

CITY OF INKSTER,
MICHIGAN



Year Ended
June 30, 2021

Financial
Statements and
Supplemental
Information

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CITY OF INKSTER, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

July 29, 2022

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Inkster, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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



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

	Percent of Assets and Deferred Outflows	Percent of Revenues	Percent of Net Position
Inkster Housing Commission	67.6%	85.2%	110.2%
Inkster Commission on Aging	1.2%	2.4%	2.2%

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Inkster, Michigan, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and each major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the City of Inkster, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

These financial statements are the responsibility of the City of Inkster's (the "City") management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2021. 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	\$ 35,153,566
· Change in total net position	913,163
· Fund balances, governmental funds	8,571,088
· Change in fund balances, governmental funds	502,366
· Unassigned fund balance, general fund	(597,835)
· Change in fund balance, general fund	29,485
· Installment debt outstanding	15,723,409
· Change in installment debt	(1,262,954)

Overview of the Financial Statements

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

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

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

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

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

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

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

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.

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 \$35,153,566 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 13,339,401	\$ 12,573,893	\$ 15,942,130	\$ 14,116,672	\$ 29,281,531	\$ 26,690,565
Capital assets, net	19,597,801	20,051,185	44,640,404	44,841,237	64,238,205	64,892,422
Total assets	32,937,202	32,625,078	60,582,534	58,957,909	93,519,736	91,582,987
Deferred outflows of resources	2,376,923	4,788,323	307,384	405,318	2,684,307	5,193,641
Long-term debt	3,779,976	3,744,740	12,441,837	13,705,612	16,221,813	17,450,352
Pension and OPEB	18,774,579	24,222,385	1,761,861	1,701,723	20,536,440	25,924,108
Other liabilities	12,355,678	13,716,337	7,242,949	4,879,222	19,598,627	18,595,559
Total liabilities	34,910,233	41,683,462	21,446,647	20,286,557	56,356,880	61,970,019
Deferred inflows of resources	4,585,434	449,061	108,163	117,145	4,693,597	566,206
Net investment in capital assets	19,268,601	19,733,890	32,246,195	31,172,169	51,514,796	50,906,059
Restricted	9,164,463	8,741,986	577,952	577,942	9,742,415	9,319,928
Unrestricted (deficit)	(32,614,606)	(33,194,998)	6,510,961	7,209,414	(26,103,645)	(25,985,584)
Total net position (deficit)	\$ (4,181,542)	\$ (4,719,122)	\$ 39,335,108	\$ 38,959,525	\$ 35,153,566	\$ 34,240,403

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$51,514,796 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, \$9,742,415, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$26,103,645 represents an accumulated deficit.

The government's net position increased by \$913,163 during the current fiscal year. This increase was a combination of an increase of \$537,580 in governmental activities and an increase of \$375,583 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 3,734,692	\$ 4,042,742	\$ 10,232,562	\$ 10,395,923	\$ 13,967,254	\$ 14,438,665
Operating grants	108,170	1,265,913	-	-	108,170	1,265,913
Capital grants	2,684,385	2,458,989	-	394,842	2,684,385	2,853,831
General revenues:						
Property taxes	6,604,615	6,212,196	2,010,342	2,214,765	8,614,957	8,426,961
State revenue sharing	5,766,705	3,835,211	38,979	37,852	5,805,684	3,873,063
Unrestricted investment earnings (losses)	(11,331)	46,616	15,346	68,669	4,015	115,285
Gain on sale of capital assets	-	512,325	-	-	-	512,325
Other revenues	192,646	217,775	-	-	192,646	217,775
Total revenues	19,079,882	18,591,767	12,297,229	13,112,051	31,377,111	31,703,818
Expenses						
General government	3,803,549	5,218,529	-	-	3,803,549	5,218,529
Public safety	8,509,661	10,124,186	-	-	8,509,661	10,124,186
Public works	4,836,379	4,706,489	-	-	4,836,379	4,706,489
Community and economic development	982,004	406,248	-	-	982,004	406,248
Culture and recreation	346,672	496,113	-	-	346,672	496,113
Interest on long-term debt	64,037	61,720	-	-	64,037	61,720
Water and sewer	-	-	11,921,646	11,804,572	11,921,646	11,804,572
Total expenses	18,542,302	21,013,285	11,921,646	11,804,572	30,463,948	32,817,857
Change in net position	537,580	(2,421,518)	375,583	1,307,479	913,163	(1,114,039)
Net position (deficit)						
Beginning of year	(4,719,122)	(2,297,604)	38,959,525	37,652,046	34,240,403	35,354,442
End of year	\$ (4,181,542)	\$ (4,719,122)	\$ 39,335,108	\$ 38,959,525	\$ 35,153,566	\$ 34,240,403

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$537,580. This is primarily the result of increased revenues from state revenue sharing and operational saving by the City.

Business-type Activities. Business-type activities increased the City's net position by \$375,583. This was primarily the result of maintaining water and sewer rates at a level necessary to allow for operating revenues to exceed operating expenses and to allow for some expenses needed for repairs and maintenance. As with governmental activities, operational savings is also attributable to continued fiscal responsibility.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,571,088, an increase of \$502,366 over the prior year. A portion of the fund balance is nonspendable, \$76,460 for inventory and prepaid items. Unassigned fund deficit of \$669,735 is approximately -7.8% of total fund balance. The remainder of fund balance is restricted by external sources for specific purposes, \$9,164,363.

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 \$597,835, while total fund deficit amounted to \$68,864. Nonspendable fund balance for inventory and prepaid items amounted to \$76,460. \$452,511 is restricted by external sources for fire insurance, policing, and construction code fees.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund deficit represents -4.0% of total general fund expenditures, while total fund balance represents -0.5% 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. A decrease in road projects undertaken in the current year, and completion of the John Daly project compared to the prior year resulted in an increase in fund balance of \$559,333.

The local streets special revenue fund is used to account for expenditures related to the maintenance, repair, and construction of streets and bridges within the City. Fund balance decreased by \$151,445 over the past year due to an increase in road repairs 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 decreased \$28,304 due to expenses slightly outpacing revenues. It should be noted that this fund had a budgeted decrease in fund balance of \$133,248.

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

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

General Fund Highlights

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$29,485 for the current fiscal year, resulting in unassigned fund deficit of \$597,835.

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

- General fund property taxes – Revenues in this category were greater than budgeted, mainly due to an increase in PILOT revenues over the prior year and over budgeted amounts.
- General fund intergovernmental – Revenues in this category were negatively impacted in this fiscal year. The original budget was amended due to anticipated intergovernmental revenues of \$2.2 million related to grants; however, actual amounts were slightly less as the City did not complete grant reimbursements during the fiscal year for all of the expenditures that were eligible for reimbursement. While these expenditures were incurred during this fiscal year and are reflected in the financial statements, some of the reimbursements that were initially planned and budgeted were not received. The delay in requesting and receiving the reimbursements was due in part to staffing issues that the City experienced during the fiscal year. The City expects to request and receive the reimbursement for all of these already incurred expenditures in the next fiscal year and should see a corresponding positive impact to revenues in this category at that time.
- General fund expenditures – Some of the expenditures in this category came in above budgeted projections. The District Court expenditures were over budget due to an increase in cases in the current year, over what the City budgeted. The Mayor's office was over budget due to increased professional fees. Personnel department was over budget due to increased unemployment and workers' compensation insurance expenditures in the current year. The Police department was over budget as a result of increasing pension costs, not determined by the actuary until after year end. Debt service expenditures were not budgeted for the purchase of vehicles. Insurance and other exceeded budget due to group insurance premiums higher than expected.

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, 2021, amounted to \$64,238,205 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery, furniture, equipment, and water and sewer distribution systems.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

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

- For governmental activities, the decrease in construction in progress and increase in infrastructure is a result of the City's completion of the John Daly Road project.
- For business-type activities, the increase in construction in progress is a result of the sewer rehab project and lead line replacement projects underway in 2021.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	929,007	1,621,129	1,048,057	99,399	1,977,064	1,720,528
Land improvements	83,372	103,793	-	-	83,372	103,793
Infrastructure	13,664,833	12,924,250	-	-	13,664,833	12,924,250
Buildings/improvements	1,685,331	1,798,569	-	-	1,685,331	1,798,569
Vehicles	1,378,005	1,467,612	828,635	873,171	2,206,640	2,340,783
Machinery, furniture, and equipment	1,550,058	1,828,637	7,181	17,378	1,557,239	1,846,015
Water and sewer distribution systems	-	-	42,753,786	43,848,544	42,753,786	43,848,544
Total capital assets, net	\$ 19,597,801	\$ 20,051,185	\$ 44,640,404	\$ 44,841,237	\$ 64,238,205	\$ 64,892,422

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 \$16,221,813. This amount includes bonds payable, an emergency loan from the State of Michigan, installment purchase agreements, and compensated absences (earned but unused sick and vacation time).

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ -	\$ -	\$ 11,880,111	\$ 13,020,111	\$ 11,880,111	\$ 13,020,111
Emergency loan	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Installment purchase agreements	329,200	317,295	514,098	648,957	843,298	966,252
Compensated absences	450,776	427,445	47,628	36,544	498,404	463,989
Total long-term debt	\$ 3,779,976	\$ 3,744,740	\$ 12,441,837	\$ 13,705,612	\$ 16,221,813	\$ 17,450,352

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

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

Crucial to the City's short and long-term financial stability is the ability to generate revenue growth and decrease expenditures. There has been small but steady increases in the City's property values and property tax collections. Additionally, there has been an increase in new developments that are planned or currently under construction in some of the City's industrial areas. The State of Michigan's growth in medical and recreational marijuana has helped increase the demand for industrial property in the City as it expands into this market. Developments and renovation projects will increase property values, thereby also increasing property tax revenues as they reach completion. While these increases are expected in the coming years, the tax revenue increases will be capped by inflation or five percent per year.

While the City was released from its consent agreement with the state of Michigan back in July 2016, the City continues to face budgetary challenges that requires fiscal discipline. The City has made recent investments in the area of public safety for both the police and fire departments as it views these as vital services that are provided to citizens, businesses, and visitors.

As of June 30, 2021, the City had uncollected grant reimbursements from both the 2020-21 fiscal year as well as prior fiscal years. In addition to revenue growth and expenditure reduction, the City will focus on collecting these reimbursements and seek out additional funding opportunities to help bolster the general fund balance.

