

City of Inkster,
Michigan



Year Ended
June 30, 2023

Financial
Statements and
Supplementary
Information

Rehmann

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CITY OF INKSTER, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

June 28, 2024

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, 2023, 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, 2023, 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	Percent of Revenues	Percent of Net Position
Inkster Housing Commission	64.5%	89.4%	103.3%
Inkster Commission on Aging	1.2%	1.7%	2.6%

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 June 28, 2024, 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 "Rehmann 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, 2023. 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	\$ 47,865,296
· Change in total net position	9,134,220
· Fund balances, governmental funds	7,825,293
· Change in fund balances, governmental funds	(2,066,969)
· Unassigned fund balance, general fund	(850,995)
· Change in fund balance, general fund	(624,261)
· Long-term installment debt	15,501,953
· Change in long-term installment debt	1,644,395

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, health and welfare, 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 \$47,865,296 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 13,564,523	\$ 16,789,795	\$ 10,428,911	\$ 12,528,168	\$ 23,993,434	\$ 29,317,963
Capital assets, net	22,600,960	19,198,234	60,079,021	48,540,323	82,679,981	67,738,557
Total assets	36,165,483	35,988,029	70,507,932	61,068,491	106,673,415	97,056,520
Deferred outflows of resources	4,139,193	4,843,601	601,681	415,548	4,740,874	5,259,149
Long-term liabilities	6,594,772	7,399,971	14,166,002	12,297,353	20,760,774	19,697,324
Pension and OPEB	22,888,588	22,686,276	2,246,760	1,820,005	25,135,348	24,506,281
Other liabilities	4,990,945	7,643,105	10,537,277	8,611,887	15,528,222	16,254,992
Total liabilities	34,474,305	37,729,352	26,950,039	22,729,245	61,424,344	60,458,597
Deferred inflows of resources	2,070,913	2,945,989	53,736	180,007	2,124,649	3,125,996
Net investment in capital assets	22,400,169	18,907,648	43,013,774	36,362,524	65,413,943	55,270,172
Restricted	8,854,625	10,074,581	577,970	576,661	9,432,595	10,651,242
Unrestricted (deficit)	(27,495,336)	(28,825,940)	514,094	1,635,602	(26,981,242)	(27,190,338)
Total net position	\$ 3,759,458	\$ 156,289	\$ 44,105,838	\$ 38,574,787	\$ 47,865,296	\$ 38,731,076

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$65,413,943 reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery, furniture, equipment, and water and sewer distribution systems), less any debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$9,432,595, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$26,981,242 represents an accumulated deficit.

The government's net position increased by \$9,134,220 during the current fiscal year. This increase was a combination of an increase of \$3,603,169 in governmental activities and an increase of \$5,531,051 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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 4,526,884	\$ 5,424,845	\$ 10,081,600	\$ 10,725,040	\$ 14,608,484	\$ 16,149,885
Operating grants	1,139,487	281,993	-	-	1,139,487	281,993
Capital grants	3,001,159	2,882,381	4,481,983	597,831	7,483,142	3,480,212
General revenues:						
Property taxes	7,653,929	8,164,866	2,101,002	1,209,225	9,754,931	9,374,091
State revenue sharing	4,363,818	6,746,079	82,933	25,332	4,446,751	6,771,411
Unrestricted investment earnings (losses)	118,104	(19,338)	(25,276)	(246,671)	92,828	(266,009)
Other revenues	1,660,456	878,113	-	-	1,660,456	878,113
Total revenues	22,463,837	24,358,939	16,722,242	12,310,757	39,186,079	36,669,696
Expenses						
General government	5,337,345	6,113,320	-	-	5,337,345	6,113,320
Public safety	7,445,101	6,974,317	-	-	7,445,101	6,974,317
Public works	4,598,185	4,719,887	-	-	4,598,185	4,719,887
Community and economic development	969,650	1,935,307	-	-	969,650	1,935,307
Culture and recreation	500,132	261,695	-	-	500,132	261,695
Interest on long-term debt	10,255	16,582	-	-	10,255	16,582
Water and sewer	-	-	11,191,191	13,071,078	11,191,191	13,071,078
Total expenses	18,860,668	20,021,108	11,191,191	13,071,078	30,051,859	33,092,186
Change in net position	3,603,169	4,337,831	5,531,051	(760,321)	9,134,220	3,577,510
Net position (deficit)						
Beginning of year	156,289	(4,181,542)	38,574,787	39,335,108	38,731,076	35,153,566
End of year	\$ 3,759,458	\$ 156,289	\$ 44,105,838	\$ 38,574,787	\$ 47,865,296	\$ 38,731,076

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$3,603,169. This is primarily the result of decreased, but relatively steady, revenues City-wide and controlled expenses also City-wide but primarily in the general government and community and economic development activities to overall reduce expenses by almost \$1.2 million.

Business-type Activities. Business-type activities increased the City's net position by \$5,531,051. This was primarily the result of significant capital grants received in the current year that were tied to long-time needs of improving the City water and sewer infrastructure of almost \$4 million, increased property tax revenue of almost \$1 million, and a strong control on expenses to reduce them by almost \$2 million.

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 \$7,825,293, a decrease of \$2,066,969 over the prior year. A portion of the fund balance is nonspendable, \$18,312 for inventory and prepaid items. Unassigned fund deficit of \$850,995 is approximately -10.87% of total fund balance. The remainder of fund balance is restricted by external sources for specific purposes, \$8,657,976.

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 \$850,995, while the total fund balance deficit amounted to \$348,225. Nonspendable fund balance for inventory and prepaid items amounted to \$18,312. \$484,458 is restricted by external sources for fire insurance, policing, canine unit, 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 -5.21% of total general fund expenditures, while total fund deficit represents -2.13% 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 significant public works projects on various major streets during the current year which resulted in over \$2.1 million more in street expenditures compared to the prior year which caused an approximately \$1.5 million usage of fund balance in the current year.

The local streets special revenue fund is used to account for expenditures associated with the construction and maintenance needs of the local street portions of the City's street network. Similar to the extensive work being done in the major street fund, the City is in the process of significant public works projects also on various local streets during the current year which resulted in almost \$1.1 million more in street expenditures compared to the prior year which caused an approximately \$700,000 usage of fund balance in the current year.

The rubbish special revenue fund is used to provide waste and refuse collection and disposal services throughout the City. Fund balance increased \$570,788 due to substantial controlled expenditures related to the public works costs in this fund in the current year compared to the prior year. Those controlled expenditures resulted in an over \$500,000 reduction in expenditures in the current year.

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 decreased by \$624,261 for the current fiscal year, resulting in unassigned fund deficit of \$850,995.

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 a judgment levy that was not budgeted correctly.
- General fund intergovernmental – Revenues in this category were lower than budgeted. This is mainly a result of the City budgeting for a grant that was not received and state shared revenue coming in under budgeted amounts.
- Licenses and permits – Revenue in this category was higher than budgeted due in part to increased activity and revenue from the City's Building Department.
- 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 fiscal year. The City attorney line item is over budget due to tax judgment levies that were approved and paid during the fiscal year but were not properly budgeted. The treasury line item is over budget due to consulting services. Police and fire departments are under budget due to lower than budgeted salaries, overtime, and pension costs. The principal line item is over budget due to leases.

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, 2023, amounted to \$82,679,981 (net of accumulated depreciation/amortization). 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 continued work of the Avondale Road and Northwest Quad Road reconstruction. The decreases are due to annual depreciation/amortization with no significant other additions.
- For business-type activities, the increase in construction in progress is a result of several new and ongoing projects, including the Avondale Road project Phase II (which includes water mains along the road), the sewer rehab project, lead service line replacements, and Eastern Outfalls CWSRF project.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (Net of Depreciation/Amortization)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,073,747	\$ 307,195	\$ 2,745	\$ 2,745	\$ 1,076,492	\$ 309,940
Construction in progress	5,802,644	1,857,102	17,523,372	4,627,223	23,326,016	6,484,325
Land improvements	42,531	62,951	-	-	42,531	62,951
Infrastructure	12,295,312	12,721,365	-	-	12,295,312	12,721,365
Buildings/improvements	1,764,693	1,776,102	-	-	1,764,693	1,776,102
Vehicles	649,072	996,577	433,293	646,013	1,082,365	1,642,590
Machinery, furniture, and equipment	920,472	1,392,581	18,831	25,366	939,303	1,417,947
Water and sewer distribution systems	-	-	41,075,160	42,012,510	41,075,160	42,012,510
Lease assets	52,489	84,361	1,025,620	1,226,466	1,078,109	1,310,827
Total capital assets, net	\$ 22,600,960	\$ 19,198,234	\$ 60,079,021	\$ 48,540,323	\$ 82,679,981	\$ 67,738,557

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 \$16,324,596. This amount includes bonds payable, revolving loans, an emergency loan from the State of Michigan, installment purchase agreements, and compensated absences (earned but unused sick and vacation time).

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds payable	\$ -	\$ -	\$ 690,000	\$ 900,000	\$ 690,000	\$ 900,000
Revolving loans	55,555	-	12,141,509	9,810,111	12,197,064	9,810,111
Emergency loan	2,400,000	2,700,000	-	-	2,400,000	2,700,000
Installment purchase agreements	92,032	206,225	122,857	241,222	214,889	447,447
Compensated absences	645,950	439,556	176,693	119,554	822,643	559,110
Total long-term debt	\$ 3,193,537	\$ 3,345,781	\$ 13,131,059	\$ 11,070,887	\$ 16,324,596	\$ 14,416,668

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

The City continues to focus on generating new revenues and increasing existing revenue streams. Additionally, the City continues to focus on the management of costs. The City has continued to see steady increases in the City's property values which has led to increases in overall taxable value of property in the City. Growth in the state's medical and recreational marijuana helped increase the demand for industrial property in the City as has help provide revenue from the City's share of state taxes from this industry.

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, 2023, the City had a sizeable amount of uncollected grant reimbursements from prior fiscal years. In addition to revenue growth and expenditure reduction, the City will focus on collecting these reimbursements and seek out additional grant funded opportunities to help bolster and stabilize the general fund.

