

CITY OF INKSTER,
MICHIGAN



Year Ended
June 30, 2019

Financial
Statements and
Supplemental
Information

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CITY OF INKSTER, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

February 3, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Beginning Fund Balance

As described in Note 18, beginning fund balance of the major streets special revenue fund was decreased by \$101,166.

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 February 3, 2020 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 Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

These financial statements are the responsibility of the City of Inkster's (the "City") management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2019. 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	\$ 35,354,442
· Change in total net position	2,894,604
· Fund balances, governmental funds	9,669,172
· Change in fund balances, governmental funds	(1,881,819)
· Unassigned fund balance, general fund	1,266,018
· Change in fund balance, general fund	(1,841,410)
· Installment debt outstanding	17,745,769
· Change in installment debt	(1,379,949)

Overview of the Financial Statements

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

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

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

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

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

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

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

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,354,442 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,058,161	\$ 14,442,542	\$ 11,473,044	\$ 10,056,673	\$ 24,531,205	\$ 24,499,215
Capital assets, net	19,221,381	17,148,171	45,189,655	45,052,750	64,411,036	62,200,921
Total assets	32,279,542	31,590,713	56,662,699	55,109,423	88,942,241	86,700,136
Deferred outflows of resources	3,977,978	3,768,751	483,555	224,197	4,461,533	3,992,948
Long-term debt	3,602,707	3,495,967	14,537,423	16,030,936	18,140,130	19,526,903
Pension and OPEB	21,542,481	19,665,027	1,441,400	1,135,875	22,983,881	20,800,902
Other liabilities	12,804,464	12,450,119	3,443,157	4,179,116	16,247,621	16,629,235
Total liabilities	37,949,652	35,611,113	19,421,980	21,345,927	57,371,632	56,957,040
Deferred inflows of resources	605,472	1,072,819	72,228	102,221	677,700	1,175,040
Net investment in capital assets	18,980,259	17,017,581	30,685,008	29,057,622	49,665,267	46,075,203
Restricted	8,468,115	8,577,633	577,906	579,732	9,046,021	9,157,365
Unrestricted (deficit)	(29,745,978)	(26,919,682)	6,389,132	4,248,118	(23,356,846)	(22,671,564)
Total net position (deficit)	\$ (2,297,604)	\$ (1,324,468)	\$ 37,652,046	\$ 33,885,472	\$ 35,354,442	\$ 32,561,004

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

By far, the largest portion of the City's net position, \$49,665,267 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, \$9,046,021, represents resources that are subject to external restriction on how they may be used. The remaining *unrestricted net position* of \$(23,356,846) represents an accumulated deficit.

The government's net position increased by \$2,894,604 during the current fiscal year. This net increase was a combination of an decrease of \$871,970 in governmental activities and an increase of \$3,766,574 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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 4,622,441	\$ 4,263,185	\$ 10,643,652	\$ 11,139,560	\$ 15,266,093	\$ 15,402,745
Operating grants	1,098,600	1,263,664	-	-	1,098,600	1,263,664
Capital grants	2,734,767	2,362,095	853,107	606,898	3,587,874	2,968,993
General revenues:						
Property taxes	6,001,852	5,536,185	2,885,190	2,206,298	8,887,042	7,742,483
State shared revenues	3,744,381	4,473,615	43,491	45,499	3,787,872	4,519,114
Unrestricted investment earnings	32,791	-	39,020	-	71,811	-
Other revenues	810,277	898,521	-	-	810,277	898,521
Total revenues	19,045,109	18,797,265	14,464,460	13,998,255	33,509,569	32,795,520
Expenses						
General government	5,245,865	4,142,617	-	-	5,245,865	4,142,617
Public safety	8,824,037	8,188,023	-	-	8,824,037	8,188,023
Public works	4,576,152	4,547,769	-	-	4,576,152	4,547,769
Community and economic development	639,800	789,373	-	-	639,800	789,373
Culture and recreation	601,553	528,048	-	-	601,553	528,048
Interest on long-term debt	29,672	12,707	-	-	29,672	12,707
Water and sewer	-	-	10,697,886	11,889,684	10,697,886	11,889,684
Total expenses	19,917,079	18,208,537	10,697,886	11,889,684	30,614,965	30,098,221
Change in net position	(871,970)	588,728	3,766,574	2,108,571	2,894,604	2,697,299
Net position						
Beginning of year	(1,425,634)	(1,913,196)	33,885,472	31,776,901	32,459,838	29,863,705
End of year	<u>\$ (2,297,604)</u>	<u>\$ (1,324,468)</u>	<u>\$ 37,652,046</u>	<u>\$ 33,885,472</u>	<u>\$ 35,354,442</u>	<u>\$ 32,561,004</u>

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$871,970 thereby accounting for 30% of the total decline in net position of the City. This is primarily the result of increases in personnel costs including the pension and OPEB liabilities.

Business-type Activities. Business-type activities increased the City's net position by \$3,766,574 accounting for 130% percent of the total growth in the government's net position. This was primarily the result of maintaining water and sewer rates at a level necessary to allow for operating revenues to exceed operating expenses and to allow for some capital expenses needed for repairs and maintenance. As with governmental activities, operational savings is also attributable to continued fiscal responsibility.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$9,669,172, a decrease of \$1,881,819 over the prior year. A portion of the fund balance is either nonspendable, restricted by external sources for specific purposes, or assigned. Unassigned fund balance was \$1,050,969.

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

General Fund Highlights

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by \$1,841,410 for the current fiscal year, resulting in unassigned fund balance of \$1,266,018.

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

- General fund intergovernmental - Revenues in this category were negatively impacted in this fiscal year. This was due in part to the City not receiving grant reimbursements during this fiscal year for all of the expenses that were eligible for reimbursement. While these expenses were incurred during this fiscal year and are reflected in these financial statements, some of the reimbursements that were initially planned and budgeted were not received. The delay in requesting and receiving the reimbursements were 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 expenses in the next fiscal year and should see a corresponding positive impact to revenues in this category at that time.
- General fund charges for services - Revenue in this category fell below budgeted projections largely due to ambulance revenue in the Fire Department not meeting expectations. While the City has made recent investments in its vehicle fleet for the Fire Department, staff turnover impacted the City's ability to fully realize some of the revenue projections.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

- General fund expenditures - Some of the expenses in this category came in above budgeted projections. This included Fire Department expenses being higher due to the purchase of a new fire engine. This new engine was partially grant funded and production was expected to take close to one year. Delivery and final payment was not expected to occur in this fiscal year. However, production of the fire engine was completed sooner than initially planned and the City was required to make payment in this fiscal year.

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

Capital Asset and Debt Administration

Capital Assets. The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$64,411,036 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings/improvements, vehicles, machinery, furniture, equipment, and water and sewer distribution systems.

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

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

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	-	831,605	32,461	548,307	32,461	1,379,912
Land improvements	124,214	153,625	-	-	124,214	153,625
Infrastructure	13,904,609	12,293,942	-	-	13,904,609	12,293,942
Buildings/improvements	1,912,747	1,385,525	-	-	1,912,747	1,385,525
Vehicles	1,459,595	946,264	245,258	235,659	1,704,853	1,181,923
Machinery, furniture, and equipment	1,513,021	1,230,015	13,396	22,848	1,526,417	1,252,863
Water and sewer distribution systems	-	-	44,895,795	44,243,191	44,895,795	44,243,191
Total capital assets, net	\$19,221,381	\$17,148,171	\$45,189,655	\$45,052,750	\$64,411,036	\$62,200,921

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 \$18,140,130. 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).

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds payable	\$ -	\$ -	\$ 14,130,111	\$ 15,200,111	\$ 14,130,111	\$ 15,200,111
Emergency loan	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Installment purchase agreements	241,122	130,590	374,536	795,017	615,658	925,607
Compensated absences	361,585	365,377	32,776	35,808	394,361	401,185
Total long-term debt	\$ 3,602,707	\$ 3,495,967	\$ 14,537,423	\$ 16,030,936	\$ 18,140,130	\$ 19,526,903

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

Economic Factors and Next Year's Budget and Rates

Crucial to the City's short and long-term financial stability is the ability to generate revenue growth. There has been small but steady increases in the City's property values and property tax collections in the last couple of years. Additionally, there has been a marked increase in new developments that are planned or currently under construction in some of the City's industrial areas. The State of Michigan's recent growth in medical and recreational marijuana has helped increase the demand for industrial property in the City. Many of the developments in industrial areas are on land that was previously vacant and will provide new sources of property tax revenues as the projects reach completion.