Contacting the City's Management

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

BASIC FINANCIAL STATEMENTS

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CITY OF INKSTER, MICHIGAN

Statement of Net Position

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 10,740,182	\$ 12,778,575	\$ 23,518,757	\$ 5,324,780
Restricted cash and cash equivalents	452,511	577,952	1,030,463	400,825
Receivables, net	2,046,099	2,436,890	4,482,989	687,469
Inventories and prepaid items	76,460	148,713	225,173	9,854
Surplus equity interest in joint venture	24,149	-	24,149	-
Capital assets not being depreciated	1,236,202	1,050,802	2,287,004	2,773,610
Capital assets being depreciated, net	18,361,599	43,589,602	61,951,201	14,238,281
Total assets	32,937,202	60,582,534	93,519,736	23,434,819
Deferred outflows of resources				
Deferred pension amounts	2,186,042	281,743	2,467,785	-
Deferred other postemployment benefits amounts	190,881	25,641	216,522	-
Total deferred outflows of resources	2,376,923	307,384	2,684,307	-
Liabilities				
Accounts payable and accrued liabilities	7,081,426	7,242,949	14,324,375	1,501,839
Unearned revenue	291,732	-	291,732	130,350
Long-term debt:				
Due within one year	535,668	1,454,783	1,990,451	942,572
Due in more than one year	3,244,308	10,987,054	14,231,362	10,051,814
Other noncurrent liabilities:				
Debt guarantee - component units	4,982,520	-	4,982,520	-
Net pension liability	11,147,093	737,273	11,884,366	-
Total other postemployment benefit liability	7,627,486	1,024,588	8,652,074	-
Total liabilities	34,910,233	21,446,647	56,356,880	12,626,575
Deferred inflows of resources				
Deferred pension amounts	4,585,434	108,163	4,693,597	-
Net position				
Net investment in capital assets	19,268,601	32,246,195	51,514,796	8,203,349
Restricted for:				
PA 495 (fire insurance escrow)	34,040	-	34,040	-
Canine unit	6,185	-	6,185	-
Construction code fees	412,286	-	412,286	-
Major and local streets	7,187,528	-	7,187,528	-
Rubbish collection	681,742	-	681,742	-
Parks and recreation	365,102	-	365,102	-
Public improvement	465,687	-	465,687	-
Drug law enforcement	11,893	-	11,893	-
Capital projects	-	577,952	577,952	-
Unrestricted (deficit)	(32,614,606)	6,510,961	(26,103,645)	2,604,895
Total net position (deficit)	\$ (4,181,542)	\$ 39,335,108	\$ 35,153,566	\$ 10,808,244

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

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

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	\$ 3,803,549	\$ 1,356,738	\$ 66,467	\$ -	\$ (2,380,344)
Public safety	8,509,661	888,213	30,167	-	(7,591,281)
Public works	4,836,379	1,463,144	1,806	2,684,385	(687,044)
Community and economic development	982,004	6,791	-	-	(975,213)
Culture and recreation	346,672	19,806	9,730	-	(317,136)
Interest on long-term debt	64,037	-	-	-	(64,037)
Total governmental activities	18,542,302	3,734,692	108,170	2,684,385	(12,015,055)
Business-type activities -					
Water and sewer	11,921,646	10,232,562	-	-	(1,689,084)
Total primary government	\$ 30,463,948	\$ 13,967,254	\$ 108,170	\$ 2,684,385	\$ (13,704,139)
Component units					
Tax Increment Finance Authority	\$ 1,147,567	\$ -	\$ 308,846	\$ 56,134	\$ (782,587)
Brownfield Redevelopment Authority	138,569	-	-	-	(138,569)
Housing Commission	12,779,968	715,744	9,852,632	147,893	(2,063,699)
Commission on Aging	283,968	15,000	2,813	-	(266,155)
Total component units	\$ 14,350,072	\$ 730,744	\$ 10,164,291	\$ 204,027	\$ (3,251,010)

continued...

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (12,015,055)	\$ (1,689,084)	\$ (13,704,139)	\$ (3,251,010)
General revenues:				
Property taxes	6,604,615	2,010,342	8,614,957	545,351
State revenue sharing	5,766,705	38,979	5,805,684	-
Unrestricted investment earnings (losses)	(11,331)	15,346	4,015	-
Other revenues	192,646	-	192,646	1,095,148
Total general revenues	12,552,635	2,064,667	14,617,302	1,640,499
Change in net position	537,580	375,583	913,163	(1,610,511)
Net position (deficit), beginning of year, as restated	(4,719,122)	38,959,525	34,240,403	12,418,755
Net position (deficit), end of year	<u>\$ (4,181,542)</u>	<u>\$ 39,335,108</u>	<u>\$ 35,153,566</u>	<u>\$ 10,808,244</u>

concluded

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

CITY OF INKSTER, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2021

	General	Major Streets	Local Streets	Rubbish	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Pooled cash and investments	\$ 2,070,629	\$ 2,858,507	\$ 3,966,383	\$ 837,846	\$ 1,006,817	\$ 10,740,182
Restricted cash and cash equivalents	452,511	-	-	-	-	452,511
Accounts receivable	645,935	-	-	-	87,074	733,009
Due from other funds	49,340	-	-	-	-	49,340
Due from other governments	754,943	305,852	134,048	-	-	1,194,843
Due from component unit	118,247	-	-	-	-	118,247
Inventories	9,130	-	-	-	-	9,130
Prepaid items	67,330	-	-	-	-	67,330
Total assets	\$ 4,168,065	\$ 3,164,359	\$ 4,100,431	\$ 837,846	\$ 1,093,891	\$ 13,364,592
Liabilities						
Accounts payable	\$ 1,240,367	\$ 63,880	\$ 4,352	\$ 156,104	\$ 69,705	\$ 1,534,408
Accrued and other liabilities	1,231,891	-	-	-	2,524	1,234,415
Due to other funds	-	-	-	-	49,340	49,340
Due to other governments	1,066,137	6,275	2,755	-	-	1,075,167
Unearned revenue	162,092	-	-	-	129,640	291,732
Total liabilities	3,700,487	70,155	7,107	156,104	251,209	4,185,062
Deferred inflows of resources						
Unavailable revenue	536,442	-	-	-	72,000	608,442
Fund balances						
Nonspendable	76,460	-	-	-	-	76,460
Restricted	452,511	3,094,204	4,093,324	681,742	842,582	9,164,363
Unassigned (deficit)	(597,835)	-	-	-	(71,900)	(669,735)
Total fund balances (deficit)	(68,864)	3,094,204	4,093,324	681,742	770,682	8,571,088
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,168,065	\$ 3,164,359	\$ 4,100,431	\$ 837,846	\$ 1,093,891	\$ 13,364,592

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

CITY OF INKSTER, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Fund balances - total governmental funds \$ 8,571,088

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	1,236,202
Capital assets being depreciated, net	18,361,599

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	608,442
Equity interest in joint venture	24,149

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

Loans and installment purchase agreements	(3,329,200)
Accrued interest on long-term debt	(9,986)
Estimated self-insurance claims payable	(2,091,071)
Estimated tax chargeback payable	(1,136,379)
Debt guarantee - component unit	(4,982,520)
Compensated absences	(450,776)

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	(11,147,093)
Deferred outflows related to the net pension liability	2,186,042
Deferred inflows related to the net pension liability	(4,585,434)
Total other postemployment benefit liability	(7,627,486)
Deferred outflows related to the total other postemployment benefit liability	190,881

Net position (deficit) of governmental activities \$ (4,181,542)

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, 2021

	General	Major Streets	Local Streets	Rubbish	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 5,572,766	\$ -	\$ 16,289	\$ 530,507	\$ 410,304	\$ 6,529,866
Licenses and permits	750,194	-	-	-	-	750,194
Intergovernmental	5,958,582	1,865,726	818,659	6,688	9,510	8,659,165
Charges for services	1,139,693	-	-	1,431,916	19,806	2,591,415
Fines and forfeitures	1,132,461	-	-	-	-	1,132,461
Refunds and reimbursements	81,072	-	-	-	-	81,072
Investment income (loss)	(13,541)	-	2,210	-	-	(11,331)
Other	58,147	1,806	-	-	71,205	131,158
Total revenues	14,679,374	1,867,532	837,158	1,969,111	510,825	19,864,000
Expenditures						
Current expenditures:						
General government	5,884,109	-	-	-	-	5,884,109
Public safety	8,321,085	-	-	-	3,114	8,324,199
Public works	805,674	1,308,199	988,603	1,997,415	123,085	5,222,976
Community and economic development	921,182	-	-	-	59,693	980,875
Culture and recreation	-	-	-	-	254,721	254,721
Debt service:						
Principal	181,590	-	-	-	-	181,590
Interest and fiscal charges	60,138	-	-	-	-	60,138
Allocated to other departments	(1,353,479)	-	-	-	-	(1,353,479)
Total expenditures	14,820,299	1,308,199	988,603	1,997,415	440,613	19,555,129
Revenues over (under) expenditures	(140,925)	559,333	(151,445)	(28,304)	70,212	308,871
Other financing sources (uses)						
Proceeds from capital lease	193,495	-	-	-	-	193,495
Transfers in	100,000	-	-	-	123,085	223,085
Transfers out	(123,085)	-	-	-	(100,000)	(223,085)
Total other financing sources	170,410	-	-	-	23,085	193,495
Net change in fund balances	29,485	559,333	(151,445)	(28,304)	93,297	502,366
Fund balances (deficit), beginning of year	(98,349)	2,534,871	4,244,769	710,046	677,385	8,068,722
Fund balances (deficit), end of year	\$ (68,864)	\$ 3,094,204	\$ 4,093,324	\$ 681,742	\$ 770,682	\$ 8,571,088

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

CITY OF INKSTER, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2021

Net change in fund balances (deficit) - total governmental funds	\$ 502,366
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased / constructed	1,471,774
Depreciation expense	(1,925,159)
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	(858,847)
Change in estimated tax chargeback	74,749
Change in investment in joint venture	22,443
Certain proceeds, such as bonds, provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of capital lease	(193,495)
Principal payments on long-term liabilities	181,590
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	(3,899)
Change in the liability for estimated self-insurance claims	912,768
Change in net pension liability and deferred amounts	(786,268)
Change in total other postemployment benefits liability and deferred amounts	(313,699)
Change in debt guarantee - component unit	1,476,589
Change in the accrual for compensated absences	(23,332)
Change in net position (deficit) of governmental activities	\$ 537,580