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, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 9,767,250	\$ 782,661	\$ 10,549,911	\$ 1,998,543
Restricted cash and cash equivalents	484,458	577,970	1,062,428	297,835
Receivables, net	3,257,974	9,036,573	12,294,547	2,402,382
Inventories and prepaid items	18,312	31,707	50,019	3,553
Surplus equity interest in joint venture	36,529	-	36,529	-
Capital assets not being depreciated/amortized	6,876,391	17,526,117	24,402,508	5,078,050
Capital assets being depreciated/amortized, net	15,724,569	42,552,904	58,277,473	10,613,726
Total assets	36,165,483	70,507,932	106,673,415	20,394,089
Deferred outflows of resources				
Deferred pension amounts	4,139,193	601,681	4,740,874	-
Liabilities				
Accounts payable and accrued liabilities	4,015,945	10,537,277	14,553,222	1,409,331
Unearned revenue	975,000	-	975,000	29,873
Bonds, notes and other long-term liabilities:				
Due within one year	586,784	2,009,609	2,596,393	1,103,882
Due in more than one year	2,659,957	12,156,393	14,816,350	7,940,273
Other noncurrent liabilities:				
Debt guarantee - component units	3,348,031	-	3,348,031	-
Net pension liability	17,302,751	1,492,390	18,795,141	-
Total OPEB liability	5,585,837	754,370	6,340,207	-
Total liabilities	34,474,305	26,950,039	61,424,344	10,483,359
Deferred inflows of resources				
Deferred pension amounts	2,070,913	53,736	2,124,649	-
Net position				
Net investment in capital assets	22,400,169	43,013,774	65,413,943	8,114,878
Restricted for:				
PA 495 (fire insurance escrow)	34,040	-	34,040	-
Community policing	16,694	-	16,694	-
Canine unit	6,185	-	6,185	-
Construction code fees	427,539	-	427,539	-
Major and local streets	5,697,305	-	5,697,305	-
Rubbish collection	1,195,875	-	1,195,875	-
Parks and recreation	524,871	-	524,871	-
Community development	28,213	-	28,213	-
Public improvement	546,634	-	546,634	-
Drug law enforcement	4,617	-	4,617	-
Indigent defense	122,075	-	122,075	-
Opioid	250,577	-	250,577	-
Capital projects	-	577,970	577,970	-
Grants	-	-	-	223,389
Unrestricted (deficit)	(27,495,336)	514,094	(26,981,242)	1,572,463
Total net position	\$ 3,759,458	\$ 44,105,838	\$ 47,865,296	\$ 9,910,730

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

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,337,345	\$ 1,212,167	\$ 178,985	\$ -	\$ (3,946,193)
Public safety	7,445,101	1,686,307	786,985	-	(4,971,809)
Public works	4,598,185	1,432,829	100,317	3,001,159	(63,880)
Health and welfare	-	57,641	-	-	57,641
Community and economic development	969,650	68,117	20,000	-	(881,533)
Culture and recreation	500,132	69,823	53,200	-	(377,109)
Interest on long-term debt	10,255	-	-	-	(10,255)
Total governmental activities	18,860,668	4,526,884	1,139,487	3,001,159	(10,193,138)
Business-type activities -					
Water and sewer	11,191,191	10,081,600	-	4,481,983	3,372,392
Total primary government	\$ 30,051,859	\$ 14,608,484	\$ 1,139,487	\$ 7,483,142	\$ (6,820,746)
Component units					
Beech Daly Tax Increment Finance Authority	\$ 1,094,336	\$ -	\$ -	\$ 30,075	\$ (1,064,261)
Brownfield Redevelopment Authority	60,672	-	-	-	(60,672)
Housing Commission	15,646,360	942,073	12,383,880	2,096,944	(223,463)
Commission on Aging	304,595	15,000	11,286	-	(278,309)
Total component units	\$ 17,105,963	\$ 957,073	\$ 12,395,166	\$ 2,127,019	\$ (1,626,705)

continued...

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (10,193,138)	\$ 3,372,392	\$ (6,820,746)	\$ (1,626,705)
General revenues:				
Property taxes	7,653,929	2,101,002	9,754,931	1,046,141
State revenue sharing	4,363,818	82,933	4,446,751	-
Unrestricted investment income (loss)	118,104	(25,276)	92,828	-
Other revenues	1,660,456	-	1,660,456	1,075,331
Total general revenues	13,796,307	2,158,659	15,954,966	2,121,472
Change in net position	3,603,169	5,531,051	9,134,220	494,767
Net position, beginning of year	156,289	38,574,787	38,731,076	9,415,963
Net position, end of year	\$ 3,759,458	\$ 44,105,838	\$ 47,865,296	\$ 9,910,730

concluded

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

CITY OF INKSTER, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2023

	General	Major Streets	Local Streets	Rubbish
Assets				
Pooled cash and investments	\$ 1,601,058	\$ 2,126,316	\$ 3,433,458	\$ 1,323,561
Restricted cash and cash equivalents	484,458	-	-	-
Accounts receivable	554,339	-	-	-
Due from other funds	3,713	-	-	-
Due from other governments	1,513,612	410,058	154,662	-
Due from component unit	412,873	-	-	-
Inventories	17,122	-	-	-
Prepaid items	1,190	-	-	-
Total assets	<u>\$ 4,588,365</u>	<u>\$ 2,536,374</u>	<u>\$ 3,588,120</u>	<u>\$ 1,323,561</u>
Liabilities				
Accounts payable	\$ 653,526	\$ 34,319	\$ -	\$ 127,686
Accrued and other liabilities	1,207,946	4,222	4,618	-
Due to other funds	-	-	-	-
Due to other governments	949,109	6,275	2,755	-
Unearned revenue	600,000	375,000	-	-
Total liabilities	<u>3,410,581</u>	<u>419,816</u>	<u>7,373</u>	<u>127,686</u>
Deferred inflows of resources				
Unavailable revenue	<u>1,526,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	18,312	-	-	-
Restricted	484,458	2,116,558	3,580,747	1,195,875
Unassigned (deficit)	<u>(850,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(348,225)</u>	<u>2,116,558</u>	<u>3,580,747</u>	<u>1,195,875</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 4,588,365</u>	<u>\$ 2,536,374</u>	<u>\$ 3,588,120</u>	<u>\$ 1,323,561</u>

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,282,857	\$ 9,767,250
-	484,458
212,430	766,769
-	3,713
-	2,078,332
-	412,873
-	17,122
-	1,190
<u>\$ 1,495,287</u>	<u>\$ 13,531,707</u>
\$ 12,192	\$ 827,723
2,395	1,219,181
3,713	3,713
-	958,139
-	975,000
<u>18,300</u>	<u>3,983,756</u>
<u>196,649</u>	<u>1,722,658</u>
-	18,312
1,280,338	8,657,976
-	(850,995)
<u>1,280,338</u>	<u>7,825,293</u>
<u>\$ 1,495,287</u>	<u>\$ 13,531,707</u>

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CITY OF INKSTER, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2023

Fund balances - total governmental funds \$ 7,825,293

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/amortized	6,876,391
Capital assets being depreciated/amortized, net	15,724,569

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	1,722,658
Equity interest in joint venture	36,529

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

Bonds, notes and other long-term liabilities	(2,600,791)
Accrued interest on long-term liabilities	(6,550)
Estimated self-insurance claims payable	(218,150)
Estimated tax chargeback payable	(786,202)
Debt guarantee - component unit	(3,348,031)
Compensated absences	(645,950)

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	(17,302,751)
Deferred outflows related to the net pension liability	4,139,193
Deferred inflows related to the net pension liability	(2,070,913)
Total OPEB liability	<u>(5,585,837)</u>

Net position of governmental activities \$ 3,759,458

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, 2023

	General	Major Streets	Local Streets	Rubbish
Revenues				
Property taxes	\$ 6,048,948	\$ -	\$ 8,118	\$ 668,408
Licenses and permits	888,390	-	-	-
Intergovernmental	5,196,566	2,089,772	911,387	13,746
Charges for services	1,174,599	-	-	1,432,829
Fines and forfeitures	683,054	-	-	-
Refunds and reimbursements	142,635	-	-	-
Investment income	40,114	-	77,990	-
Other	1,491,673	-	-	-
Total revenues	<u>15,665,979</u>	<u>2,089,772</u>	<u>997,495</u>	<u>2,114,983</u>
Expenditures				
Current expenditures:				
General government	6,677,049	-	-	-
Public safety	7,903,792	-	-	-
Public works	979,062	3,680,394	1,728,584	1,544,195
Community and economic development	1,704,612	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	445,350	-	-	-
Interest and fiscal charges	14,865	-	-	-
Allocated to other departments	(1,380,840)	-	-	-
Total expenditures	<u>16,343,890</u>	<u>3,680,394</u>	<u>1,728,584</u>	<u>1,544,195</u>
Revenues over (under) expenditures	<u>(677,911)</u>	<u>(1,590,622)</u>	<u>(731,089)</u>	<u>570,788</u>
Other financing sources (uses)				
Proceeds from issuance of bonds, notes and other long-term liabilities	-	55,555	-	-
Transfers in	100,000	-	-	-
Transfers out	(46,350)	-	-	-
Total other financing sources (uses)	<u>53,650</u>	<u>55,555</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(624,261)</u>	<u>(1,535,067)</u>	<u>(731,089)</u>	<u>570,788</u>
Fund balances, beginning of year	<u>276,036</u>	<u>3,651,625</u>	<u>4,311,836</u>	<u>625,087</u>
Fund balances (deficit), end of year	<u>\$ (348,225)</u>	<u>\$ 2,116,558</u>	<u>\$ 3,580,747</u>	<u>\$ 1,195,875</u>

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 450,347	\$ 7,175,821
-	888,390
169,077	8,380,548
122,201	2,729,629
-	683,054
-	142,635
-	118,104
<u>119,569</u>	<u>1,611,242</u>
<u>861,194</u>	<u>21,729,423</u>
52,558	6,729,607
-	7,903,792
-	7,932,235
24,667	1,729,279
477,659	477,659
-	445,350
-	14,865
-	<u>(1,380,840)</u>
<u>554,884</u>	<u>23,851,947</u>
<u>306,310</u>	<u>(2,122,524)</u>
-	55,555
68,563	168,563
<u>(122,213)</u>	<u>(168,563)</u>
<u>(53,650)</u>	<u>55,555</u>
252,660	(2,066,969)
<u>1,027,678</u>	<u>9,892,262</u>
<u>\$ 1,280,338</u>	<u>\$ 7,825,293</u>

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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, 2023

Net change in fund balances (deficit) - total governmental funds \$ (2,066,969)

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/amortization expense.

Capital assets purchased / constructed	5,590,584
Depreciation/amortization expense	(2,187,858)

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	256,306
Change in estimated tax chargeback	478,108
Change in investment in joint venture	21,183

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.