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 require continued fiscal discipline. The City has made recent investments in the area of public safety for both the police and fire departments as it views this as vital to the services that are provided to citizens, businesses and visitors. Recently, the City has taken steps to assess the current state of its infrastructure. This includes analyzing the City's water/sewer system and the roads/streets. This assessment has helped to identify some of the future costs that will be needed to maintain these critical infrastructure systems. The City is in the process of developing plans that will address the investment needs that will be required by these infrastructure systems.

Contacting the City's Management

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

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BASIC FINANCIAL STATEMENTS

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CITY OF INKSTER, MICHIGAN

Statement of Net Position
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,917,889	\$ 6,594,935	\$ 16,512,824	\$ 5,474,832
Restricted cash and cash equivalents	452,806	577,906	1,030,712	323,110
Receivables, net	2,587,378	4,256,782	6,844,160	262,737
Inventories and prepaid items	100,088	43,421	143,509	26,583
Capital assets not being depreciated	307,195	35,206	342,401	1,891,187
Capital assets being depreciated, net	18,914,186	45,154,449	64,068,635	18,252,403
Total assets	32,279,542	56,662,699	88,942,241	26,230,852
Deferred outflows of resources				
Deferred pension amounts	3,848,400	472,287	4,320,687	-
Deferred other postemployment benefits amounts	129,578	11,268	140,846	-
Total deferred inflows of resources	3,977,978	483,555	4,461,533	-
Liabilities				
Accounts payable and accrued expenses	5,581,842	3,443,157	9,024,999	846,291
Deficit equity interest in joint venture	12,460	-	12,460	-
Unearned revenue	110,910	-	110,910	12,665
Long-term debt:				
Due within one year	195,502	1,371,777	1,567,279	899,465
Due in more than one year	3,407,205	13,165,646	16,572,851	11,849,311
Other noncurrent liabilities-				
Debt guarantee - component units	7,099,252	-	7,099,252	-
Net pension liability (due in more than one year)	14,276,382	809,565	15,085,947	-
Total other postemployment benefit liability (due in more than one year)	7,266,099	631,835	7,897,934	-
Total liabilities	37,949,652	19,421,980	57,371,632	13,607,732
Deferred inflows of resources				
Deferred pension amounts	437,496	57,622	495,118	-
Deferred other postemployment benefits amounts	167,976	14,606	182,582	-
Total deferred inflows of resources	605,472	72,228	677,700	-
Net position				
Net investment in capital assets	18,980,259	30,685,008	49,665,267	10,147,433
Restricted for:				
PA 495 (fire insurance escrow)	33,690	-	33,690	-
Canine unit	6,050	-	6,050	-
Construction code fees	413,066	-	413,066	-
Major and local streets	6,611,023	-	6,611,023	-
Rubbish collection	767,092	-	767,092	-
Parks and recreation	210,239	-	210,239	-
Public improvement	413,927	-	413,927	-
Drug law enforcement	13,028	-	13,028	-
Capital projects	-	577,906	577,906	-
Housing assistance	-	-	-	212,294
Unrestricted (deficit)	(29,745,978)	6,389,132	(23,356,846)	2,263,393
Total net position (deficit)	\$ (2,297,604)	\$ 37,652,046	\$ 35,354,442	\$ 12,623,120

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

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,245,865	\$ 1,208,412	\$ 50,443	\$ -	\$ (3,987,010)
Public safety	8,824,037	1,768,339	782,879	-	(6,272,819)
Public works	4,576,152	1,567,633	86,401	2,734,767	(187,351)
Community and economic development	639,800	21,527	177,326	-	(440,947)
Culture and recreation	601,553	56,530	1,551	-	(543,472)
Interest on long-term debt	29,672	-	-	-	(29,672)
Total governmental activities	19,917,079	4,622,441	1,098,600	2,734,767	(11,461,271)
Business-type activities -					
Water and sewer	10,697,886	10,643,652	-	853,107	798,873
Total primary government	\$ 30,614,965	\$ 15,266,093	\$ 1,098,600	\$ 3,587,874	\$ (10,662,398)
Component units					
Tax Increment Finance Authority	\$ 967,257	\$ -	\$ 211,636	\$ 34,763	\$ (720,858)
Brownfield Redevelopment Authority	171,868	-	-	-	(171,868)
Housing Commission	10,521,731	1,079,450	8,989,944	528,313	75,976
Commission on Aging	305,724	15,000	16,392	-	(274,332)
Total component units	\$ 11,966,580	\$ 1,094,450	\$ 9,217,972	\$ 563,076	\$ (1,091,082)

continued...

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (11,461,271)	\$ 798,873	\$ (10,662,398)	\$ (1,091,082)
General revenues:				
Property taxes	6,001,852	2,885,190	8,887,042	454,938
State revenue sharing	3,744,381	43,491	3,787,872	-
Unrestricted investment earnings	32,791	39,020	71,811	4,167
Other revenues	810,277	-	810,277	1,009,094
Total general revenues	10,589,301	2,967,701	13,557,002	1,468,199
Change in net position	(871,970)	3,766,574	2,894,604	377,117
Net position, beginning of year	(1,425,634)	33,885,472	32,459,838	12,246,003
Net position, end of year	\$ (2,297,604)	\$ 37,652,046	\$ 35,354,442	\$ 12,623,120

concluded.

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

CITY OF INKSTER, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2019

	General Fund	Major Streets	Local Streets	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,928,823	\$ 2,532,077	\$ 3,717,087	\$ 911,803	\$ 828,099	\$ 9,917,889
Restricted cash and cash equivalents	452,806	-	-	-	-	452,806
Accounts receivable	520,506	-	-	-	237,101	757,607
Due from other funds	212,447	-	-	-	-	212,447
Due from other governments	1,327,975	282,880	123,979	-	-	1,734,834
Due from component units	94,937	-	-	-	-	94,937
Inventories	11,794	-	-	-	-	11,794
Prepaid items	88,294	-	-	-	-	88,294
Total assets	\$ 4,637,582	\$ 2,814,957	\$ 3,841,066	\$ 911,803	\$ 1,065,200	\$ 13,270,608
Liabilities						
Accounts payable	\$ 771,777	\$ 24,330	\$ 5,478	\$ 144,711	\$ 97,129	\$ 1,043,425
Accrued and other liabilities	326,174	-	6,162	-	7,351	339,687
Due to other funds	-	-	-	-	212,447	212,447
Due to other governments	1,066,137	6,275	2,755	-	-	1,075,167
Unearned revenue	-	-	-	-	110,910	110,910
Total liabilities	2,164,088	30,605	14,395	144,711	427,837	2,781,636
Deferred inflows of resources						
Unavailable revenue	604,582	-	-	-	215,218	819,800
Fund balances						
Nonspendable	100,088	-	-	-	-	100,088
Restricted	452,806	2,784,352	3,826,671	767,092	637,194	8,468,115
Assigned	50,000	-	-	-	-	50,000
Unassigned (deficit)	1,266,018	-	-	-	(215,049)	1,050,969
Total fund balances	1,868,912	2,784,352	3,826,671	767,092	422,145	9,669,172
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,637,582	\$ 2,814,957	\$ 3,841,066	\$ 911,803	\$ 1,065,200	\$ 13,270,608

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, 2019

Fund balances - total governmental funds	\$ 9,669,172
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	307,195
Capital assets being depreciated, net	18,914,186
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	819,800
Deficit equity interest in joint venture	(12,460)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, loans, and installment purchase agreements	(3,241,122)
Accrued interest on long-term debt	(3,287)
Estimated self-insurance claims payable	(1,900,410)
Estimated tax chargeback payable	(1,219,866)
Debt guarantee - component unit	(7,099,252)
Compensated absences	(361,585)
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	(14,276,382)
Deferred outflows related to the net pension liability	3,848,400
Deferred inflows related to the net pension liability	(437,496)
Net other postemployment benefit liability	(7,266,099)
Deferred outflows related to the net other postemployment benefit liability	129,578
Deferred inflows related to the net other postemployment benefit liability	(167,976)
Net position of governmental activities	<u>\$ (2,297,604)</u>