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 5,199,200	\$ 5,254,790	\$ 5,572,766	\$ 317,976
Licenses and permits	809,300	706,925	750,194	43,269
Intergovernmental	4,132,320	6,289,382	5,958,582	(330,800)
Charges for services	1,196,022	1,218,973	1,139,693	(79,280)
Fines and forfeitures	769,700	764,580	1,132,461	367,881
Refunds and reimbursements	54,100	76,600	81,072	4,472
Investment income (loss)	45,500	30,100	(13,541)	(43,641)
Other	670,000	64,130	58,147	(5,983)
Total revenues	12,876,142	14,405,480	14,679,374	273,894
Expenditures				
General government:				
City council	94,800	85,300	75,324	(9,976)
District court	806,000	701,478	764,925	63,447
Mayor	313,200	339,410	360,288	20,878
City clerk	248,600	316,862	316,283	(579)
Information technology	300,100	417,923	416,074	(1,849)
Treasury	675,900	692,360	673,486	(18,874)
Buildings and grounds	754,060	849,970	753,384	(96,586)
City attorney	1,012,000	1,021,350	994,099	(27,251)
Personnel	207,750	341,375	407,137	65,762
Insurance and other	855,000	986,830	1,123,109	136,279
Total general government	5,267,410	5,752,858	5,884,109	131,251
Public safety:				
Police	4,218,500	4,720,964	4,823,925	102,961
Fire	2,304,057	2,938,089	2,893,269	(44,820)
Building	495,259	481,120	466,623	(14,497)
Code enforcement	131,100	134,780	137,268	2,488
Total public safety	7,148,916	8,274,953	8,321,085	46,132
Public works -				
Department of public works	782,000	811,830	805,674	(6,156)

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community and economic development:				
Community and development Planning	\$ 279,600 274,417	\$ 281,000 275,230	\$ 255,114 234,860	\$ (25,886) (40,370)
Appropriation to Brownfield Redevelopment Authority	431,450	430,710	431,208	498
Total community and economic development	<u>985,467</u>	<u>986,940</u>	<u>921,182</u>	<u>(65,758)</u>
Debt service:				
Principal	-	-	181,590	181,590
Interest and fiscal charges	109,500	110,140	60,138	(50,002)
Total debt service	<u>109,500</u>	<u>110,140</u>	<u>241,728</u>	<u>131,588</u>
Allocated to other departments	<u>(1,329,560)</u>	<u>(1,329,560)</u>	<u>(1,353,479)</u>	<u>(23,919)</u>
Total expenditures	<u>12,963,733</u>	<u>14,607,161</u>	<u>14,820,299</u>	<u>213,138</u>
Revenues under expenditures	<u>(87,591)</u>	<u>(201,681)</u>	<u>(140,925)</u>	<u>60,756</u>
Other financing sources (uses)				
Proceeds from capital lease	-	-	193,495	193,495
Transfers in	100,000	396,000	100,000	(296,000)
Transfers out	-	(46,980)	(123,085)	76,105
Total other financing sources	<u>100,000</u>	<u>349,020</u>	<u>170,410</u>	<u>(26,400)</u>
Net change in fund balance	12,409	147,339	29,485	34,356
Fund balance (deficit), beginning of year	<u>(98,349)</u>	<u>(98,349)</u>	<u>(98,349)</u>	-
Fund balance (deficit), end of year	<u>\$ (85,940)</u>	<u>\$ 48,990</u>	<u>\$ (68,864)</u>	<u>\$ 34,356</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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,716,070	\$ 1,716,070	\$ 1,865,726	\$ 149,656
Other	660	-	1,806	1,806
Total revenues	1,716,730	1,716,070	1,867,532	151,462
Expenditures				
Public works - Department of public works	4,232,254	2,472,784	1,308,199	(1,164,585)
Net change in fund balance	(2,515,524)	(756,714)	559,333	1,316,047
Fund balance, beginning of year	2,534,871	2,534,871	2,534,871	-
Fund balance, end of year	\$ 19,347	\$ 1,778,157	\$ 3,094,204	\$ 1,316,047

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ (50,000)	\$ (50,000)	\$ 16,289	\$ 66,289
Intergovernmental	748,730	748,730	818,659	69,929
Investment income	-	-	2,210	2,210
Total revenues	698,730	698,730	837,158	138,428
Expenditures				
Public works - Department of public works	2,204,709	2,204,709	988,603	(1,216,106)
Net change in fund balance	(1,505,979)	(1,505,979)	(151,445)	1,354,534
Fund balance, beginning of year	4,244,769	4,244,769	4,244,769	-
Fund balance, end of year	\$ 2,738,790	\$ 2,738,790	\$ 4,093,324	\$ 1,354,534

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 445,730	\$ 444,130	\$ 530,507	\$ 86,377
Intergovernmental	-	-	6,688	6,688
Charges for services	1,389,779	1,431,000	1,431,916	916
Total revenues	1,835,509	1,875,130	1,969,111	93,981
Expenditures				
Public works - Department of public works	1,981,678	2,008,378	1,997,415	(10,963)
Net change in fund balance	(146,169)	(133,248)	(28,304)	104,944
Fund balance, beginning of year	710,046	710,046	710,046	-
Fund balance, end of year	\$ 563,877	\$ 576,798	\$ 681,742	\$ 104,944

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Proprietary Fund
June 30, 2021

	Business-type Activities
	Water and Sewer Fund
Assets	
Current assets:	
Pooled cash and investments	\$ 12,778,575
Accounts receivable, net	2,436,890
Inventories	148,713
Total current assets	<u>15,364,178</u>
Noncurrent assets:	
Restricted cash and cash equivalents	577,952
Capital assets not being depreciated	1,050,802
Capital assets being depreciated, net	43,589,602
Total noncurrent assets	<u>45,218,356</u>
Total assets	<u>60,582,534</u>
Deferred outflows of resources	
Deferred pension amounts	281,743
Deferred other postemployment benefits amounts	25,641
Total deferred outflows of resources	<u>307,384</u>
Liabilities	
Current liabilities:	
Accounts payable	6,722,569
Accrued liabilities	423,700
Accrued interest payable	96,680
Long-term debt, current portion	1,454,783
Total current liabilities	<u>8,697,732</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	10,987,054
Net pension liability	737,273
Total other postemployment benefit liability	1,024,588
Total noncurrent liabilities	<u>12,748,915</u>
Total liabilities	<u>21,446,647</u>
Deferred inflows of resources	
Deferred pension amounts	108,163
Net position	
Net investment in capital assets	32,246,195
Restricted for capital projects	577,952
Unrestricted	6,510,961
Total net position	<u>\$ 39,335,108</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, 2021

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 10,232,562
Operating expenses	
Cost of water	1,383,441
Cost of sewage disposal	3,591,661
Wages and fringes	1,171,449
Operating supplies	65,209
Contractual services	1,138,328
Repairs and maintenance	2,376,780
Insurance, claims, and other	506,547
Depreciation	1,314,492
Total operating expenses	<u>11,547,907</u>
Operating loss	<u>(1,315,345)</u>
Nonoperating revenues (expenses)	
Property taxes	2,010,342
Intergovernmental revenue	38,979
Investment income	15,346
Interest expense	<u>(373,739)</u>
Total nonoperating revenues	<u>1,690,928</u>
Change in net position	375,583
Net position, beginning of year	<u>38,959,525</u>
Net position, end of year	<u>\$ 39,335,108</u>

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

CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2021

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 10,787,357
Payments to suppliers for goods and services	(6,804,290)
Payments to employees for services	(1,011,275)
	<hr/>
Net cash provided by operating activities	2,971,792
	<hr/>
Cash flows from noncapital and related financing activities	
Property taxes received	2,010,342
Intergovernmental revenues received	38,979
	<hr/>
Net cash provided by noncapital and and related financing activities	2,049,321
	<hr/>
Cash flows from capital and related financing activities	
Purchase of capital assets	(1,113,659)
Principal paid on debt	(1,410,279)
Interest paid on debt	(372,890)
Proceeds from issuance of debt	135,420
	<hr/>
Net cash used in capital and related financing activities	(2,761,408)
	<hr/>
Cash flows from investing activities	
Investment income	15,346
	<hr/>
Net change in cash and cash equivalents	2,275,051
	<hr/>
Cash and cash equivalents, beginning of year	11,081,476
	<hr/>
Cash and cash equivalents, end of year	\$ 13,356,527
	<hr/> <hr/>
Cash and cash equivalents as presented in the statement of net position	
Pooled cash and investments	\$ 12,778,575
Restricted cash and cash equivalents	577,952
	<hr/>
Total cash and cash equivalents	\$ 13,356,527
	<hr/> <hr/>

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CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2021

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (1,315,345)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,314,492
Changes in assets and liabilities:	
Accounts receivable, net	554,795
Inventories	(105,202)
Accounts payable	3,005,894
Accrued liabilities	(643,016)
Compensated absences	11,084
Net pension liability	26,511
Deferred outflows of resources related to net pension liability	75,352
Deferred inflows of resources related to net pension liability	(8,982)
Total other postemployment benefits liability	33,627
Deferred outflows of resources related to total other postemployment benefit liability	<u>22,582</u>
Net cash provided by operating activities	<u><u>\$ 2,971,792</u></u>
	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, 2021

	Custodial Fund	
	Pension Trust Funds	Tax Collection Fund
Assets		
Pooled cash and investments	\$ -	\$ 21,979
Investments:		
Money market accounts	349,972	-
Municipal bonds	7,584,316	-
Corporate bonds	882,905	-
International stocks	753,671	-
Domestic stocks	19,626,351	-
Real estate securities	287,051	-
American depository receipts (ADRs)	121,783	-
Guaranteed investment contract	9,493,716	-
Total investments	39,099,765	-
Interest receivable	95,568	-
Contributions receivable	756,913	-
Total assets	39,952,246	21,979
Liabilities		
Due to broker	18,463	-
Due to other governments	-	21,979
Total liabilities	18,463	21,979
Net position		
Restricted for pension benefits	39,933,783	-
Restricted for individuals, organizations, and other governments	-	-
Total net position	\$ 39,933,783	\$ -

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, 2021

	Custodial Fund	
	Pension Trust Funds	Tax Collection Fund
Additions		
Contributions:		
Employer	\$ 1,387,446	\$ -
Plan members	334,262	-
Total contributions	<u>1,721,708</u>	<u>-</u>
Investment income:		
Interest and dividends	1,149,321	-
Net change in fair value of investments	5,104,404	-
Total investment income	<u>6,253,725</u>	<u>-</u>
Taxes collected for other governments	-	<u>7,419,165</u>
Total additions	<u>7,975,433</u>	<u>7,419,165</u>
Deductions		
Benefit payments	3,625,045	-
Administrative expenses	312,059	-
Payments of taxes to other governments	-	<u>7,419,165</u>
Total deductions	<u>3,937,104</u>	<u>7,419,165</u>
Change in net position	4,038,329	-
Net position, beginning of year	<u>35,895,454</u>	<u>-</u>
Net position, end of year	<u>\$ 39,933,783</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, 2021

