097	10,074,581
Unassigned (deficit)	(231,731)	-	-	(21,583)	(253,314)
<b>Total fund balances (deficit)</b>	<b>276,036</b>	<b>3,651,625</b>	<b>625,087</b>	<b>5,339,514</b>	<b>9,892,262</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,301,559</b>	<b>\$ 4,114,532</b>	<b>\$ 812,586</b>	<b>\$ 5,563,285</b>	<b>\$ 16,791,962</b>

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

# CITY OF INKSTER, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2022

**Fund balances - total governmental funds** \$ 9,892,262

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	2,164,297
Capital assets being depreciated, net	16,949,576

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	1,466,352
Equity interest in joint venture	15,346

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Loans and installment purchase agreements	(2,906,225)
Accrued interest on long-term debt	(11,158)
Estimated self-insurance claims payable	(951,800)
Estimated tax chargeback payable	(1,264,312)
Debt guarantee - component unit	(3,969,829)
Compensated absences	(439,556)

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	(16,896,405)
Deferred outflows related to the net pension liability	4,843,601
Deferred inflows related to the net pension liability	(2,139,407)
Total other postemployment benefit liability	(5,789,871)
Deferred inflows related to the total other postemployment benefit liability	(806,582)

**Net position of governmental activities** \$ 156,289

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, 2022

	General	Major Streets	Rubbish	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 7,189,334	\$ -	\$ 581,475	\$ 424,663	\$ 8,195,472
Licenses and permits	807,848	-	-	-	807,848
Intergovernmental	7,128,424	2,005,777	4,608	1,104,510	10,243,319
Charges for services	1,210,870	-	1,407,016	79,824	2,697,710
Fines and forfeitures	799,319	-	-	-	799,319
Refunds and reimbursements	69,541	-	-	-	69,541
Investment income (loss)	(21,870)	-	-	2,532	(19,338)
Other	761,161	-	-	77,376	838,537
<b>Total revenues</b>	<b>17,944,627</b>	<b>2,005,777</b>	<b>1,993,099</b>	<b>1,688,905</b>	<b>23,632,408</b>
<b>Expenditures</b>					
Current expenditures:					
General government	7,388,153	-	-	-	7,388,153
Public safety	8,531,613	-	-	9,151	8,540,764
Public works	914,364	1,448,356	2,049,754	665,006	5,077,480
Judicial	-	-	-	62,479	62,479
Community and economic development	1,757,330	-	-	172,315	1,929,645
Culture and recreation	-	-	-	249,986	249,986
Debt service:					
Principal	422,975	-	-	-	422,975
Interest and fiscal charges	19,190	-	-	-	19,190
Allocated to other departments	(1,379,438)	-	-	-	(1,379,438)
<b>Total expenditures</b>	<b>17,654,187</b>	<b>1,448,356</b>	<b>2,049,754</b>	<b>1,158,937</b>	<b>22,311,234</b>
Revenues over expenditures	290,440	557,421	(56,655)	529,968	1,321,174
<b>Other financing sources (uses)</b>					
Transfers in	100,000	-	-	45,540	145,540
Transfers out	(45,540)	-	-	(100,000)	(145,540)
<b>Total other financing sources (uses)</b>	<b>54,460</b>	<b>-</b>	<b>-</b>	<b>(54,460)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>344,900</b>	<b>557,421</b>	<b>(56,655)</b>	<b>475,508</b>	<b>1,321,174</b>
Fund balances (deficit), beginning of year	(68,864)	3,094,204	681,742	4,864,006	8,571,088
<b>Fund balances, end of year</b>	<b>\$ 276,036</b>	<b>\$ 3,651,625</b>	<b>\$ 625,087</b>	<b>\$ 5,339,514</b>	<b>\$ 9,892,262</b>

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



# CITY OF INKSTER, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2022

**Net change in fund balances (deficit) - total governmental funds** \$ 1,321,174

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	1,349,416
Depreciation expense	(1,833,344)

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	757,137
Change in estimated tax chargeback	(30,606)
Change in investment in joint venture	(8,803)

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.

Principal payments on long-term liabilities	422,975
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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	2,608
Change in the liability for estimated self-insurance claims	1,139,271
Change in net pension liability and deferred amounts	(645,726)
Change in total other postemployment benefits liability and deferred amounts	839,819
Change in debt guarantee - component unit	1,012,690
Change in the accrual for compensated absences	11,220

**Change in net position of governmental activities** \$ 4,337,831

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 4,792,890	\$ 5,427,598	\$ 7,189,334	\$ 1,761,736
Licenses and permits	696,320	696,320	807,848	111,528
Intergovernmental	6,878,170	6,878,170	7,128,424	250,254
Charges for services	1,100,269	1,100,269	1,210,870	110,601
Fines and forfeitures	776,100	776,100	799,319	23,219
Refunds and reimbursements	71,600	71,600	69,541	(2,059)
Investment income (loss)	30,000	30,000	(21,870)	(51,870)
Other	123,000	848,214	761,161	(87,053)
<b>Total revenues</b>	<b>14,468,349</b>	<b>15,828,271</b>	<b>17,944,627</b>	<b>2,116,356</b>
<b>Expenditures</b>				
General government:				
City council	87,950	87,950	91,551	3,601
District court	819,200	819,200	808,635	(10,565)
Mayor	318,250	318,250	350,952	32,702
City clerk	213,200	213,200	160,560	(52,640)
Information technology	407,100	407,100	414,214	7,114
Treasury	667,900	667,900	776,298	108,398
Buildings and grounds	856,730	856,730	892,590	35,860
City attorney	455,630	1,102,274	2,514,828	1,412,554
Personnel	251,250	251,250	343,883	92,633
Insurance and other	1,005,460	1,005,460	1,034,642	29,182
<b>Total general government</b>	<b>5,082,670</b>	<b>5,729,314</b>	<b>7,388,153</b>	<b>1,658,839</b>
Public safety:				
Police	4,657,338	4,657,338	5,346,008	688,670
Fire	2,487,940	2,487,940	2,629,564	141,624
Building	379,820	379,820	489,407	109,587
Code enforcement	148,800	148,800	66,634	(82,166)
<b>Total public safety</b>	<b>7,673,898</b>	<b>7,673,898</b>	<b>8,531,613</b>	<b>857,715</b>
Public works -				
Department of public works	883,950	888,950	914,364	25,414

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
Community and economic development:				
Community and development Planning	\$ 288,020 262,000	\$ 288,020 720,938	\$ 361,476 950,488	\$ 73,456 229,550
Appropriation to Brownfield Redevelopment Authority	446,150	446,150	445,366	(784)
Total community and economic development	<u>996,170</u>	<u>1,455,108</u>	<u>1,757,330</u>	<u>302,222</u>
Debt service:				
Principal	300,000	300,000	422,975	122,975
Interest and fiscal charges	60,140	60,140	19,190	(40,950)
Total debt service	<u>360,140</u>	<u>360,140</u>	<u>442,165</u>	<u>82,025</u>
Allocated to other departments	<u>(1,329,560)</u>	<u>(1,329,560)</u>	<u>(1,379,438)</u>	<u>(49,878)</u>
<b>Total expenditures</b>	<u>13,667,268</u>	<u>14,777,850</u>	<u>17,654,187</u>	<u>2,876,337</u>
Revenues over (under) expenditures	<u>801,081</u>	<u>1,050,421</u>	<u>290,440</u>	<u>(759,981)</u>
<b>Other financing sources (uses)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(112,190)</u>	<u>(112,190)</u>	<u>(45,540)</u>	<u>(66,650)</u>
<b>Total other financing sources (uses)</b>	<u>(12,190)</u>	<u>(12,190)</u>	<u>54,460</u>	<u>66,650</u>
<b>Net change in fund balance</b>	788,891	1,038,231	344,900	(693,331)
Fund balance (deficit), beginning of year	<u>(68,864)</u>	<u>(68,864)</u>	<u>(68,864)</u>	-
<b>Fund balance, end of year</b>	<u>\$ 720,027</u>	<u>\$ 969,367</u>	<u>\$ 276,036</u>	<u>\$ (693,331)</u>

concluded

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

## CITY OF INKSTER, MICHIGAN

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

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 1,921,190	\$ 1,921,190	\$ 2,005,777	\$ 84,587
<b>Expenditures</b>				
Public works - Department of public works	3,517,755	3,517,755	1,448,356	(2,069,399)
<b>Net change in fund balance</b>	(1,596,565)	(1,596,565)	557,421	2,153,986
Fund balance, beginning of year	3,094,204	3,094,204	3,094,204	-
<b>Fund balance, end of year</b>	<u>\$ 1,497,639</u>	<u>\$ 1,497,639</u>	<u>\$ 3,651,625</u>	<u>\$ 2,153,986</u>

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 474,420	\$ 474,420	\$ 581,475	\$ 107,055
Intergovernmental	-	-	4,608	4,608
Charges for services	1,431,750	1,431,750	1,407,016	(24,734)
<b>Total revenues</b>	1,906,170	1,906,170	1,993,099	86,929
<b>Expenditures</b>				
Public works - Department of public works	2,038,815	2,038,815	2,049,754	10,939
<b>Net change in fund balance</b>	(132,645)	(132,645)	(56,655)	75,990
Fund balance, beginning of year	681,742	681,742	681,742	-
<b>Fund balance, end of year</b>	\$ 549,097	\$ 549,097	\$ 625,087	\$ 75,990