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

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Major Streets	Local Streets	Rubbish Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 4,937,478	\$ -	\$ 55,505	\$ 513,395	\$ 392,409	\$ 5,898,787
Licenses and permits	694,814	-	-	-	-	694,814
Intergovernmental	4,595,571	2,024,966	709,801	8,620	217,922	7,556,880
Charges for services	1,417,050	-	-	1,349,460	55,241	2,821,751
Fines and forfeitures	779,568	-	-	-	-	779,568
Refunds and reimbursements	47,634	-	-	-	-	47,634
Investment income	-	7,955	28,297	4,494	1,289	42,035
Other	693,033	359	-	-	91,891	785,283
Total revenues	13,165,148	2,033,280	793,603	1,875,969	758,752	18,626,752
Expenditures						
Current expenditures:						
General government	4,419,725	-	-	-	-	4,419,725
Public safety	8,490,289	-	-	-	34,227	8,524,516
Public works	708,440	1,837,435	1,134,235	1,892,326	-	5,572,436
Community and economic development	1,180,921	-	-	-	111,792	1,292,713
Culture and recreation	-	-	-	-	641,107	641,107
Other	1,436,614	-	-	-	-	1,436,614
Debt service:						
Principal	100,413	-	-	-	-	100,413
Interest and fiscal charges	29,686	-	-	-	-	29,686
Allocated to other departments	(1,297,694)	-	-	-	-	(1,297,694)
Total expenditures	15,068,394	1,837,435	1,134,235	1,892,326	787,126	20,719,516
Revenues over (under) expenditures	(1,903,246)	195,845	(340,632)	(16,357)	(28,374)	(2,092,764)
Other financing sources (uses)						
Proceeds from capital lease	210,945	-	-	-	-	210,945
Transfers in	-	-	-	-	149,109	149,109
Transfers out	(149,109)	-	-	-	-	(149,109)
Total other financing sources (uses)	61,836	-	-	-	149,109	210,945
Net change in fund balances	(1,841,410)	195,845	(340,632)	(16,357)	120,735	(1,881,819)
Fund balances, beginning of year, as restated	3,710,322	2,588,507	4,167,303	783,449	301,410	11,550,991
Fund balances, end of year	\$ 1,868,912	\$ 2,784,352	\$ 3,826,671	\$ 767,092	\$ 422,145	\$ 9,669,172

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, 2019

Net change in fund balances - total governmental funds \$ (1,881,819)

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

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

Capital assets purchased / constructed	3,576,448
Depreciation expense	(1,503,238)

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	254,840
Change in estimated tax chargeback	103,065
Change in investment in joint venture	36,193

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	(210,945)
Principal payments on long-term liabilities	100,413

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	14
Change in the liability for estimated self-insurance claims	(869,620)
Change in net pension liability and deferred amounts	(1,455,629)
Change in net other postemployment benefits liability and deferred amounts	254,749
Change in debt guarantee - component unit	719,769
Change in the accrual for compensated absences	3,790

Change in net position of governmental activities \$ (871,970)

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,242,160	\$ 4,759,660	\$ 4,937,478	\$ 177,818
Licenses and permits	759,500	759,500	694,814	(64,686)
Intergovernmental	4,907,575	5,178,175	4,595,571	(582,604)
Charges for services	1,849,450	1,765,110	1,417,050	(348,060)
Fines and forfeitures	915,500	890,500	779,568	(110,932)
Refunds and reimbursements	52,235	52,235	47,634	(4,601)
Other	895,900	915,900	693,033	(222,867)
Total revenues	13,622,320	14,321,080	13,165,148	(1,155,932)
Expenditures				
General government:				
City council	94,800	84,300	89,327	5,027
District court	806,970	811,275	824,465	13,190
Mayor	340,490	340,490	219,123	(121,367)
City clerk	212,600	225,410	234,193	8,783
Information technology	387,145	416,770	363,333	(53,437)
Treasury	712,800	729,320	709,041	(20,279)
Buildings and grounds	761,600	790,412	952,608	162,196
City attorney	347,000	804,500	794,335	(10,165)
Personnel	218,345	230,335	233,300	2,965
Total general government	3,881,750	4,432,812	4,419,725	(13,087)
Public safety:				
Police	3,877,200	4,153,264	4,208,469	55,205
Fire	2,972,255	3,560,230	3,716,819	156,589
Building	430,905	455,225	449,470	(5,755)
Code enforcement	93,900	93,900	115,531	21,631
Total public safety	7,374,260	8,262,619	8,490,289	227,670
Public works -				
Department of public works	754,700	687,442	708,440	20,998

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community and economic development:				
Planning	\$ 899,530	\$ 813,590	\$ 777,186	\$ (36,404)
Appropriation to Brownfield Redevelopment Authority	405,955	405,955	403,735	(2,220)
Total community and economic development	<u>1,305,485</u>	<u>1,219,545</u>	<u>1,180,921</u>	<u>(38,624)</u>
Other -				
Insurance and other	<u>1,399,710</u>	<u>1,436,000</u>	<u>1,436,614</u>	<u>614</u>
Debt service:				
Principal	-	-	100,413	100,413
Interest and fiscal charges	62,000	79,690	29,686	(50,004)
Total debt service	<u>62,000</u>	<u>79,690</u>	<u>130,099</u>	<u>50,409</u>
Allocated to other departments	<u>(1,280,840)</u>	<u>(1,280,840)</u>	<u>(1,297,694)</u>	<u>(16,854)</u>
Total expenditures	<u>13,497,065</u>	<u>14,837,268</u>	<u>15,068,394</u>	<u>231,126</u>
Revenues under expenditures	<u>125,255</u>	<u>(516,188)</u>	<u>(1,903,246)</u>	<u>(1,387,058)</u>
Other financing sources (uses)				
Proceeds from capital lease	-	-	210,945	210,945
Transfers out	<u>(125,190)</u>	<u>(125,190)</u>	<u>(149,109)</u>	<u>23,919</u>
Total other financing sources (uses)	<u>(125,190)</u>	<u>(125,190)</u>	<u>61,836</u>	<u>234,864</u>
Net change in fund balance	65	(641,378)	(1,841,410)	(1,152,194)
Fund balance, beginning	<u>3,710,322</u>	<u>3,710,322</u>	<u>3,710,322</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,710,387</u>	<u>\$ 3,068,944</u>	<u>\$ 1,868,912</u>	<u>\$ (1,152,194)</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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,604,450	\$ 1,680,665	\$ 2,024,966	\$ 344,301
Investment income	-	-	7,955	7,955
Other	660	660	359	(301)
Total revenues	1,605,110	1,681,325	2,033,280	351,955
Expenditures				
Public works - Department of public works	1,541,330	2,206,730	1,837,435	(369,295)
Revenues under expenditures	63,780	(525,405)	195,845	721,250
Other financing uses				
Transfers out	(749,975)	-	-	-
Net change in fund balance	(686,195)	(525,405)	195,845	721,250
Fund balance, beginning, as restated	2,588,507	2,588,507	2,588,507	-
Fund balance, end of year	\$ 1,902,312	\$ 2,063,102	\$ 2,784,352	\$ 721,250

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 50,000	\$ 50,000	\$ 55,505	\$ 5,505
Intergovernmental	658,740	658,740	709,801	51,061
Investment income	-	-	28,297	28,297
Total revenues	708,740	708,740	793,603	84,863
Expenditures				
Public works - Department of public works	1,758,380	2,252,780	1,134,235	(1,118,545)
Revenues under expenditures	(1,049,640)	(1,544,040)	(340,632)	1,203,408
Other financing sources				
Transfers in	749,975	-	-	-
Net change in fund balance	(299,665)	(1,544,040)	(340,632)	1,203,408
Fund balance, beginning	4,167,303	4,167,303	4,167,303	-
Fund balance, end of year	\$ 3,867,638	\$ 2,623,263	\$ 3,826,671	\$ 1,203,408

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 399,870	\$ 399,870	\$ 513,395	\$ 113,525
Intergovernmental	-	-	8,620	8,620
Charges for services	1,350,270	1,350,270	1,349,460	(810)
Investment income	-	-	4,494	4,494
Total revenues	1,750,140	1,750,140	1,875,969	125,829
Expenditures				
Public works - Department of public works	1,955,953	1,955,953	1,892,326	(63,627)
Net change in fund balance	(205,813)	(205,813)	(16,357)	189,456
Fund balance, beginning	783,449	783,449	783,449	-
Fund balance, end of year	\$ 577,636	\$ 577,636	\$ 767,092	\$ 189,456

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Proprietary Fund
June 30, 2019

	Business-type Activities
	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,594,935
Accounts receivable, net	4,256,782
Inventories	43,421
Total current assets	<u>10,895,138</u>
Noncurrent assets:	
Restricted cash and cash equivalents	577,906
Capital assets not being depreciated	35,206
Capital assets being depreciated, net	45,154,449
Total noncurrent assets	<u>45,767,561</u>
Total assets	<u>56,662,699</u>
Deferred outflows of resources	
Deferred pension amounts	472,287
Deferred other postemployment benefits amounts	11,268
Total deferred outflows of resources	<u>483,555</u>
Liabilities	
Current liabilities:	
Accounts payable	1,386,529
Accrued liabilities	1,949,366
Accrued interest payable	107,262
Long-term debt, current portion	1,371,777
Total current liabilities	<u>4,814,934</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	13,165,646
Net pension liability (due in more than one year)	809,565
Net other postemployment benefit liability (due in more than one year)	631,835
Total noncurrent liabilities	<u>14,607,046</u>
Total liabilities	<u>19,421,980</u>
Deferred inflows of resources	
Deferred pension amounts	57,622
Deferred other postemployment benefit amounts	14,606
Total deferred inflows of resources	<u>72,228</u>
Net position	
Net investment in capital assets	30,685,008
Restricted for capital projects	577,906
Unrestricted	6,389,132
Total net position	<u>\$ 37,652,046</u>