Proceeds from issuance of bonds, notes, and other long-term liabilities	(55,555)
Principal payments on bonds, notes, and other long-term liabilities	445,350

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	4,610
Change in the liability for estimated self-insurance claims	733,650
Change in net pension liability and deferred amounts	(1,042,260)
Change in total OPEB liability and deferred amounts	1,010,616
Change in debt guarantee - component unit	621,798
Change in the accrual for compensated absences	(206,394)

Change in net position of governmental activities \$ 3,603,169

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 5,783,755	\$ 5,537,780	\$ 6,048,948	\$ 511,168
Licenses and permits	747,200	747,200	888,390	141,190
Intergovernmental	6,692,022	5,632,020	5,196,566	(435,454)
Charges for services	1,149,900	1,065,000	1,174,599	109,599
Fines and forfeitures	511,500	511,500	683,054	171,554
Refunds and reimbursements	72,600	84,500	142,635	58,135
Investment income (loss)	(18,000)	(18,000)	40,114	58,114
Other	710,000	889,790	1,491,673	601,883
Total revenues	15,648,977	14,449,790	15,665,979	1,216,189
Expenditures				
General government:				
City council	87,950	87,950	66,753	(21,197)
District court	878,710	878,710	852,748	(25,962)
Mayor	335,000	335,000	376,629	41,629
City clerk	229,480	229,480	215,919	(13,561)
Information technology	467,000	467,000	498,730	31,730
Treasury	729,550	729,550	892,719	163,169
Buildings and grounds	1,014,100	1,014,100	1,090,381	76,281
City attorney	1,072,000	1,072,000	1,310,071	238,071
Personnel	352,010	352,010	332,088	(19,922)
Insurance and other	919,110	919,110	1,041,011	121,901
Total general government	6,084,910	6,084,910	6,677,049	592,139
Public safety:				
Police	4,889,100	4,889,100	4,813,344	(75,756)
Fire	2,524,544	2,629,544	2,503,130	(126,414)
Building	411,150	411,150	394,175	(16,975)
Code enforcement	113,670	113,670	193,143	79,473
Total public safety	7,938,464	8,043,464	7,903,792	(139,672)
Public works -				
Department of public works	922,613	922,613	979,062	56,449

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community and economic development:				
Community and development Planning	\$ 304,440 664,300	\$ 304,440 987,410	\$ 279,620 999,331	\$ (24,820) 11,921
Appropriation to Brownfield Redevelopment Authority	463,730	463,730	425,661	(38,069)
Total community and economic development	<u>1,432,470</u>	<u>1,755,580</u>	<u>1,704,612</u>	<u>(50,968)</u>
Debt service:				
Principal	300,000	300,000	445,350	145,350
Interest and fiscal charges	87,194	87,194	14,865	(72,329)
Total debt service	<u>387,194</u>	<u>387,194</u>	<u>460,215</u>	<u>73,021</u>
Allocated to other departments	<u>(1,380,900)</u>	<u>(1,380,900)</u>	<u>(1,380,840)</u>	<u>60</u>
Total expenditures	<u>15,384,751</u>	<u>15,812,861</u>	<u>16,343,890</u>	<u>531,029</u>
Revenues over (under) expenditures	<u>264,226</u>	<u>(1,363,071)</u>	<u>(677,911)</u>	<u>685,160</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(113,130)</u>	<u>(113,130)</u>	<u>(46,350)</u>	<u>(66,780)</u>
Total other financing sources (uses)	<u>(13,130)</u>	<u>(13,130)</u>	<u>53,650</u>	<u>66,780</u>
Net change in fund balance	251,096	(1,376,201)	(624,261)	751,940
Fund balance, beginning of year	<u>276,036</u>	<u>276,036</u>	<u>276,036</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 527,132</u>	<u>\$ (1,100,165)</u>	<u>\$ (348,225)</u>	<u>\$ 751,940</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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 2,028,030	\$ 2,028,030	\$ 2,089,772	\$ 61,742
Expenditures				
Public works -				
Department of public works	5,041,740	9,055,202	3,680,394	(5,374,808)
Revenues under expenditures	(3,013,710)	(7,027,172)	(1,590,622)	5,436,550
Other financing sources				
Proceeds from issuance of bonds, notes, and other long-term liabilities	-	-	55,555	55,555
Net change in fund balance	(3,013,710)	(7,027,172)	(1,535,067)	5,492,105
Fund balance, beginning of year	3,651,625	3,651,625	3,651,625	-
Fund balance, end of year	<u>\$ 637,915</u>	<u>\$ (3,375,547)</u>	<u>\$ 2,116,558</u>	<u>\$ 5,492,105</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 - Local Streets Special Revenue Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ (50,000)	\$ (50,000)	\$ 8,118	\$ 58,118
Intergovernmental	869,160	869,160	911,387	42,227
Investment income	-	-	77,990	77,990
Total revenues	819,160	819,160	997,495	178,335
Expenditures				
Public works - Department of public works	4,041,954	4,908,344	1,728,584	(3,179,760)
Net change in fund balance	(3,222,794)	(4,089,184)	(731,089)	3,358,095
Fund balance, beginning of year	4,311,836	4,311,836	4,311,836	-
Fund balance, end of year	\$ 1,089,042	\$ 222,652	\$ 3,580,747	\$ 3,358,095

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 521,950	\$ 521,950	\$ 668,408	\$ 146,458
Intergovernmental	-	-	13,746	13,746
Charges for services	1,429,480	1,429,480	1,432,829	3,349
Total revenues	1,951,430	1,951,430	2,114,983	163,553
Expenditures				
Public works - Department of public works	2,086,030	2,086,030	1,544,195	(541,835)
Net change in fund balance	(134,600)	(134,600)	570,788	705,388
Fund balance, beginning of year	625,087	625,087	625,087	-
Fund balance, end of year	\$ 490,487	\$ 490,487	\$ 1,195,875	\$ 705,388

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Proprietary Fund

June 30, 2023

	Business-type Activities
	Water and Sewer Fund
Assets	
Current assets:	
Pooled cash and investments	\$ 782,661
Accounts receivable, net	4,956,251
Due from other governments	4,080,322
Inventories	31,707
Total current assets	<u>9,850,941</u>
Noncurrent assets:	
Restricted cash and cash equivalents	577,970
Capital assets not being depreciated/amortized	17,526,117
Capital assets being depreciated/amortized, net	42,552,904
Total noncurrent assets	<u>60,656,991</u>
Total assets	<u>70,507,932</u>
Deferred outflows of resources	
Deferred pension amounts	<u>601,681</u>
Liabilities	
Current liabilities:	
Accounts payable	10,291,977
Accrued liabilities	175,727
Accrued interest payable	69,573
Bonds, notes, and other long-term liabilities, current portion	2,009,609
Total current liabilities	<u>12,546,886</u>
Noncurrent liabilities:	
Bonds, notes, and other long-term liabilities, net of current portion	12,156,393
Net pension liability	1,492,390
Total OPEB liability	754,370
Total noncurrent liabilities	<u>14,403,153</u>
Total liabilities	<u>26,950,039</u>
Deferred inflows of resources	
Deferred pension amounts	<u>53,736</u>
Net position	
Net investment in capital assets	43,013,774
Restricted for capital projects	577,970
Unrestricted	514,094
Total net position	<u>\$ 44,105,838</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, 2023

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 10,081,600
Operating expenses	
Cost of water	1,264,707
Cost of sewage disposal	2,201,589
Wages and fringes	1,724,931
Operating supplies	528,331
Contractual services	1,231,840
Repairs and maintenance	1,612,423
Insurance, claims, and other	516,158
Depreciation/amortization	1,700,049
Total operating expenses	10,780,028
Operating loss	(698,428)
Nonoperating revenues (expenses)	
Property taxes	2,101,002
Capital grants	4,481,983
Other intergovernmental revenue	82,933
Investment loss	(25,276)
Interest expense	(411,163)
Total nonoperating revenues	6,229,479
Change in net position	5,531,051
Net position, beginning of year	38,574,787
Net position, end of year	\$ 44,105,838

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, 2023

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 5,150,972
Payments to suppliers for goods and services	(5,420,616)
Payments to employees for services	(1,553,441)
Net cash used in operating activities	<u>(1,823,085)</u>
Cash flows from noncapital and related financing activities	
Property taxes received	2,101,002
Intergovernmental revenues received	82,933
Net cash provided by noncapital and and related financing activities	<u>2,183,935</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(13,238,747)
Proceeds from issuance of bonds, notes, and other long-term liabilities	3,364,777
Principal paid on bonds, notes, and other long-term liabilities	(1,553,267)
Interest paid on bonds, notes, and other long-term liabilities	(423,863)
Intergovernmental revenues received	4,481,983
Net cash used in capital and related financing activities	<u>(7,369,117)</u>
Cash flows from investing activities	
Investment loss	(25,276)
Net change in cash and cash equivalents	(7,033,543)
Cash and cash equivalents, beginning of year	<u>8,394,174</u>
Cash and cash equivalents, end of year	<u>\$ 1,360,631</u>
Cash and cash equivalents as presented in the statement of net position	
Pooled cash and investments	\$ 782,661
Restricted cash and cash equivalents	<u>577,970</u>
Total cash and cash equivalents	<u>\$ 1,360,631</u>

continued...

CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2023

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (698,428)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation/amortization	1,700,049
Changes in:	
Accounts receivable, net	(850,306)
Due from other governments	(4,080,322)
Inventories	(3,658)
Accounts payable	1,937,725
Accrued liabilities	365
Compensated absences	57,139
Net pension liability	453,759
Deferred outflows of resources related to net pension liability	(186,133)
Deferred inflows of resources related to net pension liability	(19,517)
Total OPEB liability	(27,004)
Deferred inflows of resources related to total OPEB liability	(106,754)
Net cash used in operating activities	\$ (1,823,085)
	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, 2023

	Custodial Fund	
	Pension Trust Funds	Tax Collection Fund
Assets		
Pooled cash and investments	\$ -	\$ 485,945
Investments:		
Money market accounts	963,970	-
U.S. government agencies	399,256	-
Municipal bonds	7,035,148	-
Corporate bonds	635,858	-
International stocks	557,043	-
Domestic stocks	14,813,360	-
Real estate securities	145,302	-
American depositary receipts (ADRs)	86,836	-
Guaranteed investment contract	7,856,261	-
Total investments	32,493,034	-
Interest receivable	123,210	-
Contributions receivable	166,218	-
Total assets	32,782,462	485,945
Liabilities		
Due to other governments	-	485,945
Net position		
Restricted for pension benefits	32,782,462	-
Restricted for individuals, organizations, and other governments	-	-
Total net position	\$ 32,782,462	\$ -

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, 2023

	Custodial Fund	
	Pension Trust Funds	Tax Collection Fund
Additions		
Contributions:		
Employer	\$ 1,547,273	\$ -
Plan members	152,565	-
Total contributions	<u>1,699,838</u>	<u>-</u>
Investment income:		
Interest and dividends	1,125,848	-
Net change in fair value of investments	1,285,195	-
Total investment income	<u>2,411,043</u>	<u>-</u>
Taxes collected for other governments	-	<u>8,459,302</u>
Total additions	<u>4,110,881</u>	<u>8,459,302</u>
Deductions		
Benefit payments	4,646,979	-
Administrative expenses	300,323	-
Payments of taxes to other governments	-	<u>8,476,126</u>
Total deductions	<u>4,947,302</u>	<u>8,476,126</u>
Change in net position	(836,421)	(16,824)
Net position, beginning of year	<u>33,618,883</u>	<u>16,824</u>
Net position, end of year	<u>\$ 32,782,462</u>	<u>\$ -</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, 2023