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

# CITY OF INKSTER, MICHIGAN

## Statement of Net Position

Proprietary Fund

June 30, 2022

	<b>Business-type Activities</b>
	<b>Water and Sewer Fund</b>
<b>Assets</b>	
Current assets:	
Pooled cash and investments	\$ 7,817,513
Accounts receivable, net	4,105,945
Inventories	28,049
Total current assets	<u>11,951,507</u>
Noncurrent assets:	
Restricted cash and cash equivalents	576,661
Capital assets not being depreciated	4,629,968
Capital assets being depreciated, net	42,683,889
Total noncurrent assets	<u>47,890,518</u>
<b>Total assets</b>	<u>59,842,025</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	<u>415,548</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	8,354,252
Accrued liabilities	175,362
Accrued interest payable	82,273
Long-term debt, current portion	1,348,254
Total current liabilities	<u>9,960,141</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	9,722,633
Net pension liability	1,038,631
Total other postemployment benefit liability	781,374
Total noncurrent liabilities	<u>11,542,638</u>
<b>Total liabilities</b>	<u>21,502,779</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	73,253
Deferred other postemployment benefits amounts	<u>106,754</u>
<b>Total deferred inflows of resources</b>	<u>180,007</u>
<b>Net position</b>	
Net investment in capital assets	36,362,524
Restricted for capital projects	576,661
Unrestricted	<u>1,635,602</u>
<b>Total net position</b>	<u>\$ 38,574,787</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, 2022

	<b>Business-type Activities</b>
	<b>Water and Sewer Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 10,725,040
<b>Operating expenses</b>	
Cost of water	1,456,736
Cost of sewage disposal	3,778,715
Wages and fringes	1,683,785
Operating supplies	353,348
Contractual services	1,322,339
Repairs and maintenance	2,217,798
Insurance, claims, and other	546,577
Depreciation	1,390,865
<b>Total operating expenses</b>	<u>12,750,163</u>
Operating loss	<u>(2,025,123)</u>
<b>Nonoperating revenues (expenses)</b>	
Property taxes	1,209,225
Intergovernmental revenue	623,163
Investment loss	(246,671)
Interest expense	(320,915)
<b>Total nonoperating revenues</b>	<u>1,264,802</u>
<b>Change in net position</b>	(760,321)
Net position, beginning of year	<u>39,335,108</u>
<b>Net position, end of year</b>	<u>\$ 38,574,787</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, 2022

	<b>Business-type Activities</b>
	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 9,055,985
Payments to suppliers for goods and services	(8,171,504)
Payments to employees for services	(1,590,035)
	<hr/>
<b>Net cash used in operating activities</b>	(705,554)
	<hr/>
<b>Cash flows from noncapital and related financing activities</b>	
Property taxes received	1,209,225
Intergovernmental revenues received	623,163
	<hr/>
<b>Net cash provided by noncapital and and related financing activities</b>	1,832,388
	<hr/>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(4,064,318)
Principal paid on debt	(1,442,876)
Interest paid on debt	(335,322)
	<hr/>
<b>Net cash used in capital and related financing activities</b>	(5,842,516)
	<hr/>
<b>Cash flows from investing activities</b>	
Investment loss	(246,671)
	<hr/>
<b>Net change in cash and cash equivalents</b>	(4,962,353)
	<hr/>
Cash and cash equivalents, beginning of year	13,356,527
	<hr/>
<b>Cash and cash equivalents, end of year</b>	\$ 8,394,174
	<hr/> <hr/>
<b>Cash and cash equivalents as presented in the statement of net position</b>	
Pooled cash and investments	\$ 7,817,513
Restricted cash and cash equivalents	576,661
	<hr/>
<b>Total cash and cash equivalents</b>	\$ 8,394,174
	<hr/> <hr/>

continued...



# CITY OF INKSTER, MICHIGAN

## Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2022

	<b>Business-type Activities</b>
	<b>Water and Sewer Fund</b>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (2,025,123)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,390,865
Changes in assets and liabilities:	
Accounts receivable, net	(1,669,055)
Inventories	120,664
Accounts payable	1,631,683
Accrued liabilities	(248,338)
Compensated absences	71,926
Net pension liability	301,358
Deferred outflows of resources related to net pension liability	(133,805)
Deferred inflows of resources related to net pension liability	(34,910)
Total other postemployment benefits liability	(243,214)
Deferred outflows of resources related to total other postemployment benefit liability	25,641
Deferred inflows of resources related to total other postemployment benefit liability	106,754
<b>Net cash used in operating activities</b>	<b>\$ (705,554)</b>

concluded

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

# CITY OF INKSTER, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Custodial Fund	
	Pension Trust Funds	Tax Collection Fund
<b>Assets</b>		
Pooled cash and investments	\$ -	\$ 17,493
Investments:		
Money market accounts	2,725,942	-
U.S. government agencies	233,301	-
Municipal bonds	7,145,317	-
Corporate bonds	645,876	-
International stocks	424,870	-
Domestic stocks	12,727,690	-
Real estate securities	148,001	-
American depositary receipts (ADRs)	84,044	-
Guaranteed investment contract	8,322,911	-
Total investments	32,457,952	-
Interest receivable	114,920	-
Contributions receivable	1,049,534	-
<b>Total assets</b>	<b>33,622,406</b>	<b>17,493</b>
<b>Liabilities</b>		
Due to broker	3,523	-
Due to other governments	-	669
<b>Total liabilities</b>	<b>3,523</b>	<b>669</b>
<b>Net position</b>		
Restricted for pension benefits	33,618,883	-
Restricted for individuals, organizations, and other governments	-	16,824
<b>Total net position</b>	<b>\$ 33,618,883</b>	<b>\$ 16,824</b>

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

# CITY OF INKSTER, MICHIGAN

## Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2022

	Pension Trust Funds	Custodial Fund Tax Collection Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 1,689,675	\$ -
Plan members	397,659	-
Total contributions	<u>2,087,334</u>	<u>-</u>
Investment income (loss):		
Interest and dividends	1,174,686	-
Net change in fair value of investments	<u>(5,212,199)</u>	<u>-</u>
Total investment loss	<u>(4,037,513)</u>	<u>-</u>
Taxes collected for other governments	<u>-</u>	<u>7,574,587</u>
<b>Total additions (net of investment loss)</b>	<u>(1,950,179)</u>	<u>7,574,587</u>
<b>Deductions</b>		
Benefit payments	4,034,543	-
Administrative expenses	330,178	-
Payments of taxes to other governments	<u>-</u>	<u>7,557,763</u>
<b>Total deductions</b>	<u>4,364,721</u>	<u>7,557,763</u>
<b>Change in net position</b>	(6,314,900)	16,824
Net position, beginning of year	<u>39,933,783</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 33,618,883</u>	<u>\$ 16,824</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, 2022

	<b>Beech Daly Tax Increment Finance Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Housing Commission</b>	<b>Commission on Aging</b>	<b>Total</b>
<b>Assets</b>					
Pooled cash and investments	\$ 264,631	\$ -	\$ 3,524,195	\$ 25,255	\$ 3,814,081
Restricted cash and cash equivalents	-	-	299,273	-	299,273
Accounts receivable	207,800	-	943,837	-	1,151,637
Prepays	-	-	127,445	5,176	132,621
Capital assets not being depreciated	-	-	3,280,177	-	3,280,177
Capital assets being depreciated, net	6,616,207	-	5,494,424	240,942	12,351,573
<b>Total assets</b>	<b>7,088,638</b>	<b>-</b>	<b>13,669,351</b>	<b>271,373</b>	<b>21,029,362</b>
<b>Liabilities</b>					
Accounts payable	-	-	563,287	-	563,287
Due to primary government	204,663	-	-	-	204,663
Accrued liabilities	-	-	645,388	7,464	652,852
Accrued interest payable	76,894	18,528	-	-	95,422
Unearned revenue	-	-	24,961	-	24,961
Long-term liabilities:					
Due within one year	335,000	385,000	297,769	-	1,017,769
Due in more than one year	5,630,000	1,430,000	1,994,445	-	9,054,445
<b>Total liabilities</b>	<b>6,246,557</b>	<b>1,833,528</b>	<b>3,525,850</b>	<b>7,464</b>	<b>11,613,399</b>
<b>Net position</b>					
Net investment in capital assets	651,207	-	6,528,631	240,942	7,420,780
Unrestricted (deficit)	190,874	(1,833,528)	3,614,870	22,967	1,995,183
<b>Total net position (deficit)</b>	<b>\$ 842,081</b>	<b>\$ (1,833,528)</b>	<b>\$ 10,143,501</b>	<b>\$ 263,909</b>	<b>\$ 9,415,963</b>

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

## CITY OF INKSTER, MICHIGAN

### Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2022

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
<b>Expenses</b>					
Community and economic development	\$ 1,008,355	\$ 118,069	\$ -	\$ -	\$ 1,126,424
Housing assistance	-	-	15,145,623	-	15,145,623
Commission on aging	-	-	-	284,122	284,122
<b>Total expenses</b>	<b>1,008,355</b>	<b>118,069</b>	<b>15,145,623</b>	<b>284,122</b>	<b>16,556,169</b>
<b>Program revenues</b>					
Charges for services	-	-	711,572	15,000	726,572
Operating grants and contributions	103,910	-	10,234,113	1,969	10,339,992
Capital grants and contributions	41,840	-	1,768,945	-	1,810,785
<b>Total program revenues</b>	<b>145,750</b>	<b>-</b>	<b>12,714,630</b>	<b>16,969</b>	<b>12,877,349</b>
Net expenses	(862,605)	(118,069)	(2,430,993)	(267,153)	(3,678,820)
<b>General revenues</b>					
Property taxes	289,669	21,153	-	312,311	623,133
Other revenues	576,072	445,366	574,959	3,564	1,599,961
<b>Total general revenues</b>	<b>865,741</b>	<b>466,519</b>	<b>574,959</b>	<b>315,875</b>	<b>2,223,094</b>
<b>Change in net position</b>	<b>3,136</b>	<b>348,450</b>	<b>(1,856,034)</b>	<b>48,722</b>	<b>(1,455,726)</b>
Net position (deficit), beginning of year, as restated	838,945	(2,181,978)	11,999,535	215,187	10,871,689
<b>Net position (deficit), end of year</b>	<b>\$ 842,081</b>	<b>\$ (1,833,528)</b>	<b>\$ 10,143,501</b>	<b>\$ 263,909</b>	<b>\$ 9,415,963</b>

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

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## **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, 2022 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.

**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 balances or activity during the year and accordingly is not reported in the current year financial statements. The DDA does not issue separate financial statements.



## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

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

**Inkster Housing Commission (the "Housing Commission")** - 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

#### *Fiduciary component units*

The *General Employees' Retirement System (the "Plan")* was established by City Ordinance which provided that the general administration and responsibility for the operation of the Plan is vested in a five member Board of Trustees, the majority of whom are appointed by the City Council or serve on the Board due to their positions held in the City and one member who is elected by active members of the Plan. The Plan is a defined benefit plan that covers all eligible employees of the City except police officers and firefighters that are members of the Police and Fire Retirement System. Funding for the Plan is provided by the City and active employees. The Plan is included in these statements as a fiduciary fund.

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

The *Police and Fire Retirement System (the "Plan")* was established by City Ordinance which provided that the general administration and responsibility for the operation of the Plan is vested in a five member Board of Trustees, the majority of whom are appointed by the City Council or serve on the Board due to their positions held in the City and one member who is elected by active members of the Plan. The Plan is a defined benefit plan that covers all eligible employees within the police and fire departments of the City of Inkster. Funding for the Plan is provided by the City and active employees. The Plan is included in these statements as a fiduciary fund.

#### *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, 2022. 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

#### ***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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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.

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.

The *major streets 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 *rubbish special revenue fund* is used to provide waste and refuse collection and disposal services throughout the City.

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

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.

The *custodial fund* accounts for assets held by the City in a custodial capacity for other governments and entities, such as taxes collected for other governments.

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 Treasurer maintains a cash management pool that is used by all governmental funds, water and sewer fund, the custodial fund, and the Beech Daly Tax Increment Finance Authority and the Brownfield Redevelopment Authority component units of the government. In addition to their participation in the cash management pool, certain funds and component units also have separate checking accounts. The cash management pool has the general characteristics of a demand deposit account in that deposits and withdrawals may be made at any time without prior notice or penalty. Accordingly, each fund's portion of this pool, along with any amounts in separate demand deposit accounts, is reported as "pooled cash 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.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust funds to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on investments due to changes in fair value are recognized each year.

#### *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 proprietary 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, 2022 was a surplus of \$15,346.

#### ***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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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

	Years
Infrastructure	15-30
Land improvements	40-50
Buildings/improvements	40-50
Furniture and equipment	5-10
Water and sewer distribution systems	40-100
Vehicles	3-10
Machinery and equipment	5-10

### ***Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets 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 plans.

### ***Compensated Absences***

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

### ***Long-term Obligations***

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

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

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

#### *Deferred Inflows of Resources*

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

#### *Fund Equity*

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

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City'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 custodial fund.



# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *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.

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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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, 2022, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance with Final Budget
<b>General fund</b>			
General government:			
City council	\$ 87,950	\$ 91,551	\$ 3,601
Mayor	318,250	350,952	32,702
Information technology	407,100	414,214	7,114
Treasury	667,900	776,298	108,398
Buildings and grounds	856,730	892,590	35,860
City attorney	1,102,274	2,514,828	1,412,554
Personnel	251,250	343,883	92,633
Insurance and other	1,005,460	1,034,642	29,182
Public safety:			
Police	4,657,338	5,346,008	688,670
Fire	2,487,940	2,629,564	141,624
Building	379,820	489,407	109,587
Public works -			
Department of public works	888,950	914,364	25,414
Community and economic development:			
Community development	288,020	361,476	73,456
Planning	720,938	950,488	229,550
Debt service -			
Principal	300,000	422,975	122,975
<b>Rubbish special revenue fund</b>			
Public works -			
Department of public works	2,038,815	2,049,754	10,939

### **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, 2022, is as follows:

<b>Cumulative surplus, beginning of year</b>	\$ 412,286
Building permit revenue	527,813
Related expenses - building inspector	(465,599)
Indirect expenses	(86,711)
<b>Cumulative surplus, end of year</b>	<u>\$ 387,789</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Deficit fund balance / net position*

The net position deficit of \$1,833,528 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 an unassigned deficit of \$231,731 due to increasing operating costs. The City has prepared a deficit elimination plan to work towards reducing the unassigned deficit.

In addition, the City is reporting a deficit of \$17,713 in the Community Development Block Grant fund. As this fund shows this amount in deferred inflows, no deficit elimination plan is required to be filed with the State of Michigan.

In addition, the City is reporting a deficit of \$3,870 in the Michigan Indigent Defense Commission fund due to an invoice submitted after year end which related to the current fiscal year. The deficit has been eliminated with a transfer from the general fund after year end.

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2022:

	Primary Government	Component Units	Totals
<b>Statement of Net Position</b>			
Pooled cash and investments	\$ 21,386,511	\$ 3,814,081	\$ 25,200,592
Restricted cash and cash equivalents	1,013,433	299,273	1,312,706
<b>Statement of Fiduciary Net Position</b>			
Pooled cash and investments	17,493	-	17,493
Investments - pension trust funds	32,457,952	-	32,457,952
<b>Total</b>	<u>\$ 54,875,389</u>	<u>\$ 4,113,354</u>	<u>\$ 58,988,743</u>
<b>Deposits and investments</b>			
Demand deposits			\$ 20,173,193
Certificates of deposit (maturities of 1-5 years)			3,729,760
Deposits held by Wayne County			577,958
Treasurer's cash management pool			2,049,665
Investments - pension trust funds			32,457,952
Cash on hand			215
<b>Total</b>			<u>\$ 58,988,743</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### *Deposits and Investments - Cash and 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, 2022, \$22,865,185 of the City's total bank balance of \$23,854,670 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, 2022:

GovMIC Class cash management pool	<u>\$ 2,049,665</u>
-----------------------------------	---------------------

*Credit Risk.* State law limits investments to specific governmental securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. As of June 30, 2022, 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 GovMIC Class cash management pool is not subject to interest risk disclosures.

*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, 2022, all of the City's investments are held in the GovMIC Class cash management pool.

*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.

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

The investments in the GovMIC Class cash management pool are not categorized as they are measured at net asset value per share or its equivalent.

*Investments in Entities that Calculate Net Asset Value per Share.* The City holds share in GovMIC Class whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the City's investment in GovMIC Class was \$2,049,665. The management pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The GovMIC Class management pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

#### *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, 2022:

Money market accounts	\$ 2,725,942
U.S. government agencies	233,301
Municipal bonds	7,145,317
Corporate bonds	645,876
International stocks	424,870
Domestic stocks	12,727,690
Real estate securities	148,001
American depositary receipts (ADRs)	84,044
Guaranteed investment contract	<u>8,322,911</u>
<b>Total</b>	<u><u>\$ 32,457,952</u></u>

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

*Credit Risk.* Credit risk ratings (Standard & Poor's), where applicable, are summarized as follows:

Rating	Amount
AAA-	\$ 788,327
AA+	1,306,487
AA	1,548,111
AA-	777,374
A+	796,221
A	469,059
A-	377,216
BBB+	51,813
BBB	52,798
BBB-	189,130
Unrated	26,091,262
Not subject to credit risk	<u>10,154</u>
<b>Total</b>	<b><u>\$ 32,457,952</u></b>

*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:

Maturities	Amount
No maturity	\$ 16,110,685
Due within one year	418,816
Due in 1-5 years	12,740,441
Due in 6-10 years	2,488,108
Due in 11-15 years	641,579
Due in more than 15 years	<u>58,323</u>
<b>Total</b>	<b><u>\$ 32,457,952</u></b>

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

*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>\$ 424,870</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.

The pension trusts had the following recurring fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 2,725,942	\$ -	\$ -	\$ 2,725,942
U.S. government agencies	233,301	-	-	233,301
Municipal bonds	-	7,145,317	-	7,145,317
Corporate bonds	-	645,876	-	645,876
International stocks	424,870	-	-	424,870
Domestic stocks	12,727,690	-	-	12,727,690
Real estate securities	148,001	-	-	148,001
American depository receipts (ADRs)	84,044	-	-	84,044
Guaranteed investment contract	-	8,322,911	-	8,322,911
<b>Total</b>	<u>\$ 16,343,848</u>	<u>\$ 16,114,104</u>	<u>\$ -</u>	<u>\$ 32,457,952</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 4. RECEIVABLES AND PAYABLES AND ACCRUED LIABILITIES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 792,518	\$ 4,511,771	\$ 1,151,637
Allowance for uncollectible amounts	-	(405,826)	-
Due from other governments	1,700,503	-	-
Due from component unit	204,663	-	-
	<hr/>	<hr/>	<hr/>
<b>Total receivables</b>	<b>\$ 2,697,684</b>	<b>\$ 4,105,945</b>	<b>\$ 1,151,637</b>

In the governmental funds, deferred inflows of resources of \$1,466,352 represent amounts that are considered unavailable. Such items are recognized fully in the government-wide statements.