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

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CITY OF INKSTER, MICHIGAN

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

Proprietary Fund

For the Year Ended June 30, 2019

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 10,643,652
Operating expenses	
Cost of water	1,341,123
Cost of sewage disposal	3,097,669
Wages and fringes	1,045,890
Operating supplies	174,371
Contractual services	1,867,211
Repairs and maintenance	992,401
Insurance, claims, and other	521,754
Depreciation	1,259,406
Total operating expenses	10,299,825
Operating income	343,827
Nonoperating revenues (expenses)	
Property taxes	2,885,190
Intergovernmental revenue	896,598
Investment income	39,020
Interest expense	(398,061)
Total nonoperating revenues	3,422,747
Change in net position	3,766,574
Net position, beginning of year	33,885,472
Net position, end of year	\$ 37,652,046

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, 2019

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 10,127,957
Payments to suppliers for goods and services	(8,711,573)
Payments to employees for services	(1,032,748)
	<hr/>
Net cash provided by operating activities	383,636
	<hr/>
Cash flows from noncapital and related financing activities	
Property taxes received	2,885,190
Intergovernmental revenues received	896,598
	<hr/>
Net cash provided by noncapital and and related financing activities	3,781,788
	<hr/>
Cash flows from capital and related financing activities	
Purchase of capital assets	(1,396,311)
Principal paid on debt	(1,524,250)
Interest paid on debt	(416,609)
Proceeds from issuance of debt	33,769
	<hr/>
Net cash used in capital and related financing activities	(3,303,401)
	<hr/>
Cash flows from investing activities	
Investment income	39,020
	<hr/>
Net change in cash and cash equivalents	901,043
	<hr/>
Cash and cash equivalents, beginning of year	6,271,798
	<hr/>
Cash and cash equivalents, end of year	\$ 7,172,841
	<hr/> <hr/>
Cash and cash equivalents as presented in the statement of net position	
Cash and cash equivalents	\$ 6,594,935
Restricted cash and cash equivalents	577,906
	<hr/>
Total cash and cash equivalents	\$ 7,172,841
	<hr/> <hr/>

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CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2019

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 343,827
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,259,406
Changes in assets and liabilities:	
Accounts receivable, net	(515,695)
Inventories	367
Accounts payable	(12,727)
Accrued liabilities	(704,684)
Compensated absences	(3,032)
Net pension liability and other related amounts	301,803
Deferred outflows related to net pension liability	(248,090)
Deferred inflows related to net pension liability	(15,386)
Net other postemployment benefits liability	3,722
Deferred outflows related to net other postemployment benefit liability	(11,268)
Deferred inflows related to net other postemployment benefit liability	(14,607)
Net cash provided by operating activities	<u>\$ 383,636</u>

concluded.

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

CITY OF INKSTER, MICHIGAN

Statement of Fiduciary Net Position

June 30, 2019

	Pension Trust Funds	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 848,348
Accounts receivable	-	14,875
Money market accounts	909,040	-
Municipal bonds	7,603,641	-
Corporate bonds	786,336	-
International bonds	20,895	-
International stocks	312,299	-
Domestic stocks	15,702,097	-
Real estate securities	191,606	-
Guaranteed investment contract	9,977,491	-
Interest receivable	114,860	-
Contributions receivable	297,651	-
Due from broker	988,337	-
Total assets	<u>36,904,253</u>	<u>\$ 863,223</u>
Liabilities		
Due to broker	22,407	\$ -
Due to others	-	863,223
Total liabilities	<u>22,407</u>	<u>\$ 863,223</u>
Net position restricted for pension benefits	<u>\$ 36,881,846</u>	

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

CITY OF INKSTER, MICHIGAN

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2019

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,460,251
Plan members	179,258
Total contributions	<u>1,639,509</u>
Investment income:	
Interest and dividends	1,025,513
Net change in fair value of investments	1,287,684
Total investment income	<u>2,313,197</u>
Total additions	<u>3,952,706</u>
Deductions	
Benefit payments	3,553,890
Administrative expenses	113,177
Total deductions	<u>3,667,067</u>
Change in net position	285,639
Net position	
Beginning of year	<u>36,596,207</u>
End of year	<u><u>\$ 36,881,846</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, 2019

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Assets					
Cash and cash equivalents	\$ 60,766	\$ -	\$ 5,380,527	\$ 33,539	\$ 5,474,832
Restricted cash and cash equivalents	-	-	323,110	-	323,110
Accounts receivable	105,818	-	135,289	21,630	262,737
Prepays	-	-	23,614	2,969	26,583
Capital assets not being depreciated	-	-	1,891,187	-	1,891,187
Capital assets being depreciated, net	7,816,975	-	10,334,092	101,336	18,252,403
Total assets	7,983,559	-	18,087,819	159,474	26,230,852
Liabilities					
Accounts payable	-	-	113,623	2,252	115,875
Due to primary government	94,937	-	-	-	94,937
Accrued liabilities	-	-	513,881	6,571	520,452
Accrued interest payable	87,199	27,828	-	-	115,027
Unearned revenue	-	-	12,665	-	12,665
Long-term debt:					
Due within one year	370,000	275,000	254,465	-	899,465
Due in more than one year	6,575,000	2,470,000	2,804,311	-	11,849,311
Total liabilities	7,127,136	2,772,828	3,698,945	8,823	13,607,732
Net position					
Net investment in capital assets	871,975	-	9,174,122	101,336	10,147,433
Restricted for housing assistance	-	-	212,294	-	212,294
Unrestricted (deficit)	(15,552)	(2,772,828)	5,002,458	49,315	2,263,393
Total net position (deficit)	\$ 856,423	\$ (2,772,828)	\$ 14,388,874	\$ 150,651	\$ 12,623,120

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, 2019

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Commission on Aging	Total
Expenses					
Community and economic development	\$ 967,257	\$ 171,868	\$ -	\$ -	\$ 1,139,125
Housing assistance	-	-	10,521,731	-	10,521,731
Commission on aging	-	-	-	305,724	305,724
Total expenses	967,257	171,868	10,521,731	305,724	11,966,580
Program revenues					
Charges for services	-	-	1,079,450	15,000	1,094,450
Operating grants and contributions	211,636	-	8,989,944	16,392	9,217,972
Capital grants and contributions	34,763	-	528,313	-	563,076
Total program revenues	246,399	-	10,597,707	31,392	10,875,498
Net revenue (expense)	(720,858)	(171,868)	75,976	(274,332)	(1,091,082)
General revenues					
Property taxes	165,684	15,583	-	273,671	454,938
Unrestricted investment earnings	-	-	4,167	-	4,167
Other revenues and transfers	585,014	403,735	15,396	4,949	1,009,094
Total general revenues	750,698	419,318	19,563	278,620	1,468,199
Change in net position	29,840	247,450	95,539	4,288	377,117
Net position (deficit), beginning of year, as restated	826,583	(3,020,278)	14,293,335	146,363	12,246,003
Net position (deficit), end of year	\$ 856,423	\$ (2,772,828)	\$ 14,388,874	\$ 150,651	\$ 12,623,120

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting entity

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

Blended component unit

City of Inkster Building Authority (the "Building Authority") - The City of Inkster Building Authority is governed by a board which is appointed by the City Council. Its sole purpose is to finance and construct the City's public buildings. The Building Authority has no assets, liabilities, or net position for the year ended June 30, 2019 or financial activity for the year then ended and accordingly is not reported in the current year financial statements.

Discretely presented component units

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

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

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

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Inkster Housing Commission
27441 Lehigh Street
Inkster, Michigan 48141

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

Inkster Commission on Aging
2000 Inkster Road
Inkster, Michigan 48141

Joint ventures

The City is a member of the Nankin Transit Commission, which provides transportation services to the residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,000 for its operations. The City has no definable equity interest in the Nankin Transit Commission at June 30, 2019. 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 (the "Authority"). The City appoints one member to the Authority's governing body which approves the annual budget. The debt of the Authority is being financed through current operations and a property tax millage. The City has recorded an investment related to its share of the net position of the Authority in the government-wide statement of net position. The investment as of June 30, 2019 was a deficit of \$12,460. Complete financial statements of the Authority can be obtained from its administrative office at:

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

Property taxes, franchise fees, intergovernmental revenue, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

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

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

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

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

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

Deposits and investments

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

Investments are reported at fair value.