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Assets					
Pooled cash and investments	\$ 353,448	\$ -	\$ 1,612,428	\$ 32,667	\$ 1,998,543
Restricted cash and cash equivalents	-	-	297,835	-	297,835
Accounts receivable	407,089	-	1,995,293	-	2,402,382
Prepays	-	-	-	3,553	3,553
Capital assets not being depreciated	-	-	5,078,050	-	5,078,050
Capital assets being depreciated, net	6,215,951	-	4,179,087	218,688	10,613,726
Total assets	6,976,488	-	13,162,693	254,908	20,394,089
Liabilities					
Accounts payable	-	-	290,234	-	290,234
Due to primary government	412,873	-	-	-	412,873
Accrued liabilities	-	-	618,440	-	618,440
Accrued interest payable	73,186	14,598	-	-	87,784
Unearned revenue	-	-	29,873	-	29,873
Bonds, notes, and other long-term liabilities:					
Due within one year	355,000	430,000	318,882	-	1,103,882
Due in more than one year	5,275,000	1,000,000	1,665,273	-	7,940,273
Total liabilities	6,116,059	1,444,598	2,922,702	-	10,483,359
Net position					
Net investment in capital assets	585,951	-	7,310,239	218,688	8,114,878
Restricted	-	-	223,389	-	223,389
Unrestricted (deficit)	274,478	(1,444,598)	2,706,363	36,220	1,572,463
Total net position (deficit)	\$ 860,429	\$ (1,444,598)	\$ 10,239,991	\$ 254,908	\$ 9,910,730

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, 2023

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Expenses					
Community and economic development	\$ 1,094,336	\$ 60,672	\$ -	\$ -	\$ 1,155,008
Housing assistance	-	-	15,646,360	-	15,646,360
Commission on aging	-	-	-	304,595	304,595
Total expenses	<u>1,094,336</u>	<u>60,672</u>	<u>15,646,360</u>	<u>304,595</u>	<u>17,105,963</u>
Program revenues					
Charges for services	-	-	942,073	15,000	957,073
Operating grants and contributions	-	-	12,383,880	11,286	12,395,166
Capital grants and contributions	30,075	-	2,096,944	-	2,127,019
Total program revenues	<u>30,075</u>	<u>-</u>	<u>15,422,897</u>	<u>26,286</u>	<u>15,479,258</u>
Net expenses	<u>(1,064,261)</u>	<u>(60,672)</u>	<u>(223,463)</u>	<u>(278,309)</u>	<u>(1,626,705)</u>
General revenues					
Property taxes	753,500	23,941	-	268,700	1,046,141
Other revenues	329,109	425,661	319,953	608	1,075,331
Total general revenues	<u>1,082,609</u>	<u>449,602</u>	<u>319,953</u>	<u>269,308</u>	<u>2,121,472</u>
Change in net position	<u>18,348</u>	<u>388,930</u>	<u>96,490</u>	<u>(9,001)</u>	<u>494,767</u>
Net position (deficit), beginning of year	<u>842,081</u>	<u>(1,833,528)</u>	<u>10,143,501</u>	<u>263,909</u>	<u>9,415,963</u>
Net position (deficit), end of year	<u>\$ 860,429</u>	<u>\$ (1,444,598)</u>	<u>\$ 10,239,991</u>	<u>\$ 254,908</u>	<u>\$ 9,910,730</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended component unit

City of Inkster Building Authority (the "Building Authority") - The City of Inkster Building Authority is governed by a board which is appointed by the City Council. Its sole purpose is to finance and construct the City's public buildings. The Building Authority has no assets, liabilities, or net position for the year ended June 30, 2023 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, 2023. 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 *local streets special revenue fund* is used to account for expenditures associated with the construction and maintenance needs of the local street portion (as defined by State Act 51) of the City's street network.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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.

The *pension trust funds* account for the activities of the General Employees' Retirement System and the Policemen and Firemen Retirement System for qualified employees.

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 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, 2023 was a surplus of \$36,529.

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/amortized 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

Leases

Lessee. The City is a lessee for noncancellable leases of vehicles and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Compensated Absences

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

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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, 2023, 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
General fund			
General government:			
Mayor	\$ 335,000	\$ 376,629	\$ 41,629
Information technology	467,000	498,730	31,730
Treasury	729,550	892,719	163,169
Buildings and grounds	1,014,100	1,090,381	76,281
City attorney	1,072,000	1,310,071	238,071
Insurance and other	919,110	1,041,011	121,901
Public safety -			
Code enforcement	113,670	193,143	79,473
Public works -			
Department of public works	922,613	979,062	56,449
Community and economic development -			
Planning	987,410	999,331	11,921
Debt service -			
Principal	300,000	445,350	145,350

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, 2023, is as follows:

Cumulative surplus, beginning of year	\$ 387,789
Building permit revenue	533,494
Related expenses - building inspector	(394,174)
Indirect expenses	(99,570)
	<u> </u>
Cumulative surplus, end of year	<u><u>\$ 427,539</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Deficit fund balance / net position

The net position deficit of \$1,444,598 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 \$850,995 due to increasing operating costs. The City has prepared a deficit elimination plan to work towards reducing the unassigned deficit.

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2023:

	Primary Government	Component Units	Totals
Statement of Net Position			
Pooled cash and investments	\$ 10,549,911	\$ 1,998,543	\$ 12,548,454
Restricted cash and cash equivalents	1,062,428	297,835	1,360,263
Statement of Fiduciary Net Position			
Pooled cash and investments	485,945	-	485,945
Investments - pension trust funds	32,493,034	-	32,493,034
Total	<u>\$ 44,591,318</u>	<u>\$ 2,296,378</u>	<u>\$ 46,887,696</u>
Deposits and investments			
Demand deposits			\$ 6,983,214
Certificates of deposit (maturities of 1-5 years)			3,679,380
Deposits held by Wayne County			577,970
Treasurer's cash management pool			3,153,883
Investments - pension trust funds			32,493,034
Cash on hand			<u>215</u>
Total			<u>\$ 46,887,696</u>

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, 2023, \$10,636,863 of the City's total bank balance of \$11,650,038 was exposed to custodial credit risk because they were uninsured and uncollateralized.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2023:

GovMIC cash management pool	\$ 2,127,665
Michigan CLASS government investment pool	<u>1,026,218</u>
	<u>\$ 3,153,883</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, 2023, the City's investments in GovMIC and Michigan CLASS 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 and Michigan CLASS were 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, 2023, the City's investment portfolio was not concentrated.

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.

The investments in the GovMIC and Michigan CLASS 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 and Michigan CLASS whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pools as a practical expedient.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

At year end, the net asset value of the City's investment in GovMIC and Michigan CLASS was \$3,153,883. The management pools had no unfunded commitments, specific redemption frequency or redemption notice period required. The pools invest 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, 2023:

Money market accounts	\$ 963,970
U.S. government agencies	399,256
Municipal bonds	7,035,148
Corporate bonds	635,858
International stocks	557,043
Domestic stocks	14,813,360
Real estate securities	145,302
American depository receipts (ADRs)	86,836
Guaranteed investment contract	<u>7,856,261</u>
Total	<u><u>\$ 32,493,034</u></u>

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

Rating	Amount
A+	\$ 931,834
A	323,242
A-	276,210
AA+	1,245,723
AA	1,544,171
AA-	640,087
AAA-	931,678
BBB+	49,433
BBB	159,631
BBB-	78,241
Unrated	26,218,028
Not subject to credit risk	<u>94,756</u>
Total	<u><u>\$ 32,493,034</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Maturities	Amount
No maturity	\$ 16,566,511
Due within one year	619,361
Due in 1-5 years	11,719,537
Due in 6-10 years	2,533,078
Due in 11-15 years	915,735
Due in more than 15 years	<u>138,812</u>
Total	<u>\$ 32,493,034</u>

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension trusts mitigate 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>\$ 557,043</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2023:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 963,970	\$ -	\$ -	\$ 963,970
U.S. government agencies	399,256	-	-	399,256
Municipal bonds	-	7,035,148	-	7,035,148
Corporate bonds	-	635,858	-	635,858
International stocks	557,043	-	-	557,043
Domestic stocks	14,813,360	-	-	14,813,360
Real estate securities	145,302	-	-	145,302
American depository receipts (ADRs)	86,836	-	-	86,836
Guaranteed investment contract	-	7,856,261	-	7,856,261
Total	\$ 16,965,767	\$ 15,527,267	\$ -	\$ 32,493,034

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	\$ 766,769	\$ 5,198,995	\$ 2,402,382
Allowance for uncollectible amounts	-	(242,744)	-
Due from other governments	2,078,332	4,080,322	-
Due from component unit	412,873	-	-
Total receivables	<u>\$ 3,257,974</u>	<u>\$ 9,036,573</u>	<u>\$ 2,402,382</u>

Amounts not expected to be collected within one year

<u>\$ 185,358</u>	<u>\$ -</u>	<u>\$ -</u>
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In the governmental funds, deferred inflows of resources of \$1,722,658 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	\$ 827,723	\$ 10,291,977	\$ 290,234
Accrued and other liabilities	1,219,181	175,727	618,440
Due to primary government	-	-	412,873
Due to other governments	958,139	-	-
Estimated self-insurance claims payable	218,150	-	-
Estimated tax chargeback payable	786,202	-	-
Accrued interest on long-term debt	6,550	69,573	87,784
Total payables and accrued liabilities	<u>\$ 4,015,945</u>	<u>\$ 10,537,277</u>	<u>\$ 1,409,331</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

Primary government

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized:					
Land	\$ 307,195	\$ 766,552	\$ -	\$ -	\$ 1,073,747
Construction in progress	1,857,102	4,547,267	-	(601,725)	5,802,644
	<u>2,164,297</u>	<u>5,313,819</u>	<u>-</u>	<u>(601,725)</u>	<u>6,876,391</u>
Capital assets being depreciated/amortized:					
Land improvements	588,289	-	-	-	588,289
Infrastructure	30,223,076	38,001	-	601,725	30,862,802
Buildings/improvements	8,514,430	188,702	-	-	8,703,132
Vehicles	7,086,767	-	-	-	7,086,767
Machinery and equipment	7,885,745	50,062	-	-	7,935,807
Lease equipment (Note 8)	84,361	-	-	-	84,361
	<u>54,382,668</u>	<u>276,765</u>	<u>-</u>	<u>601,725</u>	<u>55,261,158</u>
Less accumulated depreciation/ amortization for:					
Land improvements	(525,338)	(20,420)	-	-	(545,758)
Infrastructure	(17,501,711)	(1,065,779)	-	-	(18,567,490)
Buildings/improvements	(6,738,328)	(200,111)	-	-	(6,938,439)
Vehicles	(6,090,190)	(347,505)	-	-	(6,437,695)
Machinery and equipment	(6,493,164)	(522,171)	-	-	(7,015,335)
Lease equipment (Note 8)	-	(31,872)	-	-	(31,872)
	<u>(37,348,731)</u>	<u>(2,187,858)</u>	<u>-</u>	<u>-</u>	<u>(39,536,589)</u>
Total capital assets being depreciated/amortized, net	<u>17,033,937</u>	<u>(1,911,093)</u>	<u>-</u>	<u>601,725</u>	<u>15,724,569</u>
Governmental activities capital assets, net	<u>\$ 19,198,234</u>	<u>\$ 3,402,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,600,960</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Business-type activities					
Capital assets not being depreciated/amortized:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in progress	4,627,223	12,896,149	-	-	17,523,372
	<u>4,629,968</u>	<u>12,896,149</u>	<u>-</u>	<u>-</u>	<u>17,526,117</u>
Capital assets being depreciated/amortized:					
Buildings/improvements	66,444	-	-	-	66,444
Furniture and equipment	110,573	-	-	-	110,573
Water and sewer distribution systems	68,134,622	342,598	-	-	68,477,220
Vehicles	1,184,450	-	-	-	1,184,450
Lease vehicles (Note 8)	1,226,466	-	-	-	1,226,466
	<u>70,722,555</u>	<u>342,598</u>	<u>-</u>	<u>-</u>	<u>71,065,153</u>
Less accumulated depreciation/amortization for:					
Buildings/improvements	(66,444)	-	-	-	(66,444)
Furniture and equipment	(85,207)	(6,535)	-	-	(91,742)
Water and sewer distribution systems	(26,122,112)	(1,279,948)	-	-	(27,402,060)
Vehicles	(538,437)	(212,720)	-	-	(751,157)
Lease vehicles (Note 8)	-	(200,846)	-	-	(200,846)
	<u>(26,812,200)</u>	<u>(1,700,049)</u>	<u>-</u>	<u>-</u>	<u>(28,512,249)</u>
Total capital assets being depreciated/amortized, net	<u>43,910,355</u>	<u>(1,357,451)</u>	<u>-</u>	<u>-</u>	<u>42,552,904</u>
Business-type activities capital assets, net	<u>\$ 48,540,323</u>	<u>\$ 11,538,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,079,021</u>