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Assets					
Pooled cash and investments	\$ 200,285	\$ -	\$ 5,026,300	\$ 98,195	\$ 5,324,780
Restricted cash and cash equivalents	-	-	400,825	-	400,825
Accounts receivable	100,772	-	562,212	24,485	687,469
Prepays	-	-	700	9,154	9,854
Capital assets not being depreciated	-	-	2,773,610	-	2,773,610
Capital assets being depreciated, net	7,016,463	-	7,066,752	155,066	14,238,281
Total assets	7,317,520	-	15,830,399	286,900	23,434,819
Liabilities					
Accounts payable	-	-	476,733	-	476,733
Due to primary government	118,247	-	-	-	118,247
Accrued liabilities	-	-	757,325	47,228	804,553
Accrued interest payable	80,328	21,978	-	-	102,306
Unearned revenue	-	-	130,350	-	130,350
Long-term liabilities:					
Due within one year	315,000	345,000	282,572	-	942,572
Due in more than one year	5,965,000	1,815,000	2,271,814	-	10,051,814
Total liabilities	6,478,575	2,181,978	3,918,794	47,228	12,626,575
Net position					
Net investment in capital assets	736,463	-	7,311,820	155,066	8,203,349
Unrestricted (deficit)	102,482	(2,181,978)	4,599,785	84,606	2,604,895
Total net position (deficit)	\$ 838,945	\$ (2,181,978)	\$ 11,911,605	\$ 239,672	\$ 10,808,244

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, 2021

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Expenses					
Community and economic development	\$ 1,147,567	\$ 138,569	\$ -	\$ -	\$ 1,286,136
Housing assistance	-	-	12,779,968	-	12,779,968
Commission on aging	-	-	-	283,968	283,968
Total expenses	1,147,567	138,569	12,779,968	283,968	14,350,072
Program revenues					
Charges for services	-	-	715,744	15,000	730,744
Operating grants and contributions	308,846	-	9,852,632	2,813	10,164,291
Capital grants and contributions	56,134	-	147,893	-	204,027
Total program revenues	364,980	-	10,716,269	17,813	11,099,062
Net expenses	(782,587)	(138,569)	(2,063,699)	(266,155)	(3,251,010)
General revenues					
Property taxes	245,290	20,461	-	279,600	545,351
Other revenues	519,823	431,208	142,127	1,990	1,095,148
Total general revenues	765,113	451,669	142,127	281,590	1,640,499
Change in net position	(17,474)	313,100	(1,921,572)	15,435	(1,610,511)
Net position (deficit), beginning of year, as restated	856,419	(2,495,078)	13,833,177	224,237	12,418,755
Net position (deficit), end of year	\$ 838,945	\$ (2,181,978)	\$ 11,911,605	\$ 239,672	\$ 10,808,244

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, 2021 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.

CITY OF INKSTER, MICHIGAN

Notes to 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.

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

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, 2021. Complete financial statements for the Nankin Transit Commission can be obtained from its administrative offices at:

Nankin Transit Commission
37137 Marquette
Westland, Michigan 48185

The City is a member of the Central Wayne County Sanitation Authority ("CWCSA"). The City appoints one member to CWCSA's governing body which approves the annual budget. The debt of CWCSA is being financed through current operations and a property tax millage. The City has recorded an investment related to its share of the net position of CWCSA in the government-wide statement of net position. The City's equity interest in CWCSA is computed as 13.20% of net position. Complete financial statements of CWCSA can be obtained from its administrative office at:

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Receivables and Payables

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

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

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

Restricted Cash and Cash Equivalents

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

Inventories and Prepaid Items

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

Equity in Joint Venture

CWCSA provides disposal services for the benefit of constituent municipalities in Wayne County, including the City. The investment as of June 30, 2021 was a surplus of \$24,149.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

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

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

Deferred Outflows of Resources

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

Compensated Absences

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

Long-term Obligations

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Deferred Inflows of Resources

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

Fund Equity

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

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

Property Taxes

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Use of Estimates

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

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and net 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, 2021, 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:			
District court	\$ 701,478	\$ 764,925	\$ 63,447
Mayor	339,410	360,288	20,878
Personnel	341,375	407,137	65,762
Insurance and other	986,830	1,123,109	136,279
Public safety:			
Police	4,720,964	4,823,925	102,961
Code enforcement	134,780	137,268	2,488
Community and economic development -			
Appropriation to Brownfield Redevelopment Authority	430,710	431,208	498
Debt service - Principal	-	181,590	181,590
Transfers out	46,980	123,085	76,105

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, 2021, is as follows:

Cumulative surplus, beginning of year	\$ 500,068
Building permit revenue	466,277
Related expenses - building inspector	(466,621)
Indirect expenses	(87,438)
	<hr/>
Cumulative surplus, end of year	<u>\$ 412,286</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Deficit fund balance / net position

The net position deficit of \$2,181,978 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 \$597,835 due to a decrease in court revenues and other revenue. The City has prepared a deficit elimination plan to work towards reducing the unassigned deficit.

In addition, the City is reporting a deficit of \$71,900 in the Community Development Block Grant fund. As this fund shows a greater amount in deferred inflows, no deficit elimination plan is required to be filed with the State of Michigan.

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2021:

	Primary Government	Component Units	Totals
Statement of Net Position			
Pooled cash and investments	\$ 23,518,757	\$ 5,324,780	\$ 28,843,537
Restricted cash and cash equivalents	1,030,463	400,825	1,431,288
Statement of Fiduciary Net Position			
Pooled cash and investments	21,979	-	21,979
Investments - pension trust funds	39,099,765	-	39,099,765
Total	\$ 63,670,964	\$ 5,725,605	\$ 69,396,569
Deposits and investments			
Demand deposits			\$ 25,667,321
Certificates of deposit (maturities of 1-5 years)			2,004,200
Deposits held by Wayne County			577,942
Treasurer's cash management pool			2,047,133
Investments - pension trust funds			39,099,765
Cash on hand			208
Total			\$ 69,396,569

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Deposits and Investments - Cash and Investment Pool

Custodial Credit Risk – Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2021, \$23,764,569 of the City's total bank balance of \$28,302,503 was exposed to custodial credit risk because they were uninsured and uncollateralized.

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

Custodial Credit Risk – Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments are held in the name of the City by a counterparty and thus are not exposed to custodial credit risk. Following is a summary of the City's treasurer's investments as of June 30, 2021:

GovMIC Class cash management pool	<u>\$ 2,047,133</u>
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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, 2021, the City's investments in the GovMIC Class cash management pool were rated AAAM by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The GovMIC Class cash management pool is not subject to interest risk disclosures.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2021, all of the City's investments are held in the GovMIC Class cash management pool.

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

At year end, the net asset value of the City's investment in GovMIC Class was \$2,047,133. The management pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The GovMIC Class management pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Pension Trust Fund Investments

The pension trusts' investments are primarily held in a bank administered trust fund (the OPEB plan has no cash or investments). Following is a summary of the pension trusts' investments as of June 30, 2021:

Money market accounts	\$ 349,972
Municipal bonds	7,584,316
Corporate bonds	882,905
International stocks	753,671
Domestic stocks	19,626,351
Real estate securities	287,051
ADRs	121,783
Guaranteed investment contract	<u>9,493,716</u>
Total	<u>\$ 39,099,765</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Rating	Amount
AAA-	\$ 629,938
AA+	953,460
AA	2,031,150
AA-	661,538
A+	951,478
A	593,685
A-	426,845
BBB+	56,622
BBB	58,288
BBB-	384,806
Unrated	1,719,411
Not subject to credit risk	<u>30,632,544</u>
Total	<u><u>\$ 39,099,765</u></u>

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

Maturities	Amount
No maturity	\$ 21,138,829
Due within one year	324,567
Due in 1-5 years	12,896,026
Due in 6-10 years	3,719,436
Due in 11-15 years	948,103
Due in more than 15 years	<u>72,804</u>
Total	<u><u>\$ 39,099,765</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension trusts 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>\$ 753,671</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The pension trusts do not have any investments with concentrated credit risk.

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

The pension trusts had the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 349,972	\$ -	\$ -	\$ 349,972
Municipal bonds	-	7,584,316	-	7,584,316
Corporate bonds	-	882,905	-	882,905
International stocks	753,671	-	-	753,671
Domestic stocks	19,626,351	-	-	19,626,351
Real estate securities	287,051	-	-	287,051
ADRs	121,783	-	-	121,783
Guaranteed investment contract	-	-	9,493,716	9,493,716
Total	<u>\$ 21,138,828</u>	<u>\$ 8,467,221</u>	<u>\$ 9,493,716</u>	<u>\$ 39,099,765</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND PAYABLES AND ACCRUED LIABILITIES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 733,009	\$ 3,145,861	\$ 687,469
Allowance for uncollectible amounts	-	(708,971)	-
Due from other governments	1,194,843	-	-
Due from component unit	118,247	-	-
Total receivables	<u>\$ 2,046,099</u>	<u>\$ 2,436,890</u>	<u>\$ 687,469</u>

In the governmental funds, deferred inflows of resources of \$608,442 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	\$ 1,534,408	\$ 6,722,569	\$ 476,733
Accrued and other liabilities	1,234,415	423,700	804,553
Due to primary government	-	-	118,247
Due to other governments	1,075,167	-	-
Estimated self-insurance claims payable	2,091,071	-	-
Estimated tax chargeback payable	1,136,379	-	-
Accrued interest on long-term debt	9,986	96,680	102,306
Total payables and accrued liabilities	<u>\$ 7,081,426</u>	<u>\$ 7,242,949</u>	<u>\$ 1,501,839</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