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

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

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

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."

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

Restricted cash and cash equivalents

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

Inventories and prepaid items

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

Capital assets

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

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

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

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

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Deferred outflows of resources

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

Compensated absences

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

Long-term obligations

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

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

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Property taxes

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

Use of estimates

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

Pensions and other postemployment benefits

For purposes of measuring the net pension liability and total other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

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

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

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, 2019, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance with Finance Budget
General fund			
General government:			
City council	\$ 84,300	\$ 89,327	\$ 5,027
District court	811,275	824,465	13,190
City clerk	225,410	234,193	8,783
Buildings and grounds	790,412	952,608	162,196
Personnel	230,335	233,300	2,965
Public safety:			
Police	4,153,264	4,208,469	55,205
Fire	3,560,230	3,716,819	156,589
Code enforcement	93,900	115,531	21,631
Public works - Department of public works	687,442	708,440	20,998
Other - Insurance and other	1,436,000	1,436,614	614
Debt service - Principal	-	100,413	100,413
Transfers out	125,190	149,109	23,919

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, 2019, is as follows:

Cumulative surplus, beginning of year	\$ 273,505
Building permit revenue	633,657
Related expenses - building inspector	(417,789)
Indirect expenses	<u>(76,307)</u>
Cumulative surplus, end of year	<u>\$ 413,066</u>

Deficit fund balance / net position

The net position deficit 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.

In addition, the City is reporting a deficit of \$215,049 in the Community Development Block Grant fund. As this fund shows a greater amount in deferred inflows, no deficit elimination plan is required to be filed with the State of Michigan.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2019:

	Primary Government	Fiduciary Funds	Component Units	Totals
Cash and cash equivalents	\$ 16,512,824	\$ 848,348	\$ 5,474,832	\$ 22,836,004
Restricted cash and cash equivalents	1,030,712	-	323,110	1,353,822
Investments	-	35,503,405	-	35,503,405
Total	\$ 17,543,536	\$ 36,351,753	\$ 5,797,942	\$ 59,693,231
Deposits and investments				
Demand deposits (checking and savings accounts)				\$ 16,548,268
Deposits held by Wayne County				577,906
Treasurer's investment pool				9,063,418
Investments - pension trust funds				33,503,405
Cash on hand				234
Total				\$ 59,693,231

Bank Deposits and Treasurer's Investment Pool

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2019, \$13,113,037 of the City's total bank balance of \$14,650,087 was exposed to custodial credit risk.

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

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments are held in the name of the City by a counterparty and thus are not exposed to custodial credit risk. Following is a summary of the City's treasurer's investments as of June 30, 2019:

Cash management funds	\$ 52,105
U.S. treasury notes	2,000,000
U.S. government agencies	5,011,313
Total	\$ 7,063,418

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

As of June 30, 2019, all of the City's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's. United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The City's cash management funds were not rated.

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 the treasurers' investments held at year-end are as follows:

No maturity	\$ 52,105
Due within one year	<u>7,011,313</u>
 Total	 <u>\$ 7,063,418</u>

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

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

The City had the following recurring fair value measurements as of June 30, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2019
Investments at fair value:				
U.S. treasury notes	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
U.S. government agencies	-	7,011,313	-	7,011,313
Cash management funds	<u>52,105</u>	<u>-</u>	<u>-</u>	<u>52,105</u>
 Total	 <u>\$ 2,052,105</u>	 <u>\$ 7,011,313</u>	 <u>\$ -</u>	 <u>\$ 9,063,418</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2019:

	Pension Trust Funds
Money market accounts	\$ 909,040
Municipal bonds	7,603,641
Corporate bonds	786,336
International bonds	20,895
International stocks	312,299
Domestic stocks	15,702,097
Real estate securities	191,606
Guaranteed investment contract	9,977,491
	<hr/>
Total	<u>\$ 35,503,405</u>

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

	Pension Trust Funds
S&P AAA/AAAm	\$ 962,119
S&P AA	3,778,049
S&P A	1,531,396
S&P BBB	439,136
S&P BB	10,150
Unrated	28,782,555
	<hr/>
Total	<u>\$ 35,503,405</u>

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

	Pension Trust Funds
No maturity	\$ 22,041,099
Due within one year	5,597,575
Due in 1-5 years	2,481,930
Due in 6-10 years	3,646,842
Due in 11-15 years	1,366,463
Due in more than 15 years	369,496
	<hr/>
Total	<u>\$ 35,503,405</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 mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. The pension trusts' exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Amount
International bonds	\$ 20,895
International stocks	<u>312,299</u>
	<u>\$ 333,193</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, 2019:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 909,040	\$ -	\$ -	\$ 909,040
Municipal bonds	-	7,603,641	-	7,603,641
Corporate bonds	-	786,336	-	786,336
International bonds	-	20,895	-	20,895
International stocks	312,299	-	-	312,299
Domestic stocks	15,702,097	-	-	15,702,097
Real estate securities	191,606	-	-	191,606
Guaranteed investment contract	-	9,977,491	-	9,977,491
Total	<u>\$ 17,115,042</u>	<u>\$ 18,388,363</u>	<u>\$ -</u>	<u>\$ 35,503,405</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 757,607	\$ 5,112,910	\$ 262,737
Due from component unit	94,937	-	-
Allowance for uncollectible amounts	-	(856,128)	-
Due from other governments	1,734,834	-	-
Total receivables	\$ 2,587,378	\$ 4,256,782	\$ 262,737

In governmental funds, deferred inflows of \$819,800 represent amounts that are considered unavailable. Such items are recognized fully in the government-wide statements.

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,043,425	\$ 1,386,529	\$ 115,875
Due to primary government	-	-	94,937
Accrued and other liabilities	339,687	1,949,366	520,452
Due to other governments	1,075,167	-	-
Estimated self-insurance claims payable	1,900,410	-	-
Estimated tax chargeback payable	1,219,866	-	-
Accrued interest on long-term debt	3,287	107,262	115,027
Total payables	\$ 5,581,842	\$ 3,443,157	\$ 846,291

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

Primary government

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 307,195	\$ -	\$ -	\$ -	\$ 307,195
Construction in progress	831,605	-	-	(831,605)	-
	<u>1,138,800</u>	<u>-</u>	<u>-</u>	<u>(831,605)</u>	<u>307,195</u>
Capital assets being depreciated:					
Land improvements	588,289	-	-	-	588,289
Infrastructure	25,800,234	1,814,952	-	731,028	28,346,214
Buildings/improvements	7,669,312	620,009	-	-	8,289,321
Vehicles	6,062,431	769,922	-	-	6,832,353
Machinery and equipment	6,647,273	371,565	-	100,577	7,119,415
	<u>46,767,539</u>	<u>3,576,448</u>	<u>-</u>	<u>831,605</u>	<u>51,175,592</u>
Less accumulated depreciation for:					
Land improvements	(434,664)	(29,411)	-	-	(464,075)
Infrastructure	(13,506,292)	(935,313)	-	-	(14,441,605)
Buildings/improvements	(6,283,787)	(92,787)	-	-	(6,376,574)
Vehicles	(5,116,167)	(256,591)	-	-	(5,372,758)
Machinery and equipment	(5,417,258)	(189,136)	-	-	(5,606,394)
	<u>(30,758,168)</u>	<u>(1,503,238)</u>	<u>-</u>	<u>-</u>	<u>(32,261,406)</u>
Total capital assets being depreciated, net	<u>16,009,371</u>	<u>2,073,210</u>	<u>-</u>	<u>831,605</u>	<u>18,914,186</u>
Governmental activities capital assets, net	<u>\$ 17,148,171</u>	<u>\$ 2,073,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,221,381</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in progress	548,307	32,461	-	(548,307)	32,461
	<u>551,052</u>	<u>32,461</u>	<u>-</u>	<u>(548,307)</u>	<u>35,206</u>
Capital assets being depreciated:					
Buildings/improvements	66,444	-	-	-	66,444
Furniture and equipment	76,515	-	-	-	76,515
Water and sewer distribution systems	65,604,071	1,330,083	-	548,307	67,482,461
Vehicles	241,702	33,769	-	-	275,471
	<u>65,988,732</u>	<u>1,363,852</u>	<u>-</u>	<u>548,307</u>	<u>67,900,891</u>
Less accumulated depreciation for:					
Buildings/improvements	(66,444)	-	-	-	(66,444)
Furniture and equipment	(53,667)	(9,452)	-	-	(63,119)
Water and sewer distribution systems	(21,360,880)	(1,225,786)	-	-	(22,586,666)
Vehicles	(6,043)	(24,170)	-	-	(30,213)
	<u>(21,487,034)</u>	<u>(1,259,408)</u>	<u>-</u>	<u>-</u>	<u>(22,746,442)</u>
Total capital assets being depreciated, net	<u>44,501,698</u>	<u>104,444</u>	<u>-</u>	<u>548,307</u>	<u>45,154,449</u>
Business-type activities capital assets, net	<u>\$ 45,052,750</u>	<u>\$ 136,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,189,655</u>

At June 30, 2019, the City had outstanding construction commitments in business-type activities of \$363,439.