Payables and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 2,640,138	\$ 8,354,252	\$ 563,287
Accrued and other liabilities	1,573,394	175,362	652,852
Due to primary government	-	-	204,663
Due to other governments	1,074,813	-	-
Estimated self-insurance claims payable	951,800	-	-
Estimated tax chargeback payable	1,264,312	-	-
Accrued interest on long-term debt	11,158	82,273	95,422
	<hr/>	<hr/>	<hr/>
<b>Total payables and accrued liabilities</b>	<b>\$ 7,515,615</b>	<b>\$ 8,611,887</b>	<b>\$ 1,516,224</b>



# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 5. CAPITAL ASSETS

#### Primary government

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

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 307,195	\$ -	\$ -	\$ -	\$ 307,195
Construction in progress	929,007	928,095	-	-	1,857,102
	<u>1,236,202</u>	<u>928,095</u>	<u>-</u>	<u>-</u>	<u>2,164,297</u>
Capital assets being depreciated:					
Land improvements	588,289	-	-	-	588,289
Infrastructure	30,126,499	96,577	-	-	30,223,076
Buildings/improvements	8,304,319	210,111	-	-	8,514,430
Vehicles	7,086,767	-	-	-	7,086,767
Machinery and equipment	7,771,112	114,633	-	-	7,885,745
	<u>53,876,986</u>	<u>421,321</u>	<u>-</u>	<u>-</u>	<u>54,298,307</u>
Less accumulated depreciation for:					
Land improvements	(504,917)	(20,421)	-	-	(525,338)
Infrastructure	(16,461,666)	(1,040,045)	-	-	(17,501,711)
Buildings/improvements	(6,618,988)	(119,340)	-	-	(6,738,328)
Vehicles	(5,708,762)	(381,428)	-	-	(6,090,190)
Machinery and equipment	(6,221,054)	(272,110)	-	-	(6,493,164)
	<u>(35,515,387)</u>	<u>(1,833,344)</u>	<u>-</u>	<u>-</u>	<u>(37,348,731)</u>
Total capital assets being depreciated, net	<u>18,361,599</u>	<u>(1,412,023)</u>	<u>-</u>	<u>-</u>	<u>16,949,576</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 19,597,801</u>	<u>\$ (483,928)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,113,873</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in progress	1,048,057	3,579,166	-	-	4,627,223
	<u>1,050,802</u>	<u>3,579,166</u>	<u>-</u>	<u>-</u>	<u>4,629,968</u>
Capital assets being depreciated:					
Buildings/improvements	66,444	-	-	-	66,444
Furniture and equipment	85,517	25,056	-	-	110,573
Water and sewer distribution systems	67,702,337	432,285	-	-	68,134,622
Vehicles	1,156,639	27,811	-	-	1,184,450
	<u>69,010,937</u>	<u>485,152</u>	<u>-</u>	<u>-</u>	<u>69,496,089</u>
Less accumulated depreciation for:					
Buildings/improvements	(66,444)	-	-	-	(66,444)
Furniture and equipment	(78,336)	(6,871)	-	-	(85,207)
Water and sewer distribution systems	(24,948,551)	(1,173,561)	-	-	(26,122,112)
Vehicles	(328,004)	(210,433)	-	-	(538,437)
	<u>(25,421,335)</u>	<u>(1,390,865)</u>	<u>-</u>	<u>-</u>	<u>(26,812,200)</u>
Total capital assets being depreciated, net	<u>43,589,602</u>	<u>(905,713)</u>	<u>-</u>	<u>-</u>	<u>42,683,889</u>
<b>Business-type activities capital assets, net</b>					
	<u>\$ 44,640,404</u>	<u>\$ 2,673,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,313,857</u>

At June 30, 2022, the City had no outstanding construction commitments in business-type activities. There were no significant construction commitments in governmental activities at June 30, 2022.

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

### Depreciation of governmental activities by function

General government	\$ 198,764
Public safety	503,631
Public works	1,042,553
Culture and recreation	88,396

### Total governmental activities

\$ 1,833,344

### Depreciation of business-type activities by function

Water and sewer	\$ 1,390,865
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# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
<b>Beech Daly TIFA</b>					
Capital assets being depreciated:					
Buildings/improvements	\$ 8,725,614	\$ -	\$ -	\$ -	\$ 8,725,614
Infrastructure	3,130,000	-	-	-	3,130,000
Furniture and equipment	332,118	-	-	-	332,118
	<u>12,187,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,187,732</u>
Less accumulated depreciation for:					
Buildings/improvements	(2,109,889)	(235,018)	-	-	(2,344,907)
Infrastructure	(2,891,335)	(154,167)	-	-	(3,045,502)
Furniture and equipment	(170,045)	(11,071)	-	-	(181,116)
	<u>(5,171,269)</u>	<u>(400,256)</u>	<u>-</u>	<u>-</u>	<u>(5,571,525)</u>
<b>TIFA capital assets, net</b>	<u>\$ 7,016,463</u>	<u>\$ (400,256)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,616,207</u>
<b>Housing Commission</b>					
Capital assets not being depreciated:					
Land	\$ 1,891,187	\$ -	\$ -	\$ -	\$ 1,891,187
Construction in progress	882,423	506,567	-	-	1,388,990
	<u>2,773,610</u>	<u>506,567</u>	<u>-</u>	<u>-</u>	<u>3,280,177</u>
Capital assets being depreciated:					
Buildings/improvements	51,546,907	606,028	-	(299,969)	51,852,966
Furniture and equipment	1,136,502	400,675	-	464,814	2,001,991
	<u>52,683,409</u>	<u>1,006,703</u>	<u>-</u>	<u>164,845</u>	<u>53,854,957</u>
Less accumulated depreciation for:					
Buildings/improvements	(44,506,517)	(2,505,969)	-	139	(47,012,347)
Furniture and equipment	(1,110,140)	(160,992)	-	(77,054)	(1,348,186)
	<u>(45,616,657)</u>	<u>(2,666,961)</u>	<u>-</u>	<u>(76,915)</u>	<u>(48,360,533)</u>
Total capital assets being depreciated, net	<u>7,066,752</u>	<u>(1,660,258)</u>	<u>-</u>	<u>87,930</u>	<u>5,494,424</u>
<b>Housing Commission capital assets, net</b>	<u>\$ 9,840,362</u>	<u>\$ (1,153,691)</u>	<u>\$ -</u>	<u>\$ 87,930</u>	<u>\$ 8,774,601</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
<b>Commission on Aging</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 37,500	\$ -	\$ -	\$ (37,500)	\$ -
Capital assets being depreciated:					
Buildings/improvements	42,000	72,500	-	37,500	152,000
Furniture and equipment	30,907	28,900	-	-	59,807
Vehicles	111,874	-	-	-	111,874
	<u>184,781</u>	<u>101,400</u>	<u>-</u>	<u>37,500</u>	<u>323,681</u>
Less accumulated depreciation	(67,215)	(15,524)	-	-	(82,739)
Total capital assets being depreciated, net	<u>117,566</u>	<u>85,876</u>	<u>-</u>	<u>37,500</u>	<u>240,942</u>
<b>Commission on Aging capital assets, net</b>	<u>\$ 155,066</u>	<u>\$ 85,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,942</u>

## 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at year end was \$17,513 due from the Community Development Block Grant fund to the general fund.

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

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

Transfers Out	Transfers In		Total
	General	Nonmajor Governmental Funds	
General fund	\$ -	\$ 45,540	\$ 45,540
Nonmajor governmental funds	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 100,000</u>	<u>\$ 45,540</u>	<u>\$ 145,540</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2022 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Direct borrowings and direct placements:					
Emergency loan	\$ 3,000,000	\$ -	\$ (300,000)	\$ 2,700,000	\$ 300,000
Installment purchase agreements	329,200	-	(122,975)	206,225	114,193
Total installment debt	3,329,200	-	(422,975)	2,906,225	414,193
Compensated absences	450,776	101,473	(112,693)	439,556	109,889
<b>Total governmental activities</b>	<b>\$ 3,779,976</b>	<b>\$ 101,473</b>	<b>\$ (535,668)</b>	<b>\$ 3,345,781</b>	<b>\$ 524,082</b>
<b>Business-type activities</b>					
Bonds payable	\$ 11,880,111	\$ -	\$ (1,170,000)	\$ 10,710,111	\$ 1,200,000
Direct borrowings and direct placements -					
Installment purchase agreements	514,098	-	(272,876)	241,222	118,366
Total bonds and installment debt	12,394,209	-	(1,442,876)	10,951,333	1,318,366
Compensated absences	47,628	83,833	(11,907)	119,554	29,888
<b>Total business-type activities</b>	<b>\$ 12,441,837</b>	<b>\$ 83,833</b>	<b>\$ (1,454,783)</b>	<b>\$ 11,070,887</b>	<b>\$ 1,348,254</b>
<b>Component units</b>					
Bonds payable	\$ 8,440,000	\$ -	\$ (660,000)	\$ 7,780,000	\$ 720,000
Direct borrowings and direct placements -					
Loan payable	2,528,542	-	(282,572)	2,245,970	297,769
Total bonds and installment debt	10,968,542	-	(942,572)	10,025,970	1,017,769
Compensated absences	25,844	30,300	(9,900)	46,244	-
<b>Total component units</b>	<b>\$ 10,994,386</b>	<b>\$ 30,300</b>	<b>\$ (952,472)</b>	<b>\$ 10,072,214</b>	<b>\$ 1,017,769</b>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Emergency loan payable.* In 2020, the City entered into an emergency loan agreement for \$3,000,000 with a State agency for program purposes. The loan is due in ten equal annual installments beginning in March 2022. At June 30, 2022, the balance was \$2,700,000. Interest is payable annually at a rate of 2.28 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	\$ 900,000
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	9,526,586
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>283,525</u>
<b>Total business-type activities bonds payable</b>	<b><u><u>\$ 10,710,111</u></u></b>

### **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	\$ 370,000
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	1,815,000
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>5,595,000</u>
<b>Total component units bonds payable</b>	<b><u><u>\$ 7,780,000</u></u></b>

*Loan payable.* The Housing Commission component unit has a loan outstanding through the Capital Fund Financing Program (CFFP) for renovations. The balance of the loan at December 31, 2021 was \$2,245,970. The loan is due in monthly installments of \$34,048 including interest at 5.25 percent with final payment due in 2029.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*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
<b>Governmental activities</b>				
2018 SCBA's & Assoc. Equipment	07/15/2022	3.54%	\$ 76,155	\$ 26,045
2018 Ambulance	08/30/2023	4.30%	196,340	83,526
2021 and 2020 Dodge Durangos	01/18/2024	4.50%	193,496	96,654
<b>Total governmental activities</b>			<u>\$ 465,991</u>	<u>\$ 206,225</u>

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
<b>Business-type activities</b>				
2020 Freightliner and Vactor	09/01/2023	2.95%	\$ 429,359	\$ 173,627
2020 Ford F-550 Dump Truck	09/04/2023	5.99%	60,392	30,145
2020 Ford F-250 Plow Truck	09/07/2023	5.99%	37,514	18,725
2020 Ford F-250 Plow Truck	01/08/2024	5.99%	37,514	18,725
<b>Total business-type activities</b>			<u>\$ 564,779</u>	<u>\$ 241,222</u>

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

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 300,000	\$ 17,193	\$ 1,200,000	\$ 274,528	\$ 720,000	\$ 558,618
2024	300,000	14,744	1,235,000	240,540	785,000	511,284
2025	300,000	12,293	1,270,000	205,228	850,000	459,598
2026	300,000	9,903	1,305,000	168,853	920,000	403,378
2027	300,000	7,617	1,090,000	129,315	415,000	361,569
2028-2032	1,200,000	10,594	4,610,111	234,028	2,385,000	1,283,313
2033-2035	-	-	-	-	1,705,000	280,719
	<u>\$ 2,700,000</u>	<u>\$ 72,344</u>	<u>\$ 10,710,111</u>	<u>\$ 1,252,492</u>	<u>\$ 7,780,000</u>	<u>\$ 3,858,479</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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
2023	\$ 114,193	\$ 9,099	\$ 118,366	\$ 9,171	\$ 297,769	\$ 110,816
2024	92,032	4,056	122,856	4,682	313,784	94,801
2025	-	-	-	-	330,660	77,926
2026	-	-	-	-	348,443	60,142
2027	-	-	-	-	367,183	41,402
2028-2029	-	-	-	-	588,131	24,746
	<u>\$ 206,225</u>	<u>\$ 13,155</u>	<u>\$ 241,222</u>	<u>\$ 13,853</u>	<u>\$ 2,245,970</u>	<u>\$ 409,833</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.