Primary government

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 307,195	\$ -	\$ -	\$ -	\$ 307,195
Construction in progress	1,621,130	929,006	-	(1,621,129)	929,007
	<u>1,928,325</u>	<u>929,006</u>	<u>-</u>	<u>(1,621,129)</u>	<u>1,236,202</u>
Capital assets being depreciated:					
Land improvements	588,289	-	-	-	588,289
Infrastructure	28,346,214	159,156	-	1,621,129	30,126,499
Buildings/improvements	8,296,025	8,294	-	-	8,304,319
Vehicles	6,757,072	329,695	-	-	7,086,767
Machinery and equipment	7,725,489	45,623	-	-	7,771,112
	<u>51,713,089</u>	<u>542,768</u>	<u>-</u>	<u>1,621,129</u>	<u>53,876,986</u>
Less accumulated depreciation for:					
Land improvements	(484,496)	(20,421)	-	-	(504,917)
Infrastructure	(15,421,964)	(1,039,702)	-	-	(16,461,666)
Buildings/improvements	(6,497,456)	(121,532)	-	-	(6,618,988)
Vehicles	(5,289,460)	(419,302)	-	-	(5,708,762)
Machinery and equipment	(5,896,852)	(324,202)	-	-	(6,221,054)
	<u>(33,590,228)</u>	<u>(1,925,159)</u>	<u>-</u>	<u>-</u>	<u>(35,515,387)</u>
Total capital assets being depreciated, net	<u>18,122,861</u>	<u>(1,382,391)</u>	<u>-</u>	<u>1,621,129</u>	<u>18,361,599</u>
Governmental activities capital assets, net	<u>\$ 20,051,186</u>	<u>\$ (453,385)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,597,801</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:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in progress	99,399	948,658	-	-	1,048,057
	<u>102,144</u>	<u>948,658</u>	<u>-</u>	<u>-</u>	<u>1,050,802</u>
Capital assets being depreciated:					
Buildings/improvements	66,444	-	-	-	66,444
Furniture and equipment	85,517	-	-	-	85,517
Water and sewer distribution systems	67,690,761	11,576	-	-	67,702,337
Vehicles	1,003,214	153,425	-	-	1,156,639
	<u>68,845,936</u>	<u>165,001</u>	<u>-</u>	<u>-</u>	<u>69,010,937</u>
Less accumulated depreciation for:					
Buildings/improvements	(66,444)	-	-	-	(66,444)
Furniture and equipment	(68,139)	(10,197)	-	-	(78,336)
Water and sewer distribution systems	(23,842,217)	(1,106,334)	-	-	(24,948,551)
Vehicles	(130,043)	(197,961)	-	-	(328,004)
	<u>(24,106,843)</u>	<u>(1,314,492)</u>	<u>-</u>	<u>-</u>	<u>(25,421,335)</u>
Total capital assets being depreciated, net	<u>44,739,093</u>	<u>(1,149,491)</u>	<u>-</u>	<u>-</u>	<u>43,589,602</u>
Business-type activities capital assets, net	<u>\$ 44,841,237</u>	<u>\$ (200,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,640,404</u>

At June 30, 2021, the City had outstanding construction commitments in business-type activities of \$219,360. There were no significant construction commitments in governmental activities at June 30, 2021.

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

Depreciation of governmental activities by function

General government	\$ 195,969
Public safety	600,654
Public works	1,041,897
Culture and recreation	86,639
	<u>1,925,159</u>

Total governmental activities \$ 1,925,159

Depreciation of business-type activities by function

Water and sewer	<u>\$ 1,314,492</u>
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CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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	(1,874,871)	(235,018)	-	-	(2,109,889)
Infrastructure	(2,737,168)	(154,167)	-	-	(2,891,335)
Furniture and equipment	(158,974)	(11,071)	-	-	(170,045)
	<u>(4,771,013)</u>	<u>(400,256)</u>	<u>-</u>	<u>-</u>	<u>(5,171,269)</u>
TIFA capital assets, net	<u>\$ 7,416,719</u>	<u>\$ (400,256)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,016,463</u>
Housing Commission					
Capital assets not being depreciated:					
Land	\$ 1,891,187	\$ -	\$ -	\$ -	\$ 1,891,187
Construction in progress	596,068	482,165	-	(195,810)	882,423
	<u>2,487,255</u>	<u>482,165</u>	<u>-</u>	<u>(195,810)</u>	<u>2,773,610</u>
Capital assets being depreciated:					
Buildings/improvements	51,474,611	147,893	-	(75,597)	51,546,907
Furniture and equipment	1,046,445	14,460	-	75,597	1,136,502
	<u>52,521,056</u>	<u>162,353</u>	<u>-</u>	<u>-</u>	<u>52,683,409</u>
Less accumulated depreciation for:					
Buildings/improvements	(42,578,639)	(1,929,782)	-	1,904	(44,506,517)
Furniture and equipment	(1,159,490)	(15,231)	-	64,581	(1,110,140)
	<u>(43,738,129)</u>	<u>(1,945,013)</u>	<u>-</u>	<u>66,485</u>	<u>(45,616,657)</u>
Total capital assets being depreciated, net	<u>8,782,927</u>	<u>(1,782,660)</u>	<u>-</u>	<u>66,485</u>	<u>7,066,752</u>
Housing Commission capital assets, net	<u>\$ 11,270,182</u>	<u>\$ (1,300,495)</u>	<u>\$ -</u>	<u>\$ (129,325)</u>	<u>\$ 9,840,362</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Commission on Aging					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 37,500	\$ -	\$ -	\$ 37,500
Capital assets being depreciated:					
Buildings/improvements	-	42,000	-	-	42,000
Furniture and equipment	30,907	-	-	-	30,907
Vehicles	111,874	-	-	-	111,874
	142,781	42,000	-	-	184,781
Less accumulated depreciation	(51,362)	(15,853)	-	-	(67,215)
Total capital assets being depreciated, net	91,419	26,147	-	-	117,566
Commission on Aging capital assets, net	<u>\$ 91,419</u>	<u>\$ 63,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,066</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at year end was \$49,340 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, 2021, interfund transfers consisted of the following:

Transfers Out	Transfers In		Total
	General	Nonmajor Governmental	
General fund	\$ -	\$ 123,085	\$ 123,085
Nonmajor governmental funds	100,000	-	100,000
	<u>\$ 100,000</u>	<u>\$ 123,085</u>	<u>\$ 223,085</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2021 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Direct borrowings and direct placements:					
Emergency loan	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 300,000
Installment purchase agreements	317,295	193,495	(181,590)	329,200	122,975
Total installment debt	3,317,295	193,495	(181,590)	3,329,200	422,975
Compensated absences	427,444	130,192	(106,860)	450,776	112,693
Total governmental activities	\$ 3,744,739	\$ 323,687	\$ (288,450)	\$ 3,779,976	\$ 535,668
Business-type activities					
Bonds payable	\$ 13,020,111	\$ -	\$ (1,140,000)	\$ 11,880,111	\$ 1,170,000
Direct borrowings and direct placements - Installment purchase agreements	648,957	135,420	(270,279)	514,098	272,876
Total bonds and installment debt	13,669,068	135,420	(1,410,279)	12,394,209	1,442,876
Compensated absences	36,544	20,220	(9,136)	47,628	11,907
Total business-type activities	\$ 13,705,612	\$ 155,640	\$ (1,419,415)	\$ 12,441,837	\$ 1,454,783
Component units					
Bonds payable	\$ 9,045,000	\$ -	\$ (605,000)	\$ 8,440,000	\$ 660,000
Direct borrowings and direct placements - Loan payable	2,796,691	-	(268,149)	2,528,542	282,572
Total bonds and installment debt	11,841,691	-	(873,149)	10,968,542	942,572
Compensated absences	3,939	55,344	(33,439)	25,844	-
Total component units	\$ 11,845,630	\$ 55,344	\$ (906,588)	\$ 10,994,386	\$ 942,572

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Emergency loan payable. In 2020, the City entered into an emergency loan agreement for \$3,000,000 with a State agency for program purposes. The loan is due in ten equal annual installments beginning in March 2022. Interest is payable annually at a rate of 2.28 percent.

Business-type activities - bonds payable

2007 General Obligation Unlimited Tax Bonds; \$3,200,000 at issuance; due in annual installments of \$150,000 to \$240,000; interest payable semi-annually at 4.00 to 5.25 percent through March 2026	\$ 1,100,000
2008 Clean Water Revolving Fund Bonds; \$21,160,000 approved financing; due in annual installments of \$890,000 to \$1,330,000; interest payable semi-annually at 2.5 percent through October 2030; not yet drawn in full	10,461,586
2010 Clean Water Revolving Fund Bonds; \$643,525 at issuance; due in annual installments of \$30,000 to \$38,525 plus interest at 2.50 percent, semi-annually through April 1, 2030	<u>318,525</u>
Total business-type activities bonds payable	<u>\$ 11,880,111</u>

Component units - bonds payable

2006 Tax Increment Finance Authority Bonds; \$1,270,000 at issuance; due in annual installments of \$60,000 to \$100,000; interest payable semi-annually at 4.60 to 5.00 percent through November 2025	\$ 450,000
2006 Brownfield Redevelopment Authority Tax Increment Bonds; \$4,155,000 at issuance; due in annual installments of \$145,000 to \$525,000; interest payable semi-annually at 6.00 to 6.125 percent through November 2025	2,160,000
2010 Tax Increment Finance Authority General Obligation Bonds; \$7,660,000 at issuance; due in annual installments of \$175,000 to \$590,000; interest payable semi-annually at 5.50 to 8.125 percent through May 2035	<u>5,830,000</u>
Total component units bonds payable	<u>\$ 8,440,000</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, 2020 was \$2,528,542. The loan is due in monthly installments of \$34,048 including interest at 5.25 percent with final payment due in May 2028.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Governmental activities				
2019 LED lighting upgrade	07/28/2021	0.00%	\$ 177,176	\$ 4,922
2019 Ford Explorer XLT	10/09/2021	6.45%	33,769	8,689
2018 SCBA's & Assoc. Equipment	07/15/2022	3.54%	76,155	50,982
2018 Ambulance	08/30/2023	4.30%	196,340	122,724
2021 and 2020 Dodge Durangos	01/18/2024	4.50%	193,496	141,883
Total governmental activities			<u>\$ 676,936</u>	<u>\$ 329,200</u>

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Business-type activities				
2019 Ford Explorer XLT	10/09/2021	6.45%	\$ 33,769	\$ 8,689
2017 Backhoe and Tandem Axle	11/14/2021	5.20%	241,702	50,723
2020 Freightliner Trucks	06/24/2022	3.87%	298,384	99,403
2020 Freightliner and Vactor	09/01/2023	2.95%	429,359	256,727
2020 Ford F-550 Dump Truck	09/04/2023	5.99%	60,392	43,952
2020 Ford F-250 Plow Truck	09/07/2023	5.99%	37,514	27,302
2020 Ford F-250 Plow Truck	01/08/2024	5.99%	37,514	27,302
Total business-type activities			<u>\$ 1,138,634</u>	<u>\$ 514,098</u>