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

Depreciation of governmental activities by function	
General government	\$ 184,460
Public safety	295,772
Public works	934,426
Culture and recreation	88,580
	<u>1,503,238</u>
Total governmental activities	<u>\$ 1,503,238</u>
Depreciation of business-type activities by function	
Water and sewer	<u>\$ 1,259,408</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Discretely presented component units

	Beginning Balance	Additions	Disposals	Ending Balance
Beech Daly TIFA				
Capital assets being depreciated:				
Buildings/improvements	\$ 8,725,614	\$ -	\$ -	\$ 8,725,614
Infrastructure	3,130,000	-	-	3,130,000
Furniture and equipment	332,118	-	-	332,118
	<u>12,187,732</u>	<u>-</u>	<u>-</u>	<u>12,187,732</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,404,835)	(235,018)	-	(1,639,853)
Infrastructure	(2,428,834)	(154,167)	-	(2,583,001)
Furniture and equipment	(136,833)	(11,070)	-	(147,903)
	<u>(3,970,502)</u>	<u>(400,255)</u>	<u>-</u>	<u>(4,370,757)</u>
TIFA capital assets, net	<u>\$ 8,217,230</u>	<u>\$ (400,255)</u>	<u>\$ -</u>	<u>\$ 7,816,975</u>
Housing Commission				
Capital assets not being depreciated -				
Land	\$ 1,891,187	\$ -	\$ -	\$ 1,891,187
Capital assets being depreciated:				
Buildings	50,772,323	261,144	-	51,033,467
Furniture and equipment	1,086,909	94,432	(36,893)	1,144,448
	<u>51,859,232</u>	<u>355,576</u>	<u>(36,893)</u>	<u>52,177,915</u>
Less accumulated depreciation				
	<u>(40,146,101)</u>	<u>(1,734,615)</u>	<u>36,893</u>	<u>(41,843,823)</u>
	<u>11,713,131</u>	<u>(1,379,039)</u>	<u>-</u>	<u>10,334,092</u>
Housing Commission capital assets, net	<u>\$ 13,604,318</u>	<u>\$ (1,379,039)</u>	<u>\$ -</u>	<u>\$ 12,225,279</u>
Commission on Aging				
Capital assets being depreciated:				
Furniture and equipment	\$ 30,907	\$ -	\$ -	\$ 30,907
Vehicles	69,328	42,547	-	111,875
	<u>100,235</u>	<u>42,547</u>	<u>-</u>	<u>142,782</u>
Less accumulated depreciation				
	<u>(31,394)</u>	<u>(10,052)</u>	<u>-</u>	<u>(41,446)</u>
Commission on Aging capital assets, net	<u>\$ 68,841</u>	<u>\$ 32,495</u>	<u>\$ -</u>	<u>\$ 101,336</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

Due from Fund	Due to Fund
	Nonmajor Governmental Funds
General fund	<u>\$ 212,447</u>

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

For the year ended June 30, 2019, interfund transfers are summarized as follows:

Transfers In	Transfers Out
	General Fund
Parks and recreation fund	\$ 125,190
Nonmajor governmental funds	<u>23,919</u>
Totals	<u>\$ 149,109</u>

During the year, \$125,190 and \$23,919 was transferred from the general fund to the parks and recreation fund and miscellaneous grants to support operations, respectively.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Emergency loan	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ -
Installment purchase agreements	130,590	210,945	(100,413)	241,122	105,117
Total installment debt	<u>3,130,590</u>	<u>210,945</u>	<u>(100,413)</u>	<u>3,241,122</u>	<u>105,117</u>
Compensated absences	365,377	(3,792)	-	361,585	90,385
Total governmental activities	<u>\$ 3,495,967</u>	<u>\$ 207,153</u>	<u>\$ (100,413)</u>	<u>\$ 3,602,707</u>	<u>\$ 195,502</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable	\$ 15,200,111	\$ -	\$ (1,070,000)	\$ 14,130,111	\$ 1,110,000
Installment purchase agreements	795,017	33,769	(454,250)	374,536	258,745
Total installment debt	15,995,128	33,769	(1,524,250)	14,504,647	1,368,745
Compensated absences	35,808	-	(3,032)	32,776	3,032
Total business-type activities	\$ 16,030,936	\$ 33,769	\$ (1,527,282)	\$ 14,537,423	\$ 1,371,777
Component units					
Bonds payable	\$ 10,290,000	\$ -	\$ (600,000)	\$ 9,690,000	\$ 645,000
Loan payable	3,292,636	-	(241,479)	3,051,157	254,465
Capital lease	24,467	-	(24,467)	-	-
Installment purchase agreements	640,436	-	(640,436)	-	-
Total installment debt	14,247,539	-	(1,506,382)	12,741,157	899,465
Compensated absences	127,207	-	(119,588)	7,619	-
Total component units	\$ 14,374,746	\$ -	\$ (1,625,970)	\$ 12,748,776	\$ 899,465

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

Business-type activities - bonds payable

2007 General Obligation Unlimited Tax Bonds; \$3,200,000 at issuance; due in annual installments of \$150,000 to \$240,000; interest payable semi-annually at 4.00 to 5.25 percent through March 2026	\$ 1,480,000
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	12,261,586
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>388,525</u>
Total business-type activities bonds payable	<u>\$ 14,130,111</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Component units - bonds payable

2002 Tax Increment Finance Authority Bonds; \$1,375,000 at issuance; due in annual installments of \$95,000 to \$105,000; semi-annually at 4.60 to 5.00 percent through November 2019	\$ 95,000
2006 Tax Increment Finance Authority Bonds; \$1,270,000 at issuance; due in annual installments of \$60,000 to \$100,000; interest payable semi-annually at 4.60 to 5.00 percent through November 2025	595,000
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	2,745,000
2010 Tax Increment Finance Authority General Obligation Bonds; \$7,660,000 at issuance; due in annual installments of \$175,000 to \$590,000; interest payable semi-annually at 5.50 to 8.125 percent through May 2035	<u>6,255,000</u>
Total component units bonds payable	<u>\$ 9,690,000</u>

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

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

	Final Payment Date	Interest Rate	Original Amount	Amount Outstanding
Governmental activities				
2016 Ford E-350 (ambulance)	10/01/2021	2.67%	\$ 132,658	\$ 81,682
2017 Ford Expedition	07/17/2019	6.0%	35,672	11,877
2019 Ford Explorer XLT	10/09/2021	6.45%	33,769	24,522
2019 LED lighting upgrade	07/28/2021	0.0%	177,176	123,041
Total governmental activities			<u>\$ 379,275</u>	<u>\$ 241,122</u>
Business-type activities				
2012 water meter lease	09/26/2019	3.00%	\$ 2,613,068	\$ 205,244
2017 backhoe and tandem axle	11/14/2021	5.20%	241,702	144,773
2019 Ford Explorer XLT	10/09/2021	6.45%	33,769	24,519
Total business-type activities			<u>\$ 2,888,539</u>	<u>\$ 374,536</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2020	\$ 1,110,000	\$ 370,990	\$ 899,465	\$ 831,945
2021	1,140,000	339,753	873,150	781,063
2022	1,170,000	307,528	942,572	727,542
2023	1,200,000	274,528	1,017,770	669,434
2024	1,235,000	240,540	-	-
2025-2029	5,930,000	678,464	5,157,001	2,360,642
2030-2034	2,345,111	58,960	2,691,199	1,096,048
2035-2039	-	-	1,160,000	142,188
Total	\$ 14,130,111	\$ 2,270,763	\$ 12,741,157	\$ 6,608,862

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	
	Principal	Interest	Principal	Interest
2020	\$ 105,117	\$ 13,611	\$ 258,745	\$ 12,188
2021	94,442	11,696	56,379	6,232
2022	341,563	9,530	59,412	3,198
2023	300,000	7,228	-	-
2024	300,000	6,198	-	-
2025-2029	1,500,000	16,292	-	-
2030-2034	600,000	694	-	-
	\$ 3,241,122	\$ 65,249	\$ 374,536	\$ 21,618