*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, 2020	\$ 179,558	\$ 2,825,282	\$ 3,004,840
Claims incurred and changes in estimates	73,558	(250,000)	(176,442)
Claim payments	(162,327)	(575,000)	(737,327)
Estimated liability, June 30, 2021	90,789	2,000,282	2,091,071
Claims incurred and changes in estimates	84,956	139,000	223,956
Claim payments	(63,227)	(1,300,000)	(1,363,227)
<b>Estimated liability, June 30, 2022</b>	<u>\$ 112,518</u>	<u>\$ 839,282</u>	<u>\$ 951,800</u>



# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 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
<b>Assets</b>			
Investments:			
Money market accounts	\$ -	\$ 2,725,942	\$ 2,725,942
U.S. government agencies	-	233,301	233,301
Municipal bonds	-	7,145,317	7,145,317
Corporate bonds	-	645,876	645,876
International stocks	-	424,870	424,870
Domestic stocks	-	12,727,690	12,727,690
Real estate securities	-	148,001	148,001
American depositary receipts (ADRs)	-	84,044	84,044
Guaranteed investment contract	8,322,911	-	8,322,911
Total investments	8,322,911	24,135,041	32,457,952
Interest receivable	-	114,920	114,920
Contributions receivable	184,608	864,926	1,049,534
<b>Total assets</b>	<b>8,507,519</b>	<b>25,114,887</b>	<b>33,622,406</b>
<b>Liabilities</b>			
Due to broker	-	3,523	3,523
<b>Net position restricted for pension benefits</b>	<b>\$ 8,507,519</b>	<b>\$ 25,111,364</b>	<b>\$ 33,618,883</b>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

	Change in Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 374,672	\$ 1,315,003	\$ 1,689,675
Plan members	28,927	368,732	397,659
Total contributions	<u>403,599</u>	<u>1,683,735</u>	<u>2,087,334</u>
Investment income (loss):			
Interest and dividends	269,864	904,822	1,174,686
Net change in fair value of investments	(670,631)	(4,541,568)	(5,212,199)
Net investment loss	<u>(400,767)</u>	<u>(3,636,746)</u>	<u>(4,037,513)</u>
<b>Total additions (net of investment loss)</b>	<u>2,832</u>	<u>(1,953,011)</u>	<u>(1,950,179)</u>
<b>Deductions</b>			
Benefit payments	1,063,670	2,970,873	4,034,543
Administrative expenses	116,381	213,797	330,178
<b>Total deductions</b>	<u>1,180,051</u>	<u>3,184,670</u>	<u>4,364,721</u>
<b>Change in net position</b>	(1,177,219)	(5,137,681)	(6,314,900)
Net position, beginning of year	<u>9,684,738</u>	<u>30,249,045</u>	<u>39,933,783</u>
<b>Net position, end of year</b>	<u>\$ 8,507,519</u>	<u>\$ 25,111,364</u>	<u>\$ 33,618,883</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 a HRA 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, 2022:

Inactive plan members receiving or entitled to future benefits	75
Active plan members	<u>27</u>
<b>Total</b>	<u><u>102</u></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, 2022, the City did not make any contributions to advance-fund the plan. The City made pay-as-you-go payments in the amount of \$521,033 for the year ended June 30, 2022.

*Discount rate.* The discount rate used to measure the total OPEB liability was 4.09 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 4.09 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, 2022, 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 6.85 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-2021. IPOA, COAM, and Fire: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table full generational using Scale MP-2021.

Assumption changes for the current year include an increase in the discount rate due to an increase in the 20-year AA municipal index bond rate, an update to the payroll growth assumption 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, 2022 was \$6,571,245.

# 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:

	<b>Total OPEB Liability</b>
Balances at June 30, 2021	<u>\$ 8,652,074</u>
Changes for the year:	
Service cost	81,290
Interest	185,586
Difference between expected and actual experience	(453,170)
Changes in assumptions	(1,373,502)
Benefits payments	<u>(521,033)</u>
Net changes	<u>(2,080,829)</u>
<b>Balances at June 30, 2022</b>	<u><u>\$ 6,571,245</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 4.09 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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

<b>1% Decrease (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
\$ 7,245,503	\$ 6,571,245	\$ 6,002,887

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

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$429,938. The City reported deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 226,585
Changes in assumptions	<u>686,751</u>
	<u><u>\$ 913,336</u></u>

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

<b>Year Ended June 30,</b>	<b>Amount</b>
2023	<u><u>\$ 913,336</u></u>

*Payable to the OPEB Plan.* At June 30, 2022, the City had no amounts payable for contributions to the OPEB plan.

### ***Defined Contribution OPEB Plan***

*Contributions to HRA.* At June 30, 2022, the City had contributed \$495,855 to active employee HRA 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. The City has recorded a liability of \$1,264,312 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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

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 year 2022. 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 \$478,300 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.

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, 2021, the date of the latest actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	52
Terminated employees entitled to but not yet receiving benefits	7
Vested active members	<u>10</u>
<b>Total membership</b>	<u><u>69</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 earnings except for the members of the dispatchers Union for whom the amount is 3 percent of earnings. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 60.1 percent of covered payroll.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Net pension liability.* The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (rolled forward to June 30, 2022).

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2021 (rolled forward to June 30, 2022), 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	2021 IRS Static Mortality Table for Males or Females

Assumption changes in 2022 related to changes in the mortality tables from 2020 IRS Static Table to the 2021 IRS Static Table.

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.

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, 2022 (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	2.0%	7.25%
Stable value	98.0%	3.85%

The actual money-weighted rate of return for the year ended June 30, 2022 was negative 4.4 percent.

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

*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:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2021	\$ 13,288,187	\$ 9,684,738	\$ 3,603,449
Changes for the year:			
Service cost	51,769	-	51,769
Interest	765,846	-	765,846
Differences between expected and actual experience including changes of assumptions	525,394	-	525,394
Employer contributions	-	374,672	(374,672)
Employee contributions	-	28,927	(28,927)
Net investment loss	-	(400,767)	400,767
Benefit payments, including refunds of employee contributions	(1,063,670)	(1,063,670)	-
Administrative expense	-	(116,381)	116,381
Net changes	279,339	(1,177,219)	1,456,558
<b>Balances at June 30, 2022</b>	<b>\$ 13,567,526</b>	<b>\$ 8,507,519</b>	<b>\$ 5,060,007</b>

*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 (5.0 percent) or 1 percentage-point higher (7.0 percent) than the current rate:

	<b>1% Decrease (5.0%)</b>	<b>Current Discount (6.0%)</b>	<b>1% Increase (7.0%)</b>
City's net pension liability	\$ 6,550,665	\$ 5,060,007	\$ 4,134,205



## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

*Pension expense and deferred outflows/inflows of resources related to pensions.* For the year ended June 30, 2022, the City recognized pension expense of \$1,016,484. At June 30, 2022, 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	\$ 1,006,761	\$ 354,058	\$ 652,703
Net difference between projected and actual earnings on pension plan investments	<u>1,002,559</u>	<u>-</u>	<u>1,002,559</u>
<b>Total</b>	<u>\$ 2,009,320</u>	<u>\$ 354,058</u>	<u>\$ 1,655,262</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
2023	\$ 591,738
2024	549,844
2025	302,007
2026	<u>211,673</u>
	<u>\$ 1,655,262</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.

### 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 fiduciary component unit. 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.

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

*Plan membership.* Plan membership at June 30, 2021, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	72
Vested active members	43
Vested inactive members	<u>10</u>
<b>Total membership</b>	<b><u><u>125</u></u></b>

*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 or age 60 regardless of service, 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 percent 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 39.5 percent of covered payroll.

*Net pension liability.* The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (rolled forward to June 30, 2022).

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2021 (rolled forward to June 30, 2022), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 - 7.0 percent, average, including inflation
Investment rate of return	7.5 percent, compounded annual, net of pension plan investment expense
Mortality rate	PubS-2010 Mortality Tables with Scale MP-2021

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study performed in May of 2021.

## 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, 2022 (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, 2022 was negative 11.68 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 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. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate is 4.09 percent (based on the daily rate closest to, but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index), resulting in a single discount rate of 7.50 percent.