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

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 300,000	\$ 19,602	\$ 1,170,000	\$ 307,528	\$ 660,000	\$ 601,529
2023	300,000	17,231	1,200,000	274,528	720,000	558,618
2024	300,000	14,775	1,235,000	240,540	785,000	511,284
2025	300,000	12,319	1,270,000	205,228	850,000	459,598
2026	300,000	9,924	1,305,000	168,853	920,000	403,378
2027-2031	1,500,000	18,250	5,700,111	363,343	2,280,000	1,464,100
2032-2035	-	-	-	-	2,225,000	461,500
	<u>\$ 3,000,000</u>	<u>\$ 92,101</u>	<u>\$ 11,880,111</u>	<u>\$ 1,560,020</u>	<u>\$ 8,440,000</u>	<u>\$ 4,460,007</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 122,975	\$ 14,488	\$ 272,876	\$ 20,942	\$ 282,572	\$ 126,013
2023	114,193	9,099	118,366	9,171	297,769	110,816
2024	92,032	4,056	122,856	4,682	313,784	94,801
2025	-	-	-	-	330,660	77,926
2026	-	-	-	-	348,443	60,142
2027-2028	-	-	-	-	955,314	66,148
	<u>\$ 329,200</u>	<u>\$ 27,643</u>	<u>\$ 514,098</u>	<u>\$ 34,795</u>	<u>\$ 2,528,542</u>	<u>\$ 535,846</u>

8. RISK MANAGEMENT

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

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

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

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, 2019	\$ 65,292	\$ 1,836,118	\$ 1,901,410
Claims incurred and changes in estimates	188,562	1,564,164	1,752,726
Claim payments	(74,296)	(575,000)	(649,296)
	<u>179,558</u>	<u>2,825,282</u>	<u>3,004,840</u>
Estimated liability, June 30, 2020	179,558	2,825,282	3,004,840
Claims incurred and changes in estimates	73,558	(250,000)	(176,442)
Claim payments	(162,327)	(575,000)	(737,327)
	<u>90,789</u>	<u>2,000,282</u>	<u>2,091,071</u>
Estimated liability, June 30, 2021	<u>\$ 90,789</u>	<u>\$ 2,000,282</u>	<u>\$ 2,091,071</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

9. CONDENSED FINANCIAL INFORMATION - PENSION TRUST FUNDS

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

	Fiduciary Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
Assets			
Investments:			
Money market accounts	\$ -	\$ 349,972	\$ 349,972
Municipal bonds	-	7,584,316	7,584,316
Corporate bonds	-	882,905	882,905
International stocks	-	753,671	753,671
Domestic stocks	-	19,626,351	19,626,351
Real estate securities	-	287,051	287,051
American depositary receipts (ADRs)	-	121,783	121,783
Guaranteed investment contract	9,493,716	-	9,493,716
Total investments	9,493,716	29,606,049	39,099,765
Interest receivable	-	95,568	95,568
Contributions receivable	191,022	565,891	756,913
Total assets	9,684,738	30,267,508	39,952,246
Liabilities			
Due to broker	-	18,463	18,463
Net position restricted for pension benefits	\$ 9,684,738	\$ 30,249,045	\$ 39,933,783

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	\$ 341,994	\$ 1,045,452	\$ 1,387,446
Plan members	23,334	310,928	334,262
Total contributions	<u>365,328</u>	<u>1,356,380</u>	<u>1,721,708</u>
Investment income:			
Interest and dividends	289,982	859,339	1,149,321
Net change in fair value of investments	48,479	5,055,925	5,104,404
Net investment income	<u>338,461</u>	<u>5,915,264</u>	<u>6,253,725</u>
Total additions	<u>703,789</u>	<u>7,271,644</u>	<u>7,975,433</u>
Deductions			
Benefit payments	990,304	2,634,741	3,625,045
Administrative expenses	105,717	206,342	312,059
Total deductions	<u>1,096,021</u>	<u>2,841,083</u>	<u>3,937,104</u>
Change in net position	(392,232)	4,430,561	4,038,329
Net position, beginning of year	<u>10,076,970</u>	<u>25,818,484</u>	<u>35,895,454</u>
Net position, end of year	<u>\$ 9,684,738</u>	<u>\$ 30,249,045</u>	<u>\$ 39,933,783</u>

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Primary Government

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

Funding policy. The stipend amounts may be amended by the City Council. The plan is funded on a pay-as-you-go (via annual stipend) basis.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Plans membership. Membership of the plans consisted of the following at June 30, 2021:

Inactive plan members receiving or entitled to future benefits	76
Active plan members	<u>33</u>
Total	<u><u>109</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, 2021, the City did not make any contributions to advance-fund the plan. The City made pay-as-you-go payments in the amount of \$549,225 for the year ended June 30, 2021.

Discount rate. The discount rate used to measure the total OPEB liability was 2.19 percent. Since the City has made no contributions to advance-fund and there is no net position, the discount rate used is the 20-year AA municipal index bond rate of 2.19 percent. This projection is done on a closed group basis, per GASB requirements.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation — 2.50 percent

Salary increases — 3.0 percent

Investment rate of return — Maximum of 7.0 percent

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

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

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

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

Total OPEB Liability of the City

The City is not prefunding the plan and the total OPEB liability at June 30, 2021 was \$8,652,074.

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, 2020	<u>\$ 8,478,217</u>
Changes for the year:	
Service cost	69,914
Interest	220,124
Changes in assumptions	433,044
Benefits payments	<u>(549,225)</u>
Net changes	<u>173,857</u>
Balances at June 30, 2021	<u><u>\$ 8,652,074</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 2.19 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.19 percent) or 1 percentage point higher (3.19 percent) than the current rate:

1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
\$ 9,717,862	\$ 8,652,074	\$ 7,774,440

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, 2021, the City recognized OPEB expense of \$919,132. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	<u><u>\$ 216,522</u></u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Amount
2022	<u>\$ 216,522</u>

Payable to the OPEB Plan. At June 30, 2021, the City had no amounts payable for contributions to the OPEB plan.

Defined Contribution OPEB Plan

Contributions to HRA. At June 30, 2021, the City had contributed \$574,422 to active employee HRA accounts.

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

11. CONTINGENCIES

In the normal course of its activities, the City is a party in various legal actions, including property tax assessment appeals. The City has recorded an allowance of \$1,136,379 in the government-wide statements for such items.

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

The City is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for the years 2020 and 2021. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. An estimate of the City's maximum exposure is approximately \$706,616 in taxable value. The City is vigorously defending all such litigation.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

12. GENERAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

Plan membership. At June 30, 2020, the date of the latest actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	56
Terminated employees entitled to but not yet receiving benefits	7
Vested active members	<u>10</u>
Total membership	<u><u>73</u></u>

Plan benefits. Benefits are provided to full-time non-police and fire employees over age 21 with one year of service, at 2.5 percent of final earnings multiplied by credited service years, except for members of the Dispatchers Union for whom the formula is 2.0 percent of final earnings multiplied by years of credited service. Plan members with 25 years of service are eligible to retire at age 55 with an early retirement reduction of 0.5 percent for each month that retirement precedes the normal retirement date.

Contributions. The obligation to contribute to the Plan for these employees was established by City ordinances and state statute, and requires a contribution from the employees of 5.0 percent of earnings except for the members of the dispatchers Union for whom the amount is 3 percent of earnings. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 75.0 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021).

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	2.0 percent, average
Investment rate of return	6.0 percent, net of pension plan investment expense, including inflation
Mortality rate	2020 IRS Static Mortality Table for Males or Females

Assumption changes in 2021 related to changes in the mortality tables from 2019 IRS Static Table to the 2020 IRS Static Table.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the Plan's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	1.0%	7.25%
Guaranteed insurance contract	99.0%	3.85%

The actual money-weighted rate of return for the year ended June 30, 2021 was 3.5 percent.

Discount rate. The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. For any future period where the pension plan's fiduciary net position is projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher.

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, 2020	\$ 13,552,288	\$ 10,076,970	\$ 3,475,318
Changes for the year:			
Service cost	67,662	-	67,662
Interest	783,861	-	783,861
Differences between expected and actual experience including changes of assumptions	(125,320)	-	(125,320)
Employer contributions	-	341,994	(341,994)
Employee contributions	-	23,334	(23,334)
Net investment income	-	338,461	(338,461)
Benefit payments, including refunds of employee contributions	(990,304)	(990,304)	-
Administrative expense	-	(105,717)	105,717
Net changes	<u>(264,101)</u>	<u>(392,232)</u>	<u>128,131</u>
Balances at June 30, 2021	<u>\$ 13,288,187</u>	<u>\$ 9,684,738</u>	<u>\$ 3,603,449</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 6.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.0 percent) or 1 percentage-point higher (7.0 percent) than the current rate:

	1% Decrease (5.0%)	Current Discount (6.0%)	1% Increase (7.0%)
City's net pension liability	\$ 4,932,878	\$ 3,603,449	\$ 2,621,481

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, 2021, the City recognized pension expense of \$770,978. At June 30, 2021, 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	\$ -	\$ 225,122	\$ (225,122)
Changes in assumptions	-	297,670	(297,670)
Net difference between projected and actual earnings on pension plan investments	1,362,600	-	1,362,600
Total	\$ 1,362,600	\$ 522,792	\$ 839,808

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
2022	\$ 354,317
2023	277,557
2024	235,664
2025	(12,174)
2026	(15,556)
	<u>\$ 839,808</u>

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

13. POLICE AND FIRE RETIREMENT SYSTEM

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Plan membership. Plan membership at June 30, 2020, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	72
Vested active members	50
Vested inactive members	<u>12</u>
Total membership	<u><u>134</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 27.8 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021), 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-2020

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Assumption changes for the current year include updated mortality tables, discount rates was updated from 7.30 percent to 7.50 percent and retirement rates and withdrawal rates were updated to better reflect anticipated experience.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study performed in May of 2021.

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, 2021 (see the discussion of the System's investment allocation policy) are summarized in the following table:

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

The actual money-weighted rate of return for the year ended June 30, 2021 was 27.31 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 2.18 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, 2020	\$ 39,789,057	\$ 25,818,484	\$ 13,970,573
Changes for the year:			
Service cost	583,695	-	583,695
Interest	2,851,046	-	2,851,046
Changes in benefits terms	234,610	-	234,610
Differences between expected and actual experience	(1,625,037)	-	(1,625,037)
Changes in assumptions	(668,668)	-	(668,668)
Employer contributions	-	1,045,452	(1,045,452)
Employee contributions	-	310,928	(310,928)
Net investment income	-	5,915,264	(5,915,264)
Benefit payments, including refunds of employee contributions	(2,634,741)	(2,634,741)	-
Other	-	(206,342)	206,342
Net changes	<u>(1,259,095)</u>	<u>4,430,561</u>	<u>(5,689,656)</u>
Balances at June 30, 2021	<u>\$ 38,529,962</u>	<u>\$ 30,249,045</u>	<u>\$ 8,280,917</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 12,494,836	\$ 8,280,917	\$ 4,720,754

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Pension expense and deferred outflows/inflows of resources related to pensions. For the year ended June 30, 2021, the City recognized pension expense of \$1,475,682. At June 30, 2021, the City reported deferred outflows 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 including changes in assumptions	\$ 1,105,185	\$ 1,720,278	\$ (615,093)
Net difference between projected and actual earnings on pension plan investments	-	2,450,527	(2,450,527)
Total	<u>\$ 1,105,185</u>	<u>\$ 4,170,805</u>	<u>\$ (3,065,620)</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
2022	\$ (489,282)
2023	(819,159)
2024	(940,238)
2025	<u>(816,941)</u>
	<u>\$ (3,065,620)</u>

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

14. DEFINED CONTRIBUTION PENSION PLANS

City. The General Employees' Retirement System is closed to new hires. Employees hired after December 20, 2010 are enrolled in a defined contribution plan. There were no employer contributions to the plan for the year ended June 30, 2021.