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, 2017	\$ 81,505	\$ 399,449	\$ 480,954
Claims incurred and changes in estimates	(4,484)	576,200	571,716
Claim payments	(21,880)	-	(21,880)
Estimated liability, June 30, 2018	55,141	975,649	1,030,790
Claims incurred and changes in estimates	47,578	860,468	908,046
Claim payments	(38,426)	-	(38,426)
Estimated liability, June 30, 2019	<u>\$ 64,293</u>	<u>\$ 1,836,117</u>	<u>\$ 1,900,410</u>

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	\$ -	\$ 909,040	\$ 909,040
Municipal bonds	-	7,603,641	7,603,641
Corporate bonds	-	786,336	786,336
International bonds	-	20,895	20,895
International stocks	-	312,299	312,299
Domestic stocks	-	15,702,097	15,702,097
Real estate securities	-	191,606	191,606
Guaranteed investment contract	9,977,491	-	9,977,491
Total investments	<u>9,977,491</u>	<u>25,525,914</u>	<u>35,503,405</u>
Interest receivable	-	114,860	114,860
Contributions receivable	225,078	72,573	297,651
Due from broker	-	988,337	988,337
Total assets	<u>10,202,569</u>	<u>26,701,684</u>	<u>36,904,253</u>
Liabilities			
Due to broker	-	22,407	22,407
Net position restricted for pension benefits	<u>\$ 10,202,569</u>	<u>\$ 26,679,277</u>	<u>\$ 36,881,846</u>

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	\$ 683,883	\$ 776,368	\$ 1,460,251
Plan members	31,141	148,117	179,258
Total contributions	<u>715,024</u>	<u>924,485</u>	<u>1,639,509</u>
Investment income:			
Interest and dividends	293,304	732,209	1,025,513
Net change in fair value of investments	217,939	1,069,745	1,287,684
Net investment income	<u>511,243</u>	<u>1,801,954</u>	<u>2,313,197</u>
Total additions	<u>1,226,267</u>	<u>2,726,439</u>	<u>3,952,706</u>
Deductions			
Benefit payments	967,263	2,586,627	3,553,890
Administrative expenses	89,992	23,185	113,177
Total deductions	<u>1,057,255</u>	<u>2,609,812</u>	<u>3,667,067</u>
Change in net position	169,012	116,627	285,639
Net position, beginning of year	<u>10,033,557</u>	<u>26,562,650</u>	<u>36,596,207</u>
Net position, end of year	<u>\$ 10,202,569</u>	<u>\$ 26,679,277</u>	<u>\$ 36,881,846</u>

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Primary Government

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

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

Plans membership. Membership of the plans consisted of the following at June 30, 2019:

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2019, the City did not make any contributions to advance-fund the plan.

Discount rate. The discount rate used to measure the total OPEB liability was 3.51 percent. Since the City has made no contributions to advance-fund and there is no net position, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return on OPEB Plan investments until 2019, and discounting with the 20-year AA municipal index bond rate of 3.51 percent thereafter. This projection is done on a closed group basis, per GASB requirements.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation – 3.75 percent

Salary increases – 3.75 percent

Investment rate of return – N/A

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

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

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

Assumption changes for the current year include a decrease in the discount rate.

Total OPEB Liability of the City

The City is not prefunding the plan and the total OPEB liability at June 30, 2019 was \$7,897,934.

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	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2018	\$ 7,851,408	\$ -	\$ 7,851,408
Changes for the year:			
Service cost	61,764	-	61,764
Interest	294,896	-	294,896
Employer contributions	-	591,825	(591,825)
Changes in assumptions	281,691	-	281,691
Benefits payments	(591,825)	(591,825)	-
Net changes	46,526	-	46,526
Balances at June 30, 2019	\$ 7,897,934	\$ -	\$ 7,897,934

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 3.51 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 (2.51 percent) or 1 percentage point higher (4.51 percent) than the current rate:

1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
\$ 8,786,481	\$ 7,897,934	\$ 7,157,712

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, 2019, the City recognized OPEB expense of \$314,925. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between actual and expected experience	\$ -	\$ 61,166	\$ (61,166)
Changes in assumptions	140,846	121,416	19,430
	\$ 140,846	\$ 182,582	\$ (41,736)

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Amount
2020	<u>\$ (41,736)</u>

Payable to the OPEB Plan. At June 30, 2019, the City had no amounts payable for contributions to the OPEB plan.

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

11. CONTINGENCIES

In the normal course of its activities, the City is a party in various legal actions, including property tax assessment appeals, whistleblower protection act, assault and battery, negligence, and breach of contract. The City has recorded a liability of \$1,219,866 in the government-wide statements for an estimated tax chargeback liability.

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

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Plan membership. At June 30, 2019, the date of the latest actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	57
Terminated employees entitled to but not yet receiving benefits	7
Vested active members	<u>14</u>
 Total membership	 <u><u>78</u></u>

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

Contributions. The obligation to contribute to the Plan for these employees was established by City ordinances and state statute, and requires a contribution from the employees of 5.0 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 119.5 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	2.0 percent, average
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rate	2017 IRS Static Mortality Table for Males or Females

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (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%	7.75%
Guaranteed insurance contract	99.0%	4.45%

The actual money-weighted rate of return for the year ended June 30, 2019 was 5.2 percent.

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

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, 2018	\$ 12,583,686	\$ 10,129,510	\$ 2,454,176
Changes for the year:			
Service cost	40,686	-	40,686
Interest	846,572	-	846,572
Differences between expected and actual experience	1,651,749	-	1,651,749
Employer contributions	-	683,883	(683,883)
Employee contributions	-	31,141	(31,141)
Net investment income	-	415,290	(415,290)
Benefit payments, including refunds of employee contributions	(967,263)	(967,263)	-
Administrative expense	-	(89,992)	89,992
Net changes	1,571,744	73,059	1,498,685
Balances at June 30, 2019	\$ 14,155,430	\$ 10,202,569	\$ 3,952,861

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0 percent) or 1 percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
City's net pension liability	\$ 2,885,166	\$ 3,952,861	\$ 5,489,531

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2019, the City recognized pension expense of \$968,596. At June 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,468,898	\$ 278,510
Net difference between projected and actual earnings on pension plan investments	<u>814,664</u>	<u>-</u>
Total	<u>\$ 2,283,562</u>	<u>\$ 278,510</u>

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

Year Ended June 30,	Outflows Amortization	Inflows Amortization
2020	\$ 638,931	\$ 74,368
2021	539,185	74,368
2022	453,801	74,368
2023	336,164	33,768
2024	<u>315,481</u>	<u>21,638</u>
	<u>\$ 2,283,562</u>	<u>\$ 278,510</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 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.

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, 2018, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	72
Vested active members	7
Vested inactive members	<u>48</u>
 Total membership	 <u><u>127</u></u>

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

Contributions. The obligation to contribute to the Plan for these employees was established by City ordinances and state statute and requires a contribution from the employees of 12 percent of gross wages for fire members and 12 percent for Police Command and Non-Union members effective July 1, 2012, and Police Officers 6.53 percent effective July 1, 2005. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 21.36 percent of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.0 - 7.0 percent, average, including inflation
Investment rate of return	7.70 percent, net of pension plan investment expense, including inflation
Mortality rate	RP 2014 Healthy Annuitant Mortality Table

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (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, 2019 was 7.70%.

Discount rate. The discount rate used to measure the total pension liability was 7.38 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 37,062,262	\$ 26,566,944	\$ 10,495,318
Changes for the year:			
Service cost	534,505	-	534,505
Interest	2,655,073	-	2,655,073
Differences between expected and actual experience	68,302	-	68,302
Changes in assumptions	78,848	-	78,848
Employer contributions	-	776,368	(776,368)
Employee contributions	-	148,117	(148,117)
Net investment income	-	1,801,954	(1,801,954)
Benefit payments, including refunds of employee contributions	(2,586,627)	(2,586,627)	-
Other	-	(27,479)	27,479
Net changes	750,101	112,333	637,768
Balances at June 30, 2019	\$ 37,812,363	\$ 26,679,277	\$ 11,133,086

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.38 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 (6.38 percent) or 1 percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount (7.38%)	1% Increase (8.38%)
City's net pension liability	\$ 14,770,979	\$ 11,133,086	\$ 6,928,062

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2019, the City recognized pension expense of \$2,168,657. At June 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 670,360	\$ 216,608
Changes in assumptions	953,650	-
Net difference between projected and actual earnings on pension plan investments	413,115	-
Total	<u>\$ 2,037,125</u>	<u>\$ 216,608</u>

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

Year Ended June 30,	Outflows Amortization	Inflows Amortization
2020	\$ 944,637	\$ 216,608
2021	628,327	-
2022	397,571	-
2023	66,590	-
	<u>\$ 2,037,125</u>	<u>\$ 216,608</u>

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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, 2019.