At June 30, 2023, the City had outstanding construction commitments through construction contracts of approximately \$10.2 million.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Depreciation/amortization of governmental activities by function

General government	\$ 239,900
Public safety	569,846
Public works	1,294,530
Culture and recreation	<u>83,582</u>

Total governmental activities \$ 2,187,858

Depreciation/amortization of business-type activities by function

Water and sewer	<u><u>\$ 1,700,049</u></u>
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Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Beech Daly TIFA					
Capital assets being depreciated:					
Buildings/improvements	\$ 8,725,614	\$ -	\$ -	\$ -	\$ 8,725,614
Infrastructure	3,130,000	-	-	-	3,130,000
Furniture and equipment	332,118	-	-	-	332,118
	<u>12,187,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,187,732</u>
Less accumulated depreciation for:					
Buildings/improvements	(2,344,907)	(235,018)	-	-	(2,579,925)
Infrastructure	(3,045,502)	(154,167)	-	-	(3,199,669)
Furniture and equipment	(181,116)	(11,071)	-	-	(192,187)
	<u>(5,571,525)</u>	<u>(400,256)</u>	<u>-</u>	<u>-</u>	<u>(5,971,781)</u>
TIFA capital assets, net	<u><u>\$ 6,616,207</u></u>	<u><u>\$ (400,256)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,215,951</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Housing Commission					
Capital assets not being depreciated:					
Land	\$ 1,891,187	\$ -	\$ -	\$ -	\$ 1,891,187
Construction in progress	1,388,990	1,797,873	-	-	3,186,863
	<u>3,280,177</u>	<u>1,797,873</u>	<u>-</u>	<u>-</u>	<u>5,078,050</u>
Capital assets being depreciated:					
Buildings/improvements	51,852,966	27,501	-	-	51,880,467
Furniture and equipment	2,001,991	60,470	-	-	2,062,461
	<u>53,854,957</u>	<u>87,971</u>	<u>-</u>	<u>-</u>	<u>53,942,928</u>
Less accumulated depreciation for:					
Buildings/improvements	(47,012,347)	(1,213,426)	-	-	(48,225,773)
Furniture and equipment	(1,348,186)	(189,882)	-	-	(1,538,068)
	<u>(48,360,533)</u>	<u>(1,403,308)</u>	<u>-</u>	<u>-</u>	<u>(49,763,841)</u>
Total capital assets being depreciated, net	<u>5,494,424</u>	<u>(1,315,337)</u>	<u>-</u>	<u>-</u>	<u>4,179,087</u>
Housing Commission capital assets, net	<u>\$ 8,774,601</u>	<u>\$ 482,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,257,137</u>
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Commission on Aging					
Capital assets being depreciated:					
Buildings/improvements	\$ 152,000	\$ -	\$ -	\$ -	\$ 152,000
Furniture and equipment	59,807	-	-	-	59,807
Vehicles	111,874	-	-	-	111,874
	<u>323,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,681</u>
Less accumulated depreciation	<u>(82,739)</u>	<u>(22,254)</u>	<u>-</u>	<u>-</u>	<u>(104,993)</u>
Commission on Aging capital assets, net	<u>\$ 240,942</u>	<u>\$ (22,254)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,688</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at year end was \$3,713 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, 2023, interfund transfers consisted of the following:

Transfers Out	Transfers In		Total
	General	Nonmajor Governmental Funds	
General fund	\$ -	\$ 46,350	\$ 46,350
Nonmajor governmental funds	100,000	22,213	122,213
	<u>\$ 100,000</u>	<u>\$ 68,563</u>	<u>\$ 168,563</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.

7. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, notes and other long-term liabilities activity for the year ended June 30, 2023 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Revolving loans	\$ -	\$ 55,555	\$ -	\$ 55,555	\$ 1,302
Direct borrowings and direct placements:					
Emergency loan	2,700,000	-	(300,000)	2,400,000	300,000
Installment purchase agreements	206,225	-	(114,193)	92,032	92,032
Lease liability (Note 8)	84,361	-	(31,157)	53,204	31,962
Compensated absences	439,556	316,283	(109,889)	645,950	161,488
Total governmental activities	<u>\$ 3,430,142</u>	<u>\$ 371,838</u>	<u>\$ (555,239)</u>	<u>\$ 3,246,741</u>	<u>\$ 586,784</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bonds	\$ 900,000	\$ -	\$ (210,000)	\$ 690,000	\$ 220,000
Revolving loans	9,810,111	3,364,777	(1,033,379)	12,141,509	1,371,475
Direct borrowings and direct placements - Installment purchase agreements	241,222	-	(118,365)	122,857	122,857
Lease liability (Note 8)	1,226,466	-	(191,523)	1,034,943	251,104
Compensated absences	119,554	69,046	(11,907)	176,693	44,173
Total business-type activities	\$ 12,297,353	\$ 3,433,823	\$ (1,565,174)	\$ 14,166,002	\$ 2,009,609
Component units					
General obligation bonds	\$ 7,780,000	\$ -	\$ (720,000)	\$ 7,060,000	\$ 785,000
Direct borrowings and direct placements - Loan payable	2,245,970	-	(299,072)	1,946,898	315,157
Compensated absences	46,244	95,411	(104,398)	37,257	3,725
Total component units	\$ 10,072,214	\$ 95,411	\$ (1,123,470)	\$ 9,044,155	\$ 1,103,882

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, 2023, the balance was \$2,400,000. Interest is payable annually at a rate of 2.28 percent.

Annual debt service requirements for the emergency loan payable are as follow:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 300,000	\$ 13,729
2025	300,000	11,447
2026	300,000	9,221
2027	300,000	7,093
2028	300,000	5,091
2029-2031	900,000	4,773
	<u>\$ 2,400,000</u>	<u>\$ 51,354</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

General obligation bonds. General obligation bonds outstanding at year-end are as follows:

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 \$ 690,000

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 \$ 285,000

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 1,430,000

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 5,345,000

Total component units bonds payable \$ 7,060,000

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

Year Ended June 30,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2024	\$ 220,000	\$ 32,288	\$ 785,000	\$ 511,284
2025	230,000	22,663	850,000	459,598
2026	240,000	12,600	920,000	403,378
2027	-	-	415,000	361,569
2028	-	-	440,000	328,888
2029-2033	-	-	2,490,000	1,092,956
2034-2035	-	-	1,160,000	142,188
	<u>\$ 690,000</u>	<u>\$ 67,551</u>	<u>\$ 7,060,000</u>	<u>\$ 3,299,861</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Revolving loans. The City borrows from the State of Michigan revolving loan funds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revolving loans currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Governmental activities				
SRF 7637-01	2055	1.875%	\$ 2,846,200	\$ 55,555
Business-type activities				
SRF 5287-01	2030	2.50%	\$ 19,031,586	\$ 8,571,586
SRF 5287-02	2030	2.50%	643,525	248,525
SRF 5350-01	2031	2.50%	11,426,417	307,977
SRF 5402-01	2035	2.50%	3,365,000	109,581
SRF 5702-01	2043	1.875%	5,235,000	95,040
SRF 5723-01	2053	1.875%	9,590,000	670,457
SRF 7502-01	2024	1.875%	10,000	10,000
SRF 7637-01	2055	1.875%	2,846,200	2,128,343
			<u>\$ 52,147,728</u>	<u>\$ 12,141,509</u>

Debt service requirements to maturity for revolving loans (for only amounts that have been drawn) of the City are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,302	\$ 291	\$ 1,371,475	\$ 252,840
2025	1,272	1,283	1,391,176	366,416
2026	1,272	1,260	1,358,076	335,280
2027	1,399	1,236	1,203,934	186,798
2028	1,399	1,209	1,235,671	156,736
2029-2033	7,250	5,651	3,974,714	367,802
2034-2038	7,886	4,948	312,538	189,867
2039-2043	8,649	4,180	331,351	160,139
2044-2048	9,667	3,329	370,333	127,522
2049-2053	10,557	2,391	404,443	91,615
2054-2055	4,902	673	187,798	25,792
	<u>\$ 55,555</u>	<u>\$ 26,451</u>	<u>\$ 12,141,509</u>	<u>\$ 2,260,807</u>

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, 2022 was \$1,946,898. The loan is due in monthly installments of \$34,049 including interest at 5.25 percent with final payment due in 2029.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Annual debt service requirements for the loan payable are as follow:

Year Ended June 30,	Component Units	
	Principal	Interest
2024	\$ 315,157	\$ 94,801
2025	330,660	77,926
2026	348,443	60,142
2027	367,183	41,402
2028	386,931	21,654
2029	198,524	3,092
	<u>\$ 1,946,898</u>	<u>\$ 299,017</u>

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

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Governmental activities				
2018 Ambulance	08/30/2023	4.30%	\$ 196,340	\$ 42,642
2021 and 2020 Dodge Durangos	01/18/2024	4.50%	193,496	49,390
Total governmental activities			<u>\$ 389,836</u>	<u>\$ 92,032</u>

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Business-type activities				
2020 Freightliner and Vactor	09/01/2023	2.95%	\$ 429,359	\$ 88,075
2020 Ford F-550 Dump Truck	09/04/2023	5.99%	60,392	15,512
2020 Ford F-250 Plow Truck	09/07/2023	5.99%	37,514	9,635
2020 Ford F-250 Plow Truck	01/08/2024	5.99%	37,514	9,635
Total business-type activities			<u>\$ 564,779</u>	<u>\$ 122,857</u>

Annual debt service requirements to maturity on installment purchase agreements are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	<u>\$ 92,032</u>	<u>\$ 4,056</u>	<u>\$ 122,857</u>	<u>\$ 4,682</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

8. LEASES

Lessee - The City is involved in 30 agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the County will not own the assets at the end of the contract terms and the noncancelable terms of the agreements surpass one year.