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, 2020 was \$69,529.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

15. DEBT GUARANTEE - COMPONENT UNITS

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

The City also guaranteed the general obligation bond issues of the TIFA, a legally separate discrete component unit, in accordance with the related borrowing resolution including: a refinanced 19-year \$1,270,000 general obligation bond issue maturing annually through November 2025, with semiannual interest payments; a 19-year \$4,155,000 general obligation bond issue maturing annually through November 2025, with semiannual interest payments; and a 25-year \$7,660,000 general obligation bond issue maturing annually through May 2035, with semiannual interest payments. In the event that the TIFA is unable to make payment on the bonds referred to above, the City is required to make that payment or any deficiency. As a result of insufficient captured tax revenue that occurred starting in 2015, the City determined that it was more likely than not that the City would be required to pay a portion of the remaining obligation of the TIFA's debt service payments based on the guarantee. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

Related to these guarantees, during the current year the City paid approximately \$310,000 on the BRA debt leaving an estimated net present value of \$2.2 million on the guarantee and paid approximately \$295,000 on the TIFA debt leaving an estimated net present value of \$2.8 million on the guarantee.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Local Streets Fund	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ 9,130	\$ -	\$ -	\$ -	\$ -	\$ 9,130
Prepaid items	67,330	-	-	-	-	67,330
	<u>76,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,460</u>
Restricted:						
PA 495 (fire insurance escrow)	34,040	-	-	-	-	34,040
Canine unit	6,185	-	-	-	-	6,185
Construction code fees	412,286	-	-	-	-	412,286
Major and local streets	-	3,094,204	4,093,324	-	-	7,187,528
Rubbish collection	-	-	-	681,742	-	681,742
Parks and recreation	-	-	-	-	365,102	365,102
Public improvement	-	-	-	-	465,587	465,587
Drug law enforcement	-	-	-	-	11,893	11,893
	<u>452,511</u>	<u>3,094,204</u>	<u>4,093,324</u>	<u>681,742</u>	<u>842,582</u>	<u>9,164,363</u>
Unassigned (deficit)	<u>(597,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,900)</u>	<u>(669,735)</u>
Total fund balances - governmental funds	<u>\$ (68,864)</u>	<u>\$ 3,094,204</u>	<u>\$ 4,093,324</u>	<u>\$ 681,742</u>	<u>\$ 770,682</u>	<u>\$ 8,571,088</u>

17. NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 1,236,202	\$ 1,050,802	\$ 2,773,610
Capital assets being depreciated, net	18,361,599	43,589,602	14,238,281
	<u>19,597,801</u>	<u>44,640,404</u>	<u>17,011,891</u>
Related debt:			
Total bonds, loans, and other installment debt	3,329,200	12,394,209	10,968,542
Less non-capital related debt	(3,000,000)	-	(2,160,000)
	<u>329,200</u>	<u>12,394,209</u>	<u>8,808,542</u>
Net investment in capital assets	<u>\$ 19,268,601</u>	<u>\$ 32,246,195</u>	<u>\$ 8,203,349</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The City directly received over \$830,000 during fiscal year 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to provide relief in multiple areas such as vaccination programs, personal protection equipment (PPE) programs, small business grants, housing assistance and food and transportation assistance among others.

19. RESTATEMENT

The Housing Commission recorded an adjustment to correct capital assets which were overstated and an adjustment for net position which was understated as of December 31, 2020. The adjustments decreased the reported capital assets of the Housing Commission by \$129,325 and increased the Housing Commission's net assets by \$195,811.



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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,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 67,662	66,446	\$ 40,686	\$ 40,686
Interest	783,861	818,119	846,572	863,867
Differences between expected and actual expense including changes of assumptions	(125,320)	(432,096)	1,651,749	(151,472)
Benefit payments, including refunds of employee contributions	(990,304)	(1,055,611)	(967,263)	(969,357)
Net change in total pension liability	(264,101)	(603,142)	1,571,744	(216,276)
Total pension liability, beginning	13,552,288	14,155,430	12,583,686	12,799,962
Total pension liability, ending (a)	13,288,187	13,552,288	14,155,430	12,583,686
Plan fiduciary net position				
Employer contributions	341,994	425,557	683,883	625,402
Employee contributions	23,334	23,815	31,141	31,237
Net investment income	338,461	585,865	415,290	143,371
Benefit payments, including refunds of employee contributions	(990,304)	(1,055,611)	(967,263)	(969,357)
Administrative expense	(105,717)	(105,225)	(89,992)	(102,593)
Net change in plan fiduciary net position	(392,232)	(125,599)	73,059	(271,940)
Plan fiduciary net position, beginning	10,076,970	10,202,569	10,129,510	10,401,450
Plan fiduciary net position, ending (b)	9,684,738	10,076,970	10,202,569	10,129,510
City's net pension liability, ending (a)-(b)	\$ 3,603,449	\$ 3,475,318	\$ 3,952,861	\$ 2,454,176
Plan fiduciary net position as a percentage of the total pension liability	73%	74%	72%	80%
Covered payroll	\$ 456,129	\$ 499,733	\$ 548,062	\$ 523,138
City's net pension liability as a percentage of covered payroll	790.0%	695.4%	721.2%	469.1%

See notes to required supplementary information.



Year Ended June 30,			
2017	2016	2015	2014
\$ 53,442	\$ 61,588	\$ 61,588	\$ 77,087
927,069	810,293	872,480	893,856
59,846	93,676	(433,961)	113,605
<u>(998,190)</u>	<u>(994,029)</u>	<u>(1,075,036)</u>	<u>(1,075,024)</u>
42,167	(28,472)	(574,929)	9,524
<u>12,757,795</u>	<u>12,786,267</u>	<u>13,361,196</u>	<u>13,351,672</u>
<u>12,799,962</u>	<u>12,757,795</u>	<u>12,786,267</u>	<u>13,361,196</u>
539,315	571,495	712,471	686,852
27,591	32,178	40,363	45,385
319,446	236,349	475,154	448,782
<u>(998,190)</u>	<u>(994,029)</u>	<u>(1,075,036)</u>	<u>(1,075,024)</u>
<u>(68,401)</u>	<u>(101,880)</u>	<u>-</u>	<u>(74,943)</u>
(180,239)	(255,887)	152,952	31,052
<u>10,581,689</u>	<u>10,837,576</u>	<u>10,684,624</u>	<u>10,653,572</u>
<u>10,401,450</u>	<u>10,581,689</u>	<u>10,837,576</u>	<u>10,684,624</u>
<u>\$ 2,398,512</u>	<u>\$ 2,176,106</u>	<u>\$ 1,948,691</u>	<u>\$ 2,676,572</u>
81%	83%	85%	80%
<u>\$ 538,344</u>	<u>\$ 636,501</u>	<u>\$ 676,421</u>	<u>\$ 962,730</u>
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,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 583,695	547,125	\$ 534,505	\$ 400,714
Interest	2,851,046	2,716,338	2,666,333	2,318,473
Changes of benefit terms	234,610	-	-	-
Differences between expected and actual expense	(1,625,037)	952,182	68,302	1,108,793
Changes in assumptions	(668,668)	330,661	78,848	1,589,423
Benefit payments, including refunds of employee contributions	(2,634,741)	(2,580,872)	(2,586,627)	(2,560,247)
Net change in total pension liability	(1,259,095)	1,965,434	761,361	2,857,156
Total pension liability, beginning	39,789,057	37,823,623	37,062,262	34,205,106
Total pension liability, ending (a)	38,529,962	39,789,057	37,823,623	37,062,262
Plan fiduciary net position				
Employer contributions	1,045,452	809,603	776,368	684,561
Employee contributions	310,928	306,120	148,117	324,048
Other contributions	-	-	-	-
Net investment income	5,915,264	783,529	1,801,954	2,041,442
Benefit payments, including refunds of employee contributions	(2,634,741)	(2,580,872)	(2,586,627)	(2,560,247)
Administrative expense	-	-	-	-
Other	(206,342)	(179,173)	(27,479)	(184,608)
Net change in plan fiduciary net position	4,430,561	(860,793)	112,333	305,196
Plan fiduciary net position, beginning	25,818,484	26,679,277	26,566,944	26,261,748
Plan fiduciary net position, ending (b)	30,249,045	25,818,484	26,679,277	26,566,944
City's net pension liability, ending (a)-(b)	<u>\$ 8,280,917</u>	<u>\$ 13,970,573</u>	<u>\$ 11,144,346</u>	<u>\$ 10,495,318</u>
Plan fiduciary net position as a percentage of the total pension liability	78.5%	64.9%	70.5%	71.7%
Covered payroll	<u>\$ 3,756,428</u>	<u>\$ 3,247,007</u>	<u>\$ 3,206,705</u>	<u>\$ 3,028,903</u>
City's net pension liability as a percentage of covered payroll	220.4%	430.3%	347.5%	346.5%

See notes to required supplementary information.

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

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Schedule of City Contributions

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

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

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
----------------------------	-------------------------------------	--	----------------------------------	-----------------	--

Policemen and Firemen Retirement System

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

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
-------------------------------------	--

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%

Fiscal Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
-------------------------------------	--

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%

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

See notes to required supplementary information.

CITY OF INKSTER, MICHIGAN

Notes to Required Supplementary Information

Pension Plans

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

General Employees' Retirement System

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

- 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, 2020 (rolled forward to June 30, 2021)
Notes	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	2.25%
Salary increases	2.0%
Investment rate of return	6.00% net of plan investment expenses, including inflation
Mortality rates	2020 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, 2020 (rolled forward to June 30, 2021)
Notes	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	4.0-7.0% 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 2020

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 decrease in the discount rate, an update to the payroll growth assumption, and mortality changes.