## 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:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2021	\$ 38,529,962	\$ 30,249,045	\$ 8,280,917
Changes for the year:			
Service cost	556,238	-	556,238
Interest	2,820,062	-	2,820,062
Differences between expected and actual experience	(948,996)	-	(948,996)
Employer contributions	-	1,315,003	(1,315,003)
Employee contributions	-	368,732	(368,732)
Net investment loss	-	(3,636,746)	3,636,746
Benefit payments, including refunds of employee contributions	(2,970,873)	(2,970,873)	-
Administrative expense	-	(213,797)	213,797
Net changes	<u>(543,569)</u>	<u>(5,137,681)</u>	<u>4,594,112</u>
<b>Balances at June 30, 2022</b>	<u>\$ 37,986,393</u>	<u>\$ 25,111,364</u>	<u>\$ 12,875,029</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 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's net pension liability	\$ 16,993,211	\$ 12,875,029	\$ 9,389,732

## CITY OF INKSTER, MICHIGAN

### Notes to Financial Statements

*Pension expense and deferred outflows/inflows of resources related to pensions.* For the year ended June 30, 2022, the City recognized pension expense of \$1,463,723. At June 30, 2022, 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	\$ 369,614	\$ 1,524,268	\$ (1,154,654)
Changes in assumptions	138,480	334,334	(195,854)
Net difference between projected and actual earnings on pension plan investments	2,741,735	-	2,741,735
<b>Total</b>	<u>\$ 3,249,829</u>	<u>\$ 1,858,602</u>	<u>\$ 1,391,227</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
2023	\$ 113,420
2024	(7,659)
2025	115,638
2026	1,169,828
	<u>\$ 1,391,227</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, 2022.

*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, 2021 was \$69,529.

## 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 \$345,000 on the BRA debt leaving an estimated net present value of \$1.8 million on the guarantee and paid approximately \$315,000 on the TIFA debt leaving an estimated net present value of \$2.2 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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 18,450	\$ -	\$ -	\$ -	\$ 18,450
Prepaid items	52,545	-	-	-	52,545
	<u>70,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,995</u>
Restricted:					
PA 495 (fire insurance escrow)	34,040	-	-	-	34,040
Community policing	8,758	-	-	-	8,758
Canine unit	6,185	-	-	-	6,185
Construction code fees	387,789	-	-	-	387,789
Major and local streets	-	3,651,625	-	4,311,836	7,963,461
Rubbish collection	-	-	625,087	-	625,087
Parks and recreation	-	-	-	540,837	540,837
Public improvement	-	-	-	504,932	504,932
Drug law enforcement	-	-	-	3,492	3,492
	<u>436,772</u>	<u>3,651,625</u>	<u>625,087</u>	<u>5,361,097</u>	<u>10,074,581</u>
Unassigned (deficit)	<u>(231,731)</u>	<u>-</u>	<u>-</u>	<u>(21,583)</u>	<u>(253,314)</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 276,036</u>	<u>\$ 3,651,625</u>	<u>\$ 625,087</u>	<u>\$ 5,339,514</u>	<u>\$ 9,892,262</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	\$ 2,164,297	\$ 4,629,968	\$ 3,280,177
Capital assets being depreciated, net	16,949,576	42,683,889	12,351,573
	<u>19,113,873</u>	<u>47,313,857</u>	<u>15,631,750</u>
Related debt:			
Total bonds, loans, and other installment debt	2,906,225	10,951,333	10,025,970
Less non-capital related debt	(2,700,000)	-	(1,815,000)
	<u>206,225</u>	<u>10,951,333</u>	<u>8,210,970</u>
<b>Net investment in capital assets</b>	<u>\$ 18,907,648</u>	<u>\$ 36,362,524</u>	<u>\$ 7,420,780</u>

# CITY OF INKSTER, MICHIGAN

## Notes to Financial Statements

### 18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The City directly received over \$2,551,000 during fiscal year 2022 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the American Rescue Plan Act and other funding sources. This funding was used to provide relief in multiple areas such as vaccination programs, personal protection equipment (PPE) programs, small business grants, housing assistance and food and transportation assistance among others.

### 19. RESTATEMENT

The Housing Commission recorded an adjustment to correct capital assets which were understated as of December 31, 2020. The adjustments increased the reported capital assets of the Housing Commission by \$87,930.

The Commission on Aging recorded an adjustment to correct accounts receivable which were overstated as of June 30, 2021. The adjustment decreased the reported accounts receivable balance of the Commission on Aging by \$24,485.





## **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

	Year Ended June 30,			
	2022	2021	2020	2019
<b>Total pension liability</b>				
Service cost	\$ 51,769	\$ 67,662	\$ 66,446	\$ 40,686
Interest	765,846	783,861	818,119	846,572
Differences between expected and actual expense including changes of assumptions	525,394	(125,320)	(432,096)	1,651,749
Benefit payments, including refunds of employee contributions	(1,063,670)	(990,304)	(1,055,611)	(967,263)
<b>Net change in total pension liability</b>	279,339	(264,101)	(603,142)	1,571,744
Total pension liability, beginning	13,288,187	13,552,288	14,155,430	12,583,686
<b>Total pension liability, ending (a)</b>	13,567,526	13,288,187	13,552,288	14,155,430
<b>Plan fiduciary net position</b>				
Employer contributions	374,672	341,994	425,557	683,883
Employee contributions	28,927	23,334	23,815	31,141
Net investment income (loss)	(400,767)	338,461	585,865	415,290
Benefit payments, including refunds of employee contributions	(1,063,670)	(990,304)	(1,055,611)	(967,263)
Administrative expense	(116,381)	(105,717)	(105,225)	(89,992)
<b>Net change in plan fiduciary net position</b>	(1,177,219)	(392,232)	(125,599)	73,059
Plan fiduciary net position, beginning	9,684,738	10,076,970	10,202,569	10,129,510
<b>Plan fiduciary net position, ending (b)</b>	8,507,519	9,684,738	10,076,970	10,202,569
<b>City's net pension liability, ending (a)-(b)</b>	\$ 5,060,007	\$ 3,603,449	\$ 3,475,318	\$ 3,952,861
Plan fiduciary net position as a percentage of the total pension liability	63%	73%	74%	72%
Covered payroll	\$ 623,386	\$ 456,129	\$ 499,733	\$ 548,062
City's net pension liability as a percentage of covered payroll	811.7%	790.0%	695.4%	721.2%

See notes to required supplementary information.



Year Ended June 30,				
2018	2017	2016	2015	2014
\$ 40,686	\$ 53,442	\$ 61,588	\$ 61,588	\$ 77,087
863,867	927,069	810,293	872,480	893,856
(151,472)	59,846	93,676	(433,961)	113,605
<u>(969,357)</u>	<u>(998,190)</u>	<u>(994,029)</u>	<u>(1,075,036)</u>	<u>(1,075,024)</u>
(216,276)	42,167	(28,472)	(574,929)	9,524
<u>12,799,962</u>	<u>12,757,795</u>	<u>12,786,267</u>	<u>13,361,196</u>	<u>13,351,672</u>
<u>12,583,686</u>	<u>12,799,962</u>	<u>12,757,795</u>	<u>12,786,267</u>	<u>13,361,196</u>
625,402	539,315	571,495	712,471	686,852
31,237	27,591	32,178	40,363	45,385
143,371	319,446	236,349	475,154	448,782
(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
<u>(102,593)</u>	<u>(68,401)</u>	<u>(101,880)</u>	<u>-</u>	<u>(74,943)</u>
(271,940)	(180,239)	(255,887)	152,952	31,052
<u>10,401,450</u>	<u>10,581,689</u>	<u>10,837,576</u>	<u>10,684,624</u>	<u>10,653,572</u>
<u>10,129,510</u>	<u>10,401,450</u>	<u>10,581,689</u>	<u>10,837,576</u>	<u>10,684,624</u>
<u>\$ 2,454,176</u>	<u>\$ 2,398,512</u>	<u>\$ 2,176,106</u>	<u>\$ 1,948,691</u>	<u>\$ 2,676,572</u>
80%	81%	83%	85%	80%
<u>\$ 523,138</u>	<u>\$ 538,344</u>	<u>\$ 636,501</u>	<u>\$ 676,421</u>	<u>\$ 962,730</u>
469.1%	445.5%	341.9%	288.1%	278.0%

## 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

	Year Ended June 30,			
	2022	2021	2020	2019
<b>Total pension liability</b>				
Service cost	\$ 556,238	\$ 583,695	\$ 547,125	\$ 534,505
Interest	2,820,062	2,851,046	2,716,338	2,666,333
Changes of benefit terms	-	234,610	-	-
Differences between expected and actual expense	(948,996)	(1,625,037)	952,182	68,302
Changes in assumptions	-	(668,668)	330,661	78,848
Benefit payments, including refunds of employee contributions	(2,970,873)	(2,634,741)	(2,580,872)	(2,586,627)
<b>Net change in total pension liability</b>	(543,569)	(1,259,095)	1,965,434	761,361
Total pension liability, beginning	38,529,962	39,789,057	37,823,623	37,062,262
<b>Total pension liability, ending (a)</b>	37,986,393	38,529,962	39,789,057	37,823,623
<b>Plan fiduciary net position</b>				
Employer contributions	1,315,003	1,045,452	809,603	776,368
Employee contributions	368,732	310,928	306,120	148,117
Other contributions	-	-	-	-
Net investment income (loss)	(3,636,746)	5,915,264	783,529	1,801,954
Benefit payments, including refunds of employee contributions	(2,970,873)	(2,634,741)	(2,580,872)	(2,586,627)
Administrative expense	(213,797)	-	-	-
Other	-	(206,342)	(179,173)	(27,479)
<b>Net change in plan fiduciary net position</b>	(5,137,681)	4,430,561	(860,793)	112,333
Plan fiduciary net position, beginning	30,249,045	25,818,484	26,679,277	26,566,944
<b>Plan fiduciary net position, ending (b)</b>	25,111,364	30,249,045	25,818,484	26,679,277
<b>City's net pension liability, ending (a)-(b)</b>	<u>\$ 12,875,029</u>	<u>\$ 8,280,917</u>	<u>\$ 13,970,573</u>	<u>\$ 11,144,346</u>
Plan fiduciary net position as a percentage of the total pension liability	66.1%	78.5%	64.9%	70.5%
Covered payroll	<u>\$ 3,330,512</u>	<u>\$ 3,756,428</u>	<u>\$ 3,247,007</u>	<u>\$ 3,206,705</u>
City's net pension liability as a percentage of covered payroll	386.6%	220.4%	430.3%	347.5%

See notes to required supplementary information.