The right-to-use asset and the related activity are included in Note 5, Capital Assets. The lease liability and related activity are presented in Note 7, Bonds, Notes and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Equipment	4 years
Vehicles	5 years

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 31,962	\$ 1,275	\$ 251,104	\$ 30,323
2025	17,677	310	259,517	21,909
2026	2,659	78	268,212	13,212
2027	906	6	209,094	4,895
2028	-	-	47,016	589
Total	\$ 53,204	\$ 1,669	\$ 1,034,943	\$ 70,928

9. 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 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)
Estimated liability, June 30, 2022	112,518	839,282	951,800
Claims incurred and changes in estimates	219,659	(146,000)	73,659
Claim payments	(157,309)	(650,000)	(807,309)
Estimated liability, June 30, 2023	\$ 174,868	\$ 43,282	\$ 218,150

10. CONDENSED FINANCIAL INFORMATION - PENSION TRUST FUNDS

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

	Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
Assets			
Investments:			
Money market accounts	\$ -	\$ 963,970	\$ 963,970
U.S. government agencies	-	399,256	399,256
Municipal bonds	-	7,035,148	7,035,148
Corporate bonds	-	635,858	635,858
International stocks	-	557,043	557,043
Domestic stocks	-	14,813,360	14,813,360
Real estate securities	-	145,302	145,302
American depository receipts (ADRs)	-	86,836	86,836
Guaranteed investment contract	7,856,261	-	7,856,261
Total investments	7,856,261	24,636,773	32,493,034
Interest receivable	22,815	100,395	123,210
Contributions receivable	14,388	151,830	166,218
Total assets	7,893,464	24,888,998	32,782,462
Net position restricted for pension benefits	\$ 7,893,464	\$ 24,888,998	\$ 32,782,462

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Change in Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 380,905	\$ 1,166,368	\$ 1,547,273
Plan members	28,857	123,708	152,565
Total contributions	<u>409,762</u>	<u>1,290,076</u>	<u>1,699,838</u>
Investment income:			
Interest and dividends	234,180	891,668	1,125,848
Net change in fair value of investments	(223,263)	1,508,458	1,285,195
Net investment income	<u>10,917</u>	<u>2,400,126</u>	<u>2,411,043</u>
Total additions	<u>420,679</u>	<u>3,690,202</u>	<u>4,110,881</u>
Deductions			
Benefit payments	945,949	3,701,030	4,646,979
Administrative expenses	88,785	211,538	300,323
Total deductions	<u>1,034,734</u>	<u>3,912,568</u>	<u>4,947,302</u>
Change in net position	(614,055)	(222,366)	(836,421)
Net position, beginning of year	<u>8,507,519</u>	<u>25,111,364</u>	<u>33,618,883</u>
Net position, end of year	<u>\$ 7,893,464</u>	<u>\$ 24,888,998</u>	<u>\$ 32,782,462</u>

11. 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, 2023:

Inactive plan members receiving or entitled to future benefits	71
Active plan members	<u>26</u>
Total	<u><u>97</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, 2023, the City did not make any contributions to advance-fund the plan. The City made pay-as-you-go payments in the amount of \$506,325 for the year ended June 30, 2023.

Discount rate. The discount rate used to measure the total OPEB liability was 4.13 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 4.13 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 (and rolled forward to June 30, 2023, the measurement date), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation — 2.50 percent

Salary increases — 3.25 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, 2023 was \$6,340,207.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Changes in Total OPEB Liability

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

	Total OPEB Liability
Balances at June 30, 2022	<u>\$ 6,571,245</u>
Changes for the year:	
Service cost	38,666
Interest	260,095
Changes in assumptions	(23,474)
Benefits payments	<u>(506,325)</u>
Net changes	<u>(231,038)</u>
Balances at June 30, 2023	<u><u>\$ 6,340,207</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 4.13 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 (3.13 percent) or 1 percentage point higher (5.13 percent) than the current rate:

1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
\$ 6,978,553	\$ 6,340,207	\$ 5,801,224

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

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

For the year ended June 30, 2023, the City recognized negative OPEB expense of \$638,049. The City did not report any deferred outflows or inflows of resources related to OPEB.

Payable to the OPEB Plan. At June 30, 2023, the City had no amounts payable for contributions to the OPEB plan.

Defined Contribution OPEB Plan

Contributions to HRA. At June 30, 2023, the City had contributed \$705,525 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

12. 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 \$786,202 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.

13. 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, 2022, the date of the latest actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	53
Terminated employees entitled to but not yet receiving benefits	4
Vested active members	<u>10</u>
Total membership	<u><u>67</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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Contributions. The obligation to contribute to the Plan for these employees was established by City ordinances and state statute, and requires a contribution from the employees of 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 66.7 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 (rolled forward to June 30, 2023).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2022 (rolled forward to June 30, 2023), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	2.0 percent, average
Investment rate of return	5.0 percent, net of pension plan investment expense, including inflation
Mortality rate	2022 IRS Static Mortality Table for Males or Females

Assumption changes in 2023 related to changes in the mortality tables from 2021 IRS Static Table to the 2022 IRS Static Table and a decrease in the discount rate from 6.0 percent to 5.0 percent.

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, 2023 (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, 2023 was 0.1 percent.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Discount rate. The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. For any future period where the pension plan's fiduciary net position is projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 13,567,526	\$ 8,507,519	\$ 5,060,007
Changes for the year:			
Service cost	59,452	-	59,452
Interest	786,087	-	786,087
Differences between expected and actual experience including changes of assumptions	1,675,821	-	1,675,821
Employer contributions	-	380,905	(380,905)
Employee contributions	-	28,857	(28,857)
Net investment income	-	10,917	(10,917)
Benefit payments, including refunds of employee contributions	(945,949)	(945,949)	-
Administrative expense	-	(88,785)	88,785
Net changes	<u>1,575,411</u>	<u>(614,055)</u>	<u>2,189,466</u>
Balances at June 30, 2023	<u>\$ 15,142,937</u>	<u>\$ 7,893,464</u>	<u>\$ 7,249,473</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 5.0 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 (4.0 percent) or 1 percentage-point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount (5.0%)	1% Increase (6.0%)
City's net pension liability	\$ 8,796,702	\$ 7,249,473	\$ 5,874,386

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, 2023, the City recognized pension expense of \$1,547,566. At June 30, 2023, 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	\$ 595,938	\$ 259,594	\$ 336,344
Changes in assumptions	1,233,403	-	1,233,403
Net difference between projected and actual earnings on pension plan investments	1,078,139	-	1,078,139
Total	<u>\$ 2,907,480</u>	<u>\$ 259,594</u>	<u>\$ 2,647,886</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
2024	\$ 1,122,087
2025	874,249
2026	555,393
2027	96,157
	<u>\$ 2,647,886</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.

14. 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, 2022, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	70
Vested active members	31
Vested inactive members	<u>15</u>
Total membership	<u><u>116</u></u>

Plan benefits. The Plan provides retirement benefits to full-time fire and police personnel and their beneficiaries. Benefits are provided to those with at least 25 years of service 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 45.6 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 (rolled forward to June 30, 2023).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2022 (rolled forward to June 30, 2023), 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, 2022 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, 2023 (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, 2023 was 8.35 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 4.13 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:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 37,986,393	\$ 25,111,364	\$ 12,875,029
Changes for the year:			
Service cost	387,917	-	387,917
Interest	2,739,285	-	2,739,285
Changes in benefit terms	247,794	-	247,794
Differences between expected and actual experience	(1,225,693)	-	(1,225,693)
Employer contributions	-	1,166,368	(1,166,368)
Employee contributions	-	123,708	(123,708)
Net investment income	-	2,400,126	(2,400,126)
Benefit payments, including refunds of employee contributions	(3,701,030)	(3,701,030)	-
Administrative expense	-	(211,538)	211,538
Net changes	<u>(1,551,727)</u>	<u>(222,366)</u>	<u>(1,329,361)</u>
Balances at June 30, 2023	<u>\$ 36,434,666</u>	<u>\$ 24,888,998</u>	<u>\$ 11,545,668</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 7.5 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 (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 15,199,225	\$ 11,545,668	\$ 8,427,417

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, 2023, the City recognized pension expense of \$1,255,793. At June 30, 2023, 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	\$ 158,700	\$ 1,697,888	\$ (1,539,188)
Changes in assumptions	55,110	167,167	(112,057)
Net difference between projected and actual earnings on pension plan investments	<u>1,619,584</u>	<u>-</u>	<u>1,619,584</u>
Total	<u>\$ 1,833,394</u>	<u>\$ 1,865,055</u>	<u>\$ (31,661)</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
2024	\$ (539,309)
2025	(416,012)
2026	1,046,745
2027	<u>(123,085)</u>
	<u>\$ (31,661)</u>

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

15. 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, 2023.

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, 2022 was \$90,534.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

16. 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 \$385,000 on the BRA debt leaving an estimated net present value of \$1.4 million on the guarantee and paid approximately \$335,000 on the TIFA debt leaving an estimated net present value of \$1.9 million on the guarantee.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

17. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Local Streets Fund	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ 17,122	\$ -	\$ -	\$ -	\$ -	\$ 17,122
Prepaid items	1,190	-	-	-	-	1,190
	<u>18,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,312</u>
Restricted:						
PA 495 (fire insurance escrow)	34,040	-	-	-	-	34,040
Community policing	16,694	-	-	-	-	16,694
Canine unit	6,185	-	-	-	-	6,185
Construction code fees	427,539	-	-	-	-	427,539
Major and local streets	-	2,116,558	3,580,747	-	-	5,697,305
Rubbish collection	-	-	-	1,195,875	-	1,195,875
Parks and recreation	-	-	-	-	524,871	524,871
Community development	-	-	-	-	24,500	24,500
Public improvement	-	-	-	-	546,634	546,634
Drug law enforcement	-	-	-	-	4,617	4,617
Indigent defense	-	-	-	-	122,075	122,075
Opioid	-	-	-	-	57,641	57,641
	<u>484,458</u>	<u>2,116,558</u>	<u>3,580,747</u>	<u>1,195,875</u>	<u>1,280,338</u>	<u>8,657,976</u>
Unassigned (deficit)	<u>(850,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(850,995)</u>
Total fund balances - governmental funds	<u>\$ (348,225)</u>	<u>\$ 2,116,558</u>	<u>\$ 3,580,747</u>	<u>\$ 1,195,875</u>	<u>\$ 1,280,338</u>	<u>\$ 7,825,293</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

18. 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/amortized	\$ 6,876,391	\$ 17,526,117	\$ 5,078,050
Capital assets being depreciated/amortized, net	15,724,569	42,552,904	10,613,726
	<u>22,600,960</u>	<u>60,079,021</u>	<u>15,691,776</u>
Related debt:			
Total bonds, notes, and other long-term liabilities	2,600,791	13,989,309	9,006,898
Less non-capital related debt	(2,400,000)	-	(1,430,000)
Capital related payables	-	3,075,938	-
	<u>200,791</u>	<u>17,065,247</u>	<u>7,576,898</u>
Net investment in capital assets	<u><u>\$ 22,400,169</u></u>	<u><u>\$ 43,013,774</u></u>	<u><u>\$ 8,114,878</u></u>

19. OPIOID SETTLEMENT

The City is part of a \$21 billion nationwide settlement reached in July 2021 to resolve all Opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors: McKesson, Cardinal Health, and AmerisourceBergen (Distributors), and a \$5 billion nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (Janssen). The term of the settlement varies by entity; however, the City expects to receive eighteen (18) installments from the Distributors with the first two installments being paid early in 2023 in the amount of \$14,530 and the remaining 16 installments expected to be made annually beginning in 2024. Additionally, the City expects to receive eleven (11) installments from Janssen with the first five installments being paid early in 2023 in the amount of \$43,111 and the remaining installments expected to be made annually beginning in 2026. The City is currently allocated approximately 0.096% of the total State of Michigan local unit settlement and the total amount of the settlement is expected to be \$250,577 and \$57,595 from the Distributors and Janssen, respectively.