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

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**COMBINING FUND FINANCIAL
STATEMENTS**

CITY OF INKSTER, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Assets				
Cash and cash equivalents	\$ 403,313	\$ -	\$ 450,513	\$ 11,893
Accounts receivable	-	72,000	15,074	-
Total assets	<u>\$ 403,313</u>	<u>\$ 72,000</u>	<u>\$ 465,587</u>	<u>\$ 11,893</u>
Liabilities				
Accounts payable	\$ 37,849	\$ 22,560	\$ -	\$ -
Accrued and other liabilities	362	-	-	-
Due to other funds	-	49,340	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>38,211</u>	<u>71,900</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	-	72,000	-	-
Fund balances				
Restricted	365,102	-	465,587	11,893
Unassigned (deficit)	-	(71,900)	-	-
Total fund balances (deficit)	<u>365,102</u>	<u>(71,900)</u>	<u>465,587</u>	<u>11,893</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 403,313</u>	<u>\$ 72,000</u>	<u>\$ 465,587</u>	<u>\$ 11,893</u>



Special Revenue	
Michigan Indigent Defense Commission	Totals
\$ 141,098	\$ 1,006,817
-	87,074
<u>\$ 141,098</u>	<u>\$ 1,093,891</u>
\$ 9,296	\$ 69,705
2,162	2,524
-	49,340
<u>129,640</u>	<u>129,640</u>
<u>141,098</u>	<u>251,209</u>
<u>-</u>	<u>72,000</u>
-	842,582
<u>-</u>	<u>(71,900)</u>
<u>-</u>	<u>770,682</u>
<u>\$ 141,098</u>	<u>\$ 1,093,891</u>

CITY OF INKSTER, MICHIGAN

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Revenues				
Property taxes	\$ 410,304	\$ -	\$ -	\$ -
Intergovernmental	5,126	-	-	4,384
Charges for services	19,806	-	-	-
Other	9,750	-	61,455	-
Total revenues	<u>444,986</u>	<u>-</u>	<u>61,455</u>	<u>4,384</u>
Expenditures				
Current expenditures:				
Public safety	-	-	-	3,114
District court	-	-	-	-
Community and economic development	-	52,000	7,693	-
Culture and recreation	254,721	-	-	-
Total expenditures	<u>254,721</u>	<u>52,000</u>	<u>7,693</u>	<u>3,114</u>
Revenues over (under) expenditures	190,265	(52,000)	53,762	1,270
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(100,000)	-	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	90,265	(52,000)	53,762	1,270
Fund balances (deficit), beginning of year	274,837	(19,900)	411,825	10,623
Fund balances (deficit), end of year	<u>\$ 365,102</u>	<u>\$ (71,900)</u>	<u>\$ 465,587</u>	<u>\$ 11,893</u>



Special Revenue	
Michigan Indigent Defense Commission	Totals
\$ -	\$ 410,304
-	9,510
-	19,806
-	71,205
<hr/>	
-	510,825
<hr/>	
-	3,114
123,085	123,085
-	59,693
-	254,721
<hr/>	
123,085	440,613
<hr/>	
(123,085)	70,212
123,085	123,085
-	(100,000)
<hr/>	
123,085	23,085
<hr/>	
-	93,297
-	677,385
<hr/>	
\$ -	\$ 770,682
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COMPONENT UNITS

CITY OF INKSTER, MICHIGAN

Balance Sheet / Statement of Net Position

Beech Daly Tax Increment Finance Authority

June 30, 2021

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 200,285	\$ -	\$ 200,285
Accounts receivable	100,772	-	100,772
Capital assets being depreciated, net	-	7,016,463	7,016,463
Total assets	<u>\$ 301,057</u>	<u>7,016,463</u>	<u>7,317,520</u>
Liabilities			
Due to primary government	\$ 118,247	\$ -	\$ 118,247
Accrued interest payable	80,328	-	80,328
Due within one year	-	315,000	315,000
Due in more than one year	-	5,965,000	5,965,000
Total liabilities	<u>198,575</u>	<u>6,280,000</u>	<u>6,478,575</u>
Deferred inflows of resources			
Unavailable - loans receivable	<u>100,773</u>	<u>(100,773)</u>	<u>-</u>
Fund balances			
Unassigned	<u>1,709</u>	<u>(1,709)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 301,057</u>		
Net position			
Net investment in capital assets		736,463	736,463
Unrestricted		<u>102,482</u>	<u>102,482</u>
Total net position		<u>\$ 838,945</u>	<u>\$ 838,945</u>

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities Beech Daly Tax Increment Finance Authority Year Ended June 30, 2021

	Beech Daly Tax Increment Finance Authority	Adjustments	Statement of Activities
Expenditures / expenses			
Community and economic development	\$ 822,265	\$ 325,302	\$ 1,147,567
Revenues			
Operating grants and contributions	308,846	-	308,846
Capital grants and contributions	56,134	-	56,134
Property taxes	245,290	-	245,290
Other revenues	419,050	100,773	519,823
Total revenues	<u>1,029,320</u>	<u>100,773</u>	<u>1,130,093</u>
Change in fund balance	207,055	(207,055)	-
Change in net position	-	(17,474)	(17,474)
Fund balance (deficit) / net position			
Beginning of year	<u>(205,346)</u>	<u>1,061,765</u>	<u>856,419</u>
End of year	<u>\$ 1,709</u>	<u>\$ 837,236</u>	<u>\$ 838,945</u>

CITY OF INKSTER, MICHIGAN

Balance Sheet / Statement of Net Position

Brownfield Redevelopment Authority

June 30, 2021

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Liabilities			
Accrued interest payable	\$ 21,978	\$ -	\$ 21,978
Due within one year	-	345,000	345,000
Due in more than one year	-	1,815,000	1,815,000
Total liabilities	<u>21,978</u>	<u>2,160,000</u>	<u>2,181,978</u>
Fund balances			
Unassigned (deficit)	<u>(21,978)</u>	<u>21,978</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>		
Net position			
Unrestricted deficit		<u>(2,181,978)</u>	<u>(2,181,978)</u>
Total net position		<u><u>\$ (2,181,978)</u></u>	<u><u>\$ (2,181,978)</u></u>

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities Brownfield Redevelopment Authority Year Ended June 30, 2021

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Expenditures / expenses			
Community and economic development	\$ 448,569	\$ (310,000)	\$ 138,569
Revenues			
Property taxes	20,461	-	20,461
Other revenues	431,208	-	431,208
Total revenues	<u>451,669</u>	<u>-</u>	<u>451,669</u>
Change in fund balance	3,100	(3,100)	-
Change in net position	-	313,100	313,100
Fund balance (deficit) / net position			
Beginning of year	<u>(25,078)</u>	<u>(2,470,000)</u>	<u>(2,495,078)</u>
End of year	<u>\$ (21,978)</u>	<u>\$ (2,160,000)</u>	<u>\$ (2,181,978)</u>

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

July 29, 2022

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2022. Our report includes a reference to other auditors who audited the financial statements of the Inkster Housing Commission and the Inkster Commission on Aging, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-005 to be a significant deficiency.

Compliance and Other Matters

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

City of Inkster's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Rohan 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, 2021

2021-001 - Utility Billing Receivables (repeat comment)

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

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

Condition. We noted that the City is carrying approximately \$227,000 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 \$227,000 noted above is old activity and may or may not be proper receivables. The City has implemented procedures in recent years to prevent a recurrence of similar problems. The City recognizes and acknowledges the utility billing module requires some adjustments to eliminate these balances if it is determined the balances are in fact inaccurate.

Responsible Official. Darryl Greene, City Treasurer

Expected Completion Date. December 31, 2022

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2021

2021-002 - Internal Controls Over Cash Receipts (repeat comment)

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

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

Condition. We noted that the City had receipts from April 2021 waiting to be deposited as of June 30, 2021, particularly within the municipal courts. Considering the City's large amount of cash receipts, this is not considered timely.

Cause. This is caused by a lack of review of cash receipts collected by the City on a daily basis, allowing money received by the City to remain in a safe and not transferred to the bank in a timely manner. It also appears that documentation of receipts is not kept in an orderly fashion.

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

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

View of Responsible Official. Frequent turnover in the courts and the City hall has caused this to be a repeat finding. The City agrees with this finding and is working to ensure that daily deposits are being made.

Responsible Official. Darryl Greene, City Treasurer

Expected Completion Date. December 31, 2022

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2021

2021-003 - Pension and Other Postemployment Benefits (OPEB) Census Data (repeat comment) and Payroll Documentation

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

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

Condition. We noted that the City was unable to provide complete personnel file information for several general and police and fire employees, both active and terminated. Additionally, complete personnel file information for employees with the OPEB plan were unable to be located for several employees.

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

Effect. As a result of this condition, the City may have inaccurate information on file for payroll and for what is provided to the actuaries who are determining the pension and other postemployment benefits liabilities and related amounts.

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

View of Responsible Official. Some files were left behind in the City's previous city hall building after the move to the new city hall. The old city hall subsequently flooded and many of the files were damaged or destroyed, including some of the missing files noted above.

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

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

Responsible Official. Darryl Greene, City Treasurer

Expected Completion Date. December 31, 2022

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2021

2021-004 - Timely Report Issuance (repeat comment)

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

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP) and submitting required reporting packages by established deadlines.

Condition. The City did not submit its fiscal year 2021 audited financial statements by the state deadline of December 31, 2021 (i.e. six months after its fiscal year-end).

Cause. Information related to pension and OPEB was not obtained in a timely fashion, which resulted in actuarial report and audit delays. Additionally, turnover within the City resulting in supporting documentation to complete the audit unable to be located.

Effect. As a result of this condition, the City was unable to comply with state reporting requirements.

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

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

Responsible Official. Darryl Greene, City Treasurer

Expected Completion Date. December 31, 2022

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2021

2021-005 - Payroll Withholding Liability and Unsupported Liabilities

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

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

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

Cause. The City switched payroll providers during the year and these taxes were missed in the process for being remitted. Reconciliations of these accounts were not being performed timely by the City, and therefore were not remitted until fiscal year 2022. The City does not have a policy in place to reconcile a complete subsidiary detail to the general ledger.

Effect. As a result of the condition, the City is exposed to an increased risk that misstatements, whether through error or fraud, may occur and not be prevented, or detected and corrected, on a timely basis.

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

View of Responsible Officials. The City has worked with the new payroll provider to ensure all liabilities are being remitted timely in the 2022 fiscal year. Payroll is now reconciled to the general ledger as part of monthly close.

Responsible Official. Darryl Greene, City Treasurer

Expected Completion Date. December 31, 2022



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