Year Ended June 30,				
2018	2017	2016	2015	2014
\$ 400,714	\$ 324,282	\$ 309,539	\$ 287,089	\$ 392,000
2,318,473	2,535,102	2,600,341	2,644,360	2,449,516
-	-	-	969,194	-
1,108,793	(938,050)	(695,852)	(5,593,083)	2,157,315
1,589,423	34,145	1,650,656	3,572,676	-
<u>(2,560,247)</u>	<u>(2,697,771)</u>	<u>(2,426,175)</u>	<u>(2,564,602)</u>	<u>(2,457,054)</u>
2,857,156	(742,292)	1,438,509	(684,366)	2,541,777
<u>34,205,106</u>	<u>34,947,398</u>	<u>33,508,889</u>	<u>34,193,255</u>	<u>31,651,478</u>
<u>37,062,262</u>	<u>34,205,106</u>	<u>34,947,398</u>	<u>33,508,889</u>	<u>34,193,255</u>
684,561	791,347	708,764	442,522	382,606
324,048	270,279	252,330	185,840	215,583
-	200,951	-	-	-
2,041,442	2,736,122	712,856	744,415	3,253,487
(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
-	(418,004)	(206,592)	-	(25,300)
<u>(184,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
305,196	882,924	(958,817)	(1,191,825)	1,369,322
<u>26,261,748</u>	<u>25,378,824</u>	<u>26,337,641</u>	<u>27,520,876</u>	<u>26,151,554</u>
<u>26,566,944</u>	<u>26,261,748</u>	<u>25,378,824</u>	<u>26,337,641</u>	<u>27,520,876</u>
<u>\$ 10,495,318</u>	<u>\$ 7,943,358</u>	<u>\$ 9,568,574</u>	<u>\$ 7,171,248</u>	<u>\$ 6,672,379</u>
71.7%	76.8%	72.6%	78.6%	80.5%
<u>\$ 3,028,903</u>	<u>\$ 2,271,629</u>	<u>\$ 1,864,978</u>	<u>\$ 1,838,533</u>	<u>\$ 2,009,679</u>
346.5%	349.7%	513.1%	390.1%	332.0%

## CITY OF INKSTER, MICHIGAN

### Required Supplementary Information

#### Schedule of City Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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#### General Employees' Retirement System

2013	\$ 261,676	\$ 261,676	\$ -	\$ 1,501,498	17.4%
2014	686,852	686,852	-	962,730	71.3%
2015	712,471	712,471	-	676,421	105.3%
2016	571,495	571,495	-	636,501	89.8%
2017	539,315	539,315	-	538,344	100.2%
2018	625,402	625,402	-	523,138	119.5%
2019	683,883	683,883	-	548,062	124.8%
2020	425,557	425,557	-	499,733	85.2%
2021	341,994	341,994	-	456,129	75.0%
2022	374,672	374,672	-	623,386	60.1%

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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#### Policemen and Firemen Retirement System

2013	\$ 399,725	\$ 399,725	\$ -	\$ 3,116,746	12.8%
2014	382,606	382,606	-	2,009,679	19.0%
2015	442,522	442,522	-	1,838,533	24.1%
2016	708,764	708,764	-	1,864,978	38.0%
2017	791,347	791,347	-	2,271,629	34.8%
2018	684,561	684,561	-	3,028,903	22.6%
2019	776,368	776,368	-	3,206,705	24.2%
2020	809,603	809,603	-	3,247,007	24.9%
2021	1,045,452	1,045,452	-	3,756,428	27.8%
2022	1,315,003	1,315,003	-	3,330,512	39.5%

See notes to required supplementary information.

# CITY OF INKSTER, MICHIGAN

## Required Supplementary Information

### Schedule of Investment Returns

Fiscal Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
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#### General Employees' Retirement System

2014	4.11%
2015	4.40%
2016	2.30%
2017	2.90%
2018	1.20%
2019	5.20%
2020	6.00%
2021	3.50%
2022	-4.40%

Fiscal Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
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#### Policemen and Firemen Retirement System

2014	13.60%
2015	3.39%
2016	2.50%
2017	10.83%
2018	5.68%
2019	7.70%
2020	5.68%
2021	27.31%
2022	-11.68%

See notes to required supplementary information.

## 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

	Year Ended June 30,				
	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>					
Service cost	\$ 81,290	\$ 69,914	\$ 70,065	\$ 61,764	\$ 83,432
Interest on total OPEB liability	185,586	220,124	268,190	294,896	300,888
Changes in assumptions	(1,373,502)	433,044	765,381	281,691	(364,249)
Difference between expected actual experience	(453,170)	-	59,765	-	(183,497)
Benefit payments	(521,033)	(549,225)	(584,437)	(591,825)	(607,502)
Other changes	-	-	1,319	-	-
<b>Net change in total OPEB liability</b>	<u>(2,080,829)</u>	<u>173,857</u>	<u>580,283</u>	<u>46,526</u>	<u>(770,928)</u>
Total OPEB liability, beginning of year	<u>8,652,074</u>	<u>8,478,217</u>	<u>7,897,934</u>	<u>7,851,408</u>	<u>8,622,336</u>
<b>Total OPEB liability, end of year</b>	<u>\$ 6,571,245</u>	<u>\$ 8,652,074</u>	<u>\$ 8,478,217</u>	<u>\$ 7,897,934</u>	<u>\$ 7,851,408</u>
Covered payroll	<u>\$ 1,581,919</u>	<u>\$ 1,973,873</u>	<u>\$ 1,916,382</u>	<u>\$ 4,780,254</u>	<u>\$ 4,607,474</u>
Total OPEB liability as a percentage of covered payroll	415.4%	438.3%	442.4%	165.2%	170.4%

See notes to required supplementary information.



# CITY OF INKSTER, MICHIGAN

## Notes to Required Supplementary Information

### Pension Plans

GASB 67 was implemented in fiscal year 2014. These schedules are being built prospectively. Ultimately, ten years of data will be presented.

#### *General Employees' Retirement System*

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022:
  - The mortality assumption changed from the 2020 IRS Static Table to the 2021 IRS Static Table
- 2021:
  - The mortality assumption changed from the 2019 IRS Static Table to the 2020 IRS Static Table

### Notes to Schedule of Contributions

Valuation date	June 30, 2021 (rolled forward to June 30, 2022)
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	23 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% net of plan investment expenses, including inflation
Mortality rates	2021 IRS Static Mortality Table for Males or Females

# CITY OF INKSTER, MICHIGAN

## Notes to Required Supplementary Information

### *Policemen and Firemen Retirement System*

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2021:
  - The mortality rates were updated to the public plan tables developed by the Society of Actuaries.
  - The discount rate was updated from 7.30% to 7.50%.
  - Retirement rates and withdrawal rates were updated to better reflect anticipated experience.
- 2020:
  - Amounts reported as changes in assumptions resulted from a decrease in the inflation rate and investment rate of return.
- 2019:
  - Changes in assumptions resulted from decreases in the discount rate.
- 2018:
  - Changes in assumptions resulted from increases in the inflation rate used to calculate the discount rate and changes in the mortality tables.
- 2017:
  - Changes in assumptions resulted from decreases in the assumed rate of investment return.
- 2015 and 2016:
  - Amounts reported as changes in assumptions resulted from a decrease in the annual money-weighted rate of return.

### Notes to Schedule of Contributions

Valuation date	June 30, 2021 (rolled forward to June 30, 2022)
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	13 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.0 - 7.0% including inflation
Investment rate of return	7.50%, compounded annually, net of pension plan investment expense
Mortality rates	PubS-2010 Mortality Tables with Scale MP 2021

## CITY OF INKSTER, MICHIGAN

### Notes to Required Supplementary Information

#### OPEB Plan

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 change 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.

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**COMBINING FUND FINANCIAL  
STATEMENTS**

# CITY OF INKSTER, MICHIGAN

## Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
<b>Assets</b>				
Pooled cash and investments	\$ 562,905	\$ -	\$ 489,285	\$ 3,492
Accounts receivable	-	17,713	17,915	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<u>\$ 562,905</u>	<u>\$ 17,713</u>	<u>\$ 507,200</u>	<u>\$ 3,492</u>
<b>Liabilities</b>				
Accounts payable	\$ 21,279	\$ 200	\$ 2,268	\$ -
Accrued and other liabilities	789	-	-	-
Due to other funds	-	17,513	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<u>22,068</u>	<u>17,713</u>	<u>2,268</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	17,713	-	-
<b>Fund balances</b>				
Restricted	540,837	-	504,932	3,492
Unassigned (deficit)	-	(17,713)	-	-
<b>Total fund balances (deficit)</b>	<u>540,837</u>	<u>(17,713)</u>	<u>504,932</u>	<u>3,492</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 562,905</u>	<u>\$ 17,713</u>	<u>\$ 507,200</u>	<u>\$ 3,492</u>



Special Revenue		
Local Streets	Michigan Indigent Defense Commission	Totals
\$ 4,208,231	\$ 127,866	\$ 5,391,779
-	-	35,628
135,878	-	135,878
<u>\$ 4,344,109</u>	<u>\$ 127,866</u>	<u>\$ 5,563,285</u>
\$ 27,270	\$ 3,870	\$ 54,887
2,248	376	3,413
-	-	17,513
2,755	-	2,755
-	127,490	127,490
<u>32,273</u>	<u>131,736</u>	<u>206,058</u>
-	-	17,713
4,311,836	-	5,361,097
-	(3,870)	(21,583)
<u>4,311,836</u>	<u>(3,870)</u>	<u>5,339,514</u>
<u>\$ 4,344,109</u>	<u>\$ 127,866</u>	<u>\$ 5,563,285</u>