As a result of the payment terms issued to the Directing Administrator of the National Opioid Settlements, the receivable for the Distributor and Janssen settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2023 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2023 is \$192,936.

Additional settlements with pharmacies and manufacturers were entered into during 2022, including CVS, Walgreens, Walmart, Allergan and Teva. However, as of June 30 2023, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.



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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,			
	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 59,452	\$ 51,769	\$ 67,662	\$ 66,446
Interest	786,087	765,846	783,861	818,119
Differences between expected and actual expense including changes of assumptions	1,675,821	525,394	(125,320)	(432,096)
Benefit payments, including refunds of employee contributions	(945,949)	(1,063,670)	(990,304)	(1,055,611)
Net change in total pension liability	1,575,411	279,339	(264,101)	(603,142)
Total pension liability, beginning	13,567,526	13,288,187	13,552,288	14,155,430
Total pension liability, ending (a)	15,142,937	13,567,526	13,288,187	13,552,288
Plan fiduciary net position				
Employer contributions	380,905	374,672	341,994	425,557
Employee contributions	28,857	28,927	23,334	23,815
Net investment income (loss)	10,917	(400,767)	338,461	585,865
Benefit payments, including refunds of employee contributions	(945,949)	(1,063,670)	(990,304)	(1,055,611)
Administrative expense	(88,785)	(116,381)	(105,717)	(105,225)
Net change in plan fiduciary net position	(614,055)	(1,177,219)	(392,232)	(125,599)
Plan fiduciary net position, beginning	8,507,519	9,684,738	10,076,970	10,202,569
Plan fiduciary net position, ending (b)	7,893,464	8,507,519	9,684,738	10,076,970
City's net pension liability, ending (a)-(b)	\$ 7,249,473	\$ 5,060,007	\$ 3,603,449	\$ 3,475,318
Plan fiduciary net position as a percentage of the total pension liability	52%	63%	73%	74%
Covered payroll	\$ 571,342	\$ 623,386	\$ 456,129	\$ 499,733
City's net pension liability as a percentage of covered payroll	1268.9%	811.7%	790.0%	695.4%

See notes to required supplementary information.



Year Ended June 30,					
2019	2018	2017	2016	2015	2014
\$ 40,686	\$ 40,686	\$ 53,442	\$ 61,588	\$ 61,588	\$ 77,087
846,572	863,867	927,069	810,293	872,480	893,856
1,651,749	(151,472)	59,846	93,676	(433,961)	113,605
(967,263)	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
1,571,744	(216,276)	42,167	(28,472)	(574,929)	9,524
12,583,686	12,799,962	12,757,795	12,786,267	13,361,196	13,351,672
14,155,430	12,583,686	12,799,962	12,757,795	12,786,267	13,361,196
683,883	625,402	539,315	571,495	712,471	686,852
31,141	31,237	27,591	32,178	40,363	45,385
415,290	143,371	319,446	236,349	475,154	448,782
(967,263)	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
(89,992)	(102,593)	(68,401)	(101,880)	-	(74,943)
73,059	(271,940)	(180,239)	(255,887)	152,952	31,052
10,129,510	10,401,450	10,581,689	10,837,576	10,684,624	10,653,572
10,202,569	10,129,510	10,401,450	10,581,689	10,837,576	10,684,624
<u>\$ 3,952,861</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>
72%	80%	81%	83%	85%	80%
\$ 548,062	\$ 523,138	\$ 538,344	\$ 636,501	\$ 676,421	\$ 962,730
721.2%	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,			
	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 387,917	\$ 556,238	\$ 583,695	\$ 547,125
Interest	2,739,285	2,820,062	2,851,046	2,716,338
Changes in benefit terms	247,794	-	234,610	-
Differences between expected and actual expense	(1,225,693)	(948,996)	(1,625,037)	952,182
Changes in assumptions	-	-	(668,668)	330,661
Benefit payments, including refunds of employee contributions	(3,701,030)	(2,970,873)	(2,634,741)	(2,580,872)
Net change in total pension liability	(1,551,727)	(543,569)	(1,259,095)	1,965,434
Total pension liability, beginning	37,986,393	38,529,962	39,789,057	37,823,623
Total pension liability, ending (a)	36,434,666	37,986,393	38,529,962	39,789,057
Plan fiduciary net position				
Employer contributions	1,166,368	1,315,003	1,045,452	809,603
Employee contributions	123,708	368,732	310,928	306,120
Other contributions	-	-	-	-
Net investment income (loss)	2,400,126	(3,636,746)	5,915,264	783,529
Benefit payments, including refunds of employee contributions	(3,701,030)	(2,970,873)	(2,634,741)	(2,580,872)
Administrative expense	(211,538)	(213,797)	-	-
Other	-	-	(206,342)	(179,173)
Net change in plan fiduciary net position	(222,366)	(5,137,681)	4,430,561	(860,793)
Plan fiduciary net position, beginning	25,111,364	30,249,045	25,818,484	26,679,277
Plan fiduciary net position, ending (b)	24,888,998	25,111,364	30,249,045	25,818,484
City's net pension liability, ending (a)-(b)	<u>\$ 11,545,668</u>	<u>\$ 12,875,029</u>	<u>\$ 8,280,917</u>	<u>\$ 13,970,573</u>
Plan fiduciary net position as a percentage of the total pension liability	68.3%	66.1%	78.5%	64.9%
Covered payroll	\$ 2,556,328	\$ 3,330,512	\$ 3,756,428	\$ 3,247,007
City's net pension liability as a percentage of covered payroll	451.7%	386.6%	220.4%	430.3%

See notes to required supplementary information.

Year Ended June 30,					
2019	2018	2017	2016	2015	2014
\$ 534,505	\$ 400,714	\$ 324,282	\$ 309,539	\$ 287,089	\$ 392,000
2,666,333	2,318,473	2,535,102	2,600,341	2,644,360	2,449,516
-	-	-	-	969,194	-
68,302	1,108,793	(938,050)	(695,852)	(5,593,083)	2,157,315
78,848	1,589,423	34,145	1,650,656	3,572,676	-
<u>(2,586,627)</u>	<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>
761,361	2,857,156	(742,292)	1,438,509	(684,366)	2,541,777
<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>	<u>31,651,478</u>
<u>37,823,623</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>
776,368	684,561	791,347	708,764	442,522	382,606
148,117	324,048	270,279	252,330	185,840	215,583
-	-	200,951	-	-	-
1,801,954	2,041,442	2,736,122	712,856	744,415	3,253,487
(2,586,627)	(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
-	-	(418,004)	(206,592)	-	(25,300)
<u>(27,479)</u>	<u>(184,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
112,333	305,196	882,924	(958,817)	(1,191,825)	1,369,322
<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>26,151,554</u>
<u>26,679,277</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>\$ 11,144,346</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>
70.5%	71.7%	76.8%	72.6%	78.6%	80.5%
\$ 3,206,705	\$ 3,028,903	\$ 2,271,629	\$ 1,864,978	\$ 1,838,533	\$ 2,009,679
347.5%	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

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%
2023	380,905	380,905	-	571,342	66.7%

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

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%
2023	1,166,368	1,166,368	-	2,556,328	45.6%

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%
2023	0.10%

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%
2023	8.35%

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,			
	2023	2022	2021	2020
Total OPEB liability				
Service cost	\$ 38,666	\$ 81,290	\$ 69,914	\$ 70,065
Interest on total OPEB liability	260,095	185,586	220,124	268,190
Changes in assumptions	(23,474)	(1,373,502)	433,044	765,381
Difference between expected actual experience	-	(453,170)	-	59,765
Benefit payments	(506,325)	(521,033)	(549,225)	(584,437)
Other changes	-	-	-	1,319
Net change in total OPEB liability	<u>(231,038)</u>	<u>(2,080,829)</u>	<u>173,857</u>	<u>580,283</u>
Total OPEB liability, beginning of year	<u>6,571,245</u>	<u>8,652,074</u>	<u>8,478,217</u>	<u>7,897,934</u>
Total OPEB liability, end of year	<u>\$ 6,340,207</u>	<u>\$ 6,571,245</u>	<u>\$ 8,652,074</u>	<u>\$ 8,478,217</u>
Covered payroll	\$ 1,629,377	\$ 1,581,919	\$ 1,973,873	\$ 1,916,382
Total OPEB liability as a percentage of covered payroll	389.1%	415.4%	438.3%	442.4%

See notes to required supplementary information.



Year Ended June 30,	
2019	2018
\$ 61,764	\$ 83,432
294,896	300,888
281,691	(364,249)
-	(183,497)
(591,825)	(607,502)
-	-
<u>46,526</u>	<u>(770,928)</u>
<u>7,851,408</u>	<u>8,622,336</u>
<u>\$ 7,897,934</u>	<u>\$ 7,851,408</u>

\$ 4,780,254	\$ 4,607,474
165.2%	170.4%

CITY OF INKSTER, MICHIGAN

Notes to Required Supplementary Information

Pension Plans

General Employees' Retirement System

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

- 2023:
 - The mortality assumption changed from the 2021 IRS Static Table to the 2022 IRS Static Table and the discount rate decreased from 6.0 percent to 5.0 percent
- 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, 2022 (rolled forward to June 30, 2023)
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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	2.75%
Salary increases	2.0%
Investment rate of return	5.00% net of plan investment expenses, including inflation
Mortality rates	2022 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, 2022 (rolled forward to June 30, 2023)
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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 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.

**COMBINING FUND FINANCIAL
STATEMENTS**

CITY OF INKSTER, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Assets				
Pooled cash and investments	\$ 539,458	\$ 28,213	\$ 530,853	\$ 4,617
Accounts receivable	-	3,713	15,781	-
Total assets	<u>\$ 539,458</u>	<u>\$ 31,926</u>	<u>\$ 546,634</u>	<u>\$ 4,617</u>
Liabilities				
Accounts payable	\$ 12,192	\$ -	\$ -	\$ -
Accrued and other liabilities	2,395	-	-	-
Due to other funds	-	3,713	-	-
Total liabilities	14,587	3,713	-	-
Deferred inflows of resources				
Unavailable revenue	-	3,713	-	-
Fund balances				
Restricted	<u>524,871</u>	<u>24,500</u>	<u>546,634</u>	<u>4,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 539,458</u>	<u>\$ 31,926</u>	<u>\$ 546,634</u>	<u>\$ 4,617</u>



Special Revenue		
Michigan Indigent Defense Commission	Opioid Settlement	Totals
\$ 122,075	\$ 57,641	\$ 1,282,857
-	192,936	212,430
<u>\$ 122,075</u>	<u>\$ 250,577</u>	<u>\$ 1,495,287</u>
\$ -	\$ -	\$ 12,192
-	-	2,395
-	-	3,713
-	-	18,300
-	192,936	196,649
<u>122,075</u>	<u>57,641</u>	<u>1,280,338</u>
<u>\$ 122,075</u>	<u>\$ 250,577</u>	<u>\$ 1,495,287</u>

CITY OF INKSTER, MICHIGAN

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Revenues				
Property taxes	\$ 450,347	\$ -	\$ -	\$ -
Intergovernmental	15,799	20,000	-	1,125
Charges for services	64,560	-	-	-
Other	53,200	-	66,369	-
Total revenues	583,906	20,000	66,369	1,125
Expenditures				
Current expenditures:				
General government	-	-	-	-
Community and economic development	-	-	24,667	-
Culture and recreation	477,659	-	-	-
Total expenditures	477,659	-	24,667	-
Revenues over expenditures	106,247	20,000	41,702	1,125
Other financing sources (uses)				
Transfers in	-	22,213	-	-
Transfers out	(122,213)	-	-	-
Total other financing sources (uses)	(122,213)	22,213	-	-
Net change in fund balances	(15,966)	42,213	41,702	1,125
Fund balances (deficit), beginning of year	540,837	(17,713)	504,932	3,492
Fund balances, end of year	\$ 524,871	\$ 24,500	\$ 546,634	\$ 4,617



Special Revenue		
Michigan Indigent Defense Commission	Opioid Settlement	Totals
\$ -	\$ -	\$ 450,347
132,153	-	169,077
-	57,641	122,201
-	-	119,569
<u>132,153</u>	<u>57,641</u>	<u>861,194</u>
52,558	-	52,558
-	-	24,667
-	-	477,659
<u>52,558</u>	<u>-</u>	<u>554,884</u>
<u>79,595</u>	<u>57,641</u>	<u>306,310</u>
46,350	-	68,563
-	-	(122,213)
<u>46,350</u>	<u>-</u>	<u>(53,650)</u>
125,945	57,641	252,660
<u>(3,870)</u>	<u>-</u>	<u>1,027,678</u>
<u>\$ 122,075</u>	<u>\$ 57,641</u>	<u>\$ 1,280,338</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, 2023

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Net Position
Assets			
Pool cash and investments	\$ 353,448	\$ -	\$ 353,448
Accounts receivable	407,089	-	407,089
Capital assets being depreciated, net	-	6,215,951	6,215,951
Total assets	<u>\$ 760,537</u>	<u>6,215,951</u>	<u>6,976,488</u>
Liabilities			
Due to primary government	\$ 412,873	-	412,873
Accrued interest payable	73,186	-	73,186
Bonds, notes and other long-term liabilities:			
Due within one year	-	355,000	355,000
Due in more than one year	-	5,275,000	5,275,000
Total liabilities	<u>486,059</u>	<u>5,630,000</u>	<u>6,116,059</u>
Deferred inflows of resources			
Unavailable - loans receivable	407,089	(407,089)	-
Fund balances			
Unassigned (deficit)	<u>(132,611)</u>	<u>132,611</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 760,537</u>		
Net position			
Net investment in capital assets		585,951	585,951
Unrestricted		<u>274,478</u>	<u>274,478</u>
Total net position		<u>\$ 860,429</u>	<u>\$ 860,429</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, 2023

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Activities
Expenditures / expenses			
Community and economic development	\$ 821,280	\$ 273,056	\$ 1,094,336
Revenues			
Capital grants and contributions	30,075	-	30,075
Property taxes	346,411	407,089	753,500
Other revenues	329,109	-	329,109
Total revenues	<u>705,595</u>	<u>407,089</u>	<u>1,112,684</u>
Change in fund balance	(115,685)	115,685	-
Change in net position	-	18,348	18,348
Fund balance (deficit) / net position			
Beginning of year	<u>(16,926)</u>	<u>859,007</u>	<u>842,081</u>
End of year	<u><u>\$ (132,611)</u></u>	<u><u>\$ 993,040</u></u>	<u><u>\$ 860,429</u></u>

CITY OF INKSTER, MICHIGAN

Balance Sheet / Statement of Net Position

Brownfield Redevelopment Authority

June 30, 2023

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Liabilities			
Accrued interest payable	\$ 14,598	\$ -	\$ 14,598
Bonds, notes and other long-term liabilities:			
Due within one year	-	430,000	430,000
Due in more than one year	-	1,000,000	1,000,000
Total liabilities	<u>14,598</u>	<u>1,430,000</u>	<u>1,444,598</u>
Fund balances			
Unassigned (deficit)	<u>(14,598)</u>	<u>14,598</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>		
Net position			
Unrestricted deficit		<u>\$ (1,444,598)</u>	<u>\$ (1,444,598)</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, 2023

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Expenditures / expenses			
Community and economic development	\$ 445,672	\$ (385,000)	\$ 60,672
Revenues			
Property taxes	23,941	-	23,941
Other revenues	425,661	-	425,661
Total revenues	<u>449,602</u>	<u>-</u>	<u>449,602</u>
Change in fund balance	3,930	(3,930)	-
Change in net position	-	388,930	388,930
Fund balance (deficit) / net position			
Beginning of year	<u>(18,528)</u>	<u>(1,815,000)</u>	<u>(1,833,528)</u>
End of year	<u>\$ (14,598)</u>	<u>\$ (1,430,000)</u>	<u>\$ (1,444,598)</u>

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INTERNAL CONTROL AND COMPLIANCE

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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***

June 28, 2024

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024. 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 2023-001, -002, -004, -005, -006, and -007 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 2023-003 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 "Rehmann Lobson 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, 2023

2023-001 – Material Audit Adjustments

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

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

Condition. Multiple material audit adjustments were identified related to various accounts including long-term debt, due from other government, accounts payable, capital assets, unearned revenue, and state and federal revenue

Cause. We understand that there was a transition during the year in the finance department; however, management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP). Internal controls did not detect all adjustments necessary to properly record year-end balances.

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

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

View of Responsible Official. Shortly after the end of FY23, the City's working relationship with their long time accounting consultant ended. As the City has transitioned to a new accounting consultant, there were certain instances where year-end adjustments were not done timely and/or accurately. As the new Administration and new accounting consultant has worked through this audit process it has been able to better understand where improvements will need to be made going forward. This point is further highlighted due to both the Administration and accounting consultant joined this current audit in mid-process. For the following fiscal year audit, the relevant parties will be involved from the beginning and will work to ensure that proper adjustments are made and that the full process is followed.

Responsible Official. Treasurer

Expected Completion Date. December 2024

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-002 - Utility Billing Receivables (repeat finding)

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 \$153,000 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 City is working on development and implementation of monthly review of receivables. Included in this process will be tracking of any payment arrangements, review of overdue accounts and documentation of steps taken each month. The City has also restarted the shutting off of service for overdue accounts to help decrease the amount of overdue accounts.

Responsible Official. Treasurer

Expected Completion Date. December 2024

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-003 - Review of Manual Journal Entries (repeat finding)

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 in the past, did review and document approval for manual journal entries. During FY23, it appears that this process was not followed. The City has recommitted to following this process as part of the required accounting functions. Both the Administration and accounting consultant will be working to ensure journal entries are prepared, reviewed and approval documented in a timely manner.

Responsible Official. Treasurer

Expected Completion Date. December 2024

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-004 - Pension and Other Postemployment Benefits (OPEB) Census Data and Payroll Documentation (repeat finding)

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 to be 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. The City has had some issues with maintaining and identifying personnel information of current and past employees. In order to address these issues, the City is reviewing the current process for filing and information collection for employees under the direction of its new HR Director. Additionally, the City had a number of records left over at their old administrative building prior to relocating to its current site years ago. Some files were left in the old location and were damaged due to flooding at the old location. The City will look to work with its two pension systems to gather some data and information that it can collect from these entities.

Responsible Official. HR Director

Expected Completion Date. 1st Quarter 2025

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-005 - Timely Report Issuance (repeat finding)

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 2023 audited financial statements by the state deadline of December 31, 2023 (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. The City did not complete its prior fiscal year audit until the Fall of 2023. This caused the current FY23 audit to be delayed in its start. Under the new Administration, the City worked to complete the current audit as quickly as possible. While it was completed past the state deadline, the audit was completed in a shorter time than the prior year. Additionally, the City will be starting the FY24 audit in a more timely fashion and is assembling the resources needed to complete the audit by the state deadline. The City's Administration is committed to working to ensure that the FY24 audit is completed in a timely manner.

Responsible Official. Mayor and Treasurer

Expected Completion Date. December 31, 2024

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-006 - Unsupported Liabilities (repeat finding)

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

Criteria. 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. There are multiple long outstanding liability accounts that require further analysis from the City such as the security deposit business registration, other 22nd District Court payable, and Wayne County CSO service consent judgment liability. Management was also unable to provide a reconciliation of what comprises the ending balance for the PILOT payable account of which dates back to 2011 and even earlier.

Cause. This condition was caused by the absence of a standard procedure for reconciling accounts to their subsidiary detail for the above audit areas on a timely basis.

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 that the City reconcile all balance sheet accounts to subsidiary detail at least monthly, and follow-up on any variances in a timely manner. All such reconciliations should be independently reviewed, signed and dated, as evidence of this control.

View of Responsible Official. The City is in the process of a comprehensive review of a number of items including outstanding liabilities with Wayne County, business registration security deposits and 22nd District Court payables. Additionally, the City is working to reconcile balance sheet accounts monthly and resolve in a timely manner any variances that are found.

Responsible Official. Treasurer

Expected Completion Date. December 31, 2024

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2023

2023-007 - Council Meeting Minutes Not Maintained

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

Criteria. The City is required to maintain minutes under Michigan’s Open Meetings Act (OMA). Minutes are recorded to provide an accurate, written history of the proceedings of a council, board, commission, or committee meeting. Specifically, under section 9(1) of the OMA, the record must include those official actions taken by the group of persons legally charged with conducting the business of the organization. The minutes must also contain the purpose or purposes for which a closed meeting is held.

Condition. Our audit procedures disclosed that minutes of the meetings of certain Council committees are not maintained.

Cause. This condition was caused by the absence of a standard procedure for preparing and maintaining meeting minutes.

Effect. As a result of the condition, there is no record regarding the discussion that may have taken place at a meeting of the committee and, likewise, no evidence regarding official actions of the committee that may have had a financial impact.

Recommendation. We strongly recommend minutes be promptly prepared and retained for all meetings of Council committees.

View of Responsible Official. The City Council hired a new City Clerk in early 2024. Part of the responsibilities for the City Clerk is to ensure that accurate minutes are taken and retained for all meetings. The Mayor and Council have been made aware of specific instances where this was not done with the prior administration. Moving forward, the Clerk will be addressing this issue and recording and retaining minutes as required.

Responsible Official. City Clerk

Expected Completion Date. July 2024



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