# CITY OF INKSTER, MICHIGAN

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

Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
<b>Revenues</b>				
Property taxes	\$ 420,281	\$ -	\$ -	\$ -
Intergovernmental	25,616	188,471	-	750
Charges for services	79,824	-	-	-
Investment income	-	-	-	-
Other	-	-	77,376	-
<b>Total revenues</b>	<b>525,721</b>	<b>188,471</b>	<b>77,376</b>	<b>750</b>
<b>Expenditures</b>				
Current expenditures:				
Public safety	-	-	-	9,151
Public works	-	-	-	-
Judicial	-	-	-	-
Community and economic development	-	134,284	38,031	-
Culture and recreation	249,986	-	-	-
<b>Total expenditures</b>	<b>249,986</b>	<b>134,284</b>	<b>38,031</b>	<b>9,151</b>
Revenues over (under) expenditures	275,735	54,187	39,345	(8,401)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(100,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>175,735</b>	<b>54,187</b>	<b>39,345</b>	<b>(8,401)</b>
Fund balances (deficit), beginning of year	365,102	(71,900)	465,587	11,893
<b>Fund balances (deficit), end of year</b>	<b>\$ 540,837</b>	<b>\$ (17,713)</b>	<b>\$ 504,932</b>	<b>\$ 3,492</b>





Special Revenue		
Local Streets	Michigan Indigent Defense Commission	Totals
\$ 4,382	\$ -	\$ 424,663
876,604	13,069	1,104,510
-	-	79,824
2,532	-	2,532
-	-	77,376
<u>883,518</u>	<u>13,069</u>	<u>1,688,905</u>
-	-	9,151
665,006	-	665,006
-	62,479	62,479
-	-	172,315
-	-	249,986
<u>665,006</u>	<u>62,479</u>	<u>1,158,937</u>
<u>218,512</u>	<u>(49,410)</u>	<u>529,968</u>
-	45,540	45,540
-	-	(100,000)
-	45,540	(54,460)
218,512	(3,870)	475,508
<u>4,093,324</u>	<u>-</u>	<u>4,864,006</u>
<u>\$ 4,311,836</u>	<u>\$ (3,870)</u>	<u>\$ 5,339,514</u>

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## **COMPONENT UNITS**

# CITY OF INKSTER, MICHIGAN

## Balance Sheet / Statement of Net Position

Beech Daly Tax Increment Finance Authority

June 30, 2022

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Net Position
<b>Assets</b>			
Pool cash and investments	\$ 264,631	\$ -	\$ 264,631
Accounts receivable	207,800	-	207,800
Capital assets being depreciated, net	-	6,616,207	6,616,207
<b>Total assets</b>	<u>\$ 472,431</u>	<u>6,616,207</u>	<u>7,088,638</u>
<b>Liabilities</b>			
Due to primary government	\$ 204,663	-	204,663
Accrued interest payable	76,894	-	76,894
Due within one year	-	335,000	335,000
Due in more than one year	-	5,630,000	5,630,000
<b>Total liabilities</b>	<u>281,557</u>	<u>5,965,000</u>	<u>6,246,557</u>
<b>Deferred inflows of resources</b>			
Unavailable - loans receivable	207,800	(207,800)	-
<b>Fund balances</b>			
Unassigned (deficit)	(16,926)	16,926	-
<b>Total liabilities and fund balances</b>	<u>\$ 472,431</u>		
<b>Net position</b>			
Net investment in capital assets		651,207	651,207
Unrestricted		190,874	190,874
<b>Total net position</b>		<u>\$ 842,081</u>	<u>\$ 842,081</u>

## CITY OF INKSTER, MICHIGAN

### Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities Beech Daly Tax Increment Finance Authority For the Year Ended June 30, 2022

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Activities
<b>Expenditures / expenses</b>			
Community and economic development	\$ 822,326	\$ 186,029	\$ 1,008,355
<b>Revenues</b>			
Operating grants and contributions	103,910	-	103,910
Capital grants and contributions	41,840	-	41,840
Property taxes	289,669	-	289,669
Other revenues	368,272	207,800	576,072
<b>Total revenues</b>	<u>803,691</u>	<u>207,800</u>	<u>1,011,491</u>
<b>Change in fund balance</b>	(18,635)	18,635	-
<b>Change in net position</b>	-	3,136	3,136
<b>Fund balance (deficit) / net position</b>			
Beginning of year	<u>1,709</u>	<u>837,236</u>	<u>838,945</u>
<b>End of year</b>	<u>\$ (16,926)</u>	<u>\$ 859,007</u>	<u>\$ 842,081</u>

# CITY OF INKSTER, MICHIGAN

## Balance Sheet / Statement of Net Position

Brownfield Redevelopment Authority

June 30, 2022

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
<b>Liabilities</b>			
Accrued interest payable	\$ 18,528	\$ -	\$ 18,528
Long-term liabilities:			
Due within one year	-	385,000	385,000
Due in more than one year	-	1,430,000	1,430,000
	<u>18,528</u>	<u>1,815,000</u>	<u>1,833,528</u>
<b>Total liabilities</b>			
	<u>18,528</u>	<u>1,815,000</u>	<u>1,833,528</u>
<b>Fund balances</b>			
Unassigned (deficit)	<u>(18,528)</u>	<u>18,528</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>		
<b>Net position</b>			
Unrestricted deficit		<u>\$ (1,833,528)</u>	<u>\$ (1,833,528)</u>

## CITY OF INKSTER, MICHIGAN

### Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities Brownfield Redevelopment Authority For the Year Ended June 30, 2022

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
<b>Expenditures / expenses</b>			
Community and economic development	\$ 463,069	\$ (345,000)	\$ 118,069
<b>Revenues</b>			
Property taxes	21,153	-	21,153
Other revenues	445,366	-	445,366
<b>Total revenues</b>	<u>466,519</u>	<u>-</u>	<u>466,519</u>
<b>Change in fund balance</b>	3,450	(3,450)	-
<b>Change in net position</b>	-	348,450	348,450
<b>Fund balance (deficit) / net position</b>			
Beginning of year	<u>(21,978)</u>	<u>(2,160,000)</u>	<u>(2,181,978)</u>
<b>End of year</b>	<u>\$ (18,528)</u>	<u>\$ (1,815,000)</u>	<u>\$ (1,833,528)</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***

September 18, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 18, 2023. 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.

### **Report on 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 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 responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, -003, -004, and -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 responses as item 2022-002 to be a significant deficiency.

### **Report on 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, Michigan's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and 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, 2022

#### 2022-001 - 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 \$218,000 of outstanding utility billing receivable balances, most of which should be transferred to the tax roll or written 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 \$218,000 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.

**Responsible Official.** Darryl Greene, City Treasurer

**Expected Completion Date.** December 31, 2023

## CITY OF INKSTER, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2022

#### 2022-002 - Review of Manual Journal Entries

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

**Criteria.** The City is responsible for ensuring appropriate internal controls over manual journal entries are in place. Additionally, support for all manual journal entries must be maintained and reviewed by someone independent of the preparer.

**Condition.** We noted that there is no indication of preparer or reviewer noted on the manual journal entries posted at the City.

**Cause.** This is caused by the lack of formal policies in place at the City around the manual journal entry process.

**Effect.** As a result of this condition, exposure to theft may be increased and also increased risk of management override of internal controls. Also, errors may occur during the preparation of the manual journal entries that may not be identified in a timely manner.

**Recommendation.** We recommend that the City put into place a formal policy for the preparation, review and approval of manual journal entries. Evidence of independent review of the manual journal entries must be retained as well.

**View of Responsible Official.** The City will ensure that journal entries are periodically reviewed and approved, and documentation will be kept indicating such review.

**Responsible Official.** Darryl Greene, City Treasurer

**Expected Completion Date.** December 31, 2023

## CITY OF INKSTER, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2022

#### 2022-003 - Pension and Other Postemployment Benefits (OPEB) Census Data and Payroll Documentation (repeat comment)

**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 several general and police and fire employees, both active and terminated. Additionally, complete personnel file information for employees with the OPEB plan were unable to be located for several employees.

**Cause.** It appears that the records for personnel files are not being retained in an orderly manner and are dated for many retirees, causing new City employees within the HR department, unable to locate the 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 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.

**Responsible Official.** Darryl Greene, City Treasurer

**Expected Completion Date.** December 31, 2023

## CITY OF INKSTER, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2022

#### 2022-004 - 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 2022 audited financial statements by the state deadline of December 31, 2022 (i.e. six months after its fiscal year-end).

**Cause.** Turnover within the City resulting in supporting documentation to complete the audit unable to be located. Additionally, information related to pension and OPEB was 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.

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

**View of Responsible Official.** Frequent turnover in the City's staff resulted in delays in obtaining and submitting information required for the audit. The City will be submitting data to actuaries earlier this year to avoid delays in reporting, and the City will work to provide all audit documentation needed for the audit in a timely manner so the audit may be issued in compliance with the reporting deadlines.

**Responsible Official.** Darryl Greene, City Treasurer

**Expected Completion Date.** December 31, 2023

# CITY OF INKSTER, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2022

### 2022-005 - Payroll Withholding Liability and Unsupported Liabilities (repeat comment)

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

**Criteria.** The City is responsible for remitting all payroll taxes to the state and federal government after each payroll run. The City is required to keep accurate subsidiary records of amounts held in each liability account. The accounts should be analyzed and reconciled on a regular basis (e.g. monthly or quarterly).

**Condition.** The payroll withholding liability accounts have been accumulating balances and two months of activity (April and May 2021), were not remitted to the state and federal government within a timely manner. Management was unable to provide a reconciliation of what comprises the ending balance for the PILOT Payable account of which dates back to 2017 and even earlier.

**Cause.** The City switched payroll providers during the fiscal year 2021 and these taxes were missed in the process for being remitted. Reconciliations of these accounts were not being performed timely by the City, and therefore were not remitted until fiscal year 2023. The City does not have a policy in place 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.

**Recommendation.** We recommend the City ensure that all payroll taxes are being remitted timely and that 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 City has been working with the new payroll provider for over a year, and the condition has been remedied. All withholding is now remitted on a timely basis.

**Responsible Official.** Darryl Greene, City Treasurer

**Expected Completion Date.** December 31, 2023



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