Housing Commission. The Housing Commission offers a non-mandatory defined contribution retirement plan to all full-time employees with at least one year of service. Participants are required to contribute 3 percent of annual wages. The Housing Commission's contribution to the plan for its fiscal year ended December 31, 2018 was \$53,208.

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 17-year \$1,375,000 general obligation bond issue maturing annually through November 2019, with semiannual interest payments; a refinanced 19-year \$1,270,000 general obligation bond issue maturing annually through November 2025, with semiannual interest payments; and a 25-year \$7,660,000 general obligation bond issue maturing annually through May 2025, with semiannual interest payments. In the event that the 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 \$400,000 on the BRA debt leaving an estimated net present value of \$3.1 million on the guarantee and paid approximately \$517,000 on the TIFA debt leaving an estimated net present value of \$4.6 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	\$ 11,794	\$ -	\$ -	\$ -	\$ -	\$ 11,794
Prepaid items	88,294	-	-	-	-	88,294
	<u>100,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,088</u>
Restricted:						
PA 495 (fire insurance escrow)	33,690	-	-	-	-	33,690
Canine unit	6,050	-	-	-	-	6,050
Construction code fees	413,066	-	-	-	-	413,066
Major and local streets	-	2,784,352	3,826,671	-	-	6,611,023
Rubbish collection	-	-	-	767,092	-	767,092
Parks and recreation	-	-	-	-	210,239	210,239
Public improvement	-	-	-	-	413,927	413,927
Drug law enforcement	-	-	-	-	13,028	13,028
	<u>452,806</u>	<u>2,784,352</u>	<u>3,826,671</u>	<u>767,092</u>	<u>637,194</u>	<u>8,468,115</u>
Assigned for loan repayment	50,000	-	-	-	-	50,000
Unassigned (deficit)	1,266,018	-	-	-	(215,049)	1,050,969
Total fund balances - governmental funds	<u>\$ 1,868,912</u>	<u>\$ 2,784,352</u>	<u>\$ 3,826,671</u>	<u>\$ 767,092</u>	<u>\$ 422,145</u>	<u>\$ 9,669,172</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	\$ 307,195	\$ 35,206	\$ 1,891,187
Capital assets being depreciated, net	18,914,186	45,154,449	18,252,403
	<u>19,221,381</u>	<u>45,189,655</u>	<u>20,143,590</u>
Related debt:			
Total bonds, loans, and other installment debt	3,241,122	14,504,647	12,741,157
Less non-capital related debt	(3,000,000)	-	(2,745,000)
	<u>241,122</u>	<u>14,504,647</u>	<u>9,996,157</u>
Net investment in capital assets	<u>\$ 18,980,259</u>	<u>\$ 30,685,008</u>	<u>\$ 10,147,433</u>

18. RESTATEMENTS

Beginning fund balance of the major streets special revenue fund was restated to record the expenditure and the payable not recorded in the prior year. As a result of this change, fund balance of the major streets special revenue fund was decreased by \$101,166.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Investment Returns

Last Six Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2014	4.11%
6/30/2015	4.40%
6/30/2016	2.30%
6/30/2017	2.90%
6/30/2018	1.20%
6/30/2019	5.20%

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

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

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

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Change in total pension liability						
Service cost	\$ 40,686	\$ 40,686	\$ 53,442	\$ 61,588	\$ 61,588	\$ 77,087
Interest	846,572	863,867	927,069	810,293	872,480	893,856
Differences between expected and actual expense	1,651,749	(151,472)	59,846	93,676	(433,961)	113,605
Benefit payments, including refunds of member contributions	(967,263)	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
Net change in total pension liability	1,571,744	(216,276)	42,167	(28,472)	(574,929)	9,524
Total pension liability, beginning	12,583,686	12,799,962	12,757,795	12,786,267	13,361,196	13,351,672
Total pension liability, ending (a)	14,155,430	12,583,686	12,799,962	12,757,795	12,786,267	13,361,196
Change in plan fiduciary net position						
Contributions - employer	683,883	625,402	539,315	571,495	712,471	686,852
Contributions - member	31,141	31,237	27,591	32,178	40,363	45,385
Net investment income	415,290	143,371	319,446	236,349	475,154	448,782
Benefit payments, including refunds of member contributions	(967,263)	(969,357)	(998,190)	(994,029)	(1,075,036)	(1,075,024)
Administrative expense	(89,992)	(102,593)	(68,401)	(101,880)	-	(74,943)
Net change in plan fiduciary net position	73,059	(271,940)	(180,239)	(255,887)	152,952	31,052
Plan fiduciary net position, beginning	10,129,510	10,401,450	10,581,689	10,837,576	10,684,624	10,653,572
Plan fiduciary net position, ending (b)	10,202,569	10,129,510	10,401,450	10,581,689	10,837,576	10,684,624
City's net pension liability, ending (a)-(b)	\$ 3,952,861	\$ 2,454,176	\$ 2,398,512	\$ 2,176,106	\$ 1,948,691	\$ 2,676,572
Plan fiduciary net position as a percentage of the total pension liability	72%	80%	81%	83%	85%	80%
Covered payroll	\$ 548,062	\$ 523,138	\$ 538,344	\$ 636,501	\$ 676,421	\$ 962,730
City's net pension liability as a percentage of covered payroll	721.2%	469.1%	445.5%	341.9%	288.1%	278.0%

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

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of City Contributions

Last Seven Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 261,676	\$ 261,676	\$ -	\$ 1,501,498	17.4%
6/30/2014	686,852	686,852	-	962,730	71.3%
6/30/2015	712,471	712,471	-	676,421	105.3%
6/30/2016	571,495	571,495	-	636,501	89.8%
6/30/2017	539,315	539,315	-	538,344	100.2%
6/30/2018	625,402	625,402	-	523,138	119.5%
6/30/2019	683,883	683,883	-	548,062	124.8%

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

Notes to Schedule of Contributions

Valuation date	June 30, 2018 (rolled forward to June 30, 2019)
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	26 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	3.0%
Salary increases	2.0%
Investment rate of return	6.0% net of pension plan investment expense, including inflation
Mortality rates	2018 IRS Static Mortality Table for Males or Females

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Policemen and Firemen Retirement System

Schedule of Investment Returns

Last Six Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2014	13.60%
6/30/2015	3.39%
6/30/2016	2.50%
6/30/2017	10.83%
6/30/2018	5.68%
6/30/2019	7.70%

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

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

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

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Change in total pension liability						
Service cost	\$ 534,505	\$ 400,714	\$ 324,282	\$ 309,539	\$ 287,089	\$ 392,000
Interest	2,655,073	2,318,473	2,535,102	2,600,341	2,644,360	2,449,516
Changes of benefit terms	-	-	-	-	969,194	-
Differences between expected and actual expense	68,302	1,108,793	(938,050)	(695,852)	(5,593,083)	2,157,315
Changes of assumptions	78,848	1,589,423	34,145	1,650,656	3,572,676	-
Benefit payments, including refunds of member contributions	(2,586,627)	(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
Net change in total pension liability	750,101	2,857,156	(742,292)	1,438,509	(684,366)	2,541,777
Total pension liability, beginning	37,062,262	34,205,106	34,947,398	33,508,889	34,193,255	31,651,478
Total pension liability, ending (a)	37,812,363	37,062,262	34,205,106	34,947,398	33,508,889	34,193,255
Change in plan fiduciary net position						
Contributions - employer	776,368	684,561	791,347	708,764	442,522	382,606
Contributions - member	148,117	324,048	270,279	252,330	185,840	215,583
Other contributions	-	-	200,951	-	-	-
Net investment income	1,801,954	2,041,442	2,736,122	712,856	744,415	3,253,487
Benefit payments, including refunds of member contributions	(2,586,627)	(2,560,247)	(2,697,771)	(2,426,175)	(2,564,602)	(2,457,054)
Administrative expense	-	-	(418,004)	(206,592)	-	(25,300)
Other	(27,479)	(184,608)	-	-	-	-
Net change in plan fiduciary net position	112,333	305,196	882,924	(958,817)	(1,191,825)	1,369,322
Plan fiduciary net position, beginning	26,566,944	26,261,748	25,378,824	26,337,641	27,520,876	26,151,554
Plan fiduciary net position, ending (b)	26,679,277	26,566,944	26,261,748	25,378,824	26,337,641	27,520,876
City's net pension liability, ending (a)-(b)	\$ 11,133,086	\$ 10,495,318	\$ 7,943,358	\$ 9,568,574	\$ 7,171,248	\$ 6,672,379
Plan fiduciary net position as a percentage of the total pension liability	70.6%	71.7%	76.8%	72.6%	78.6%	80.5%
Covered payroll	\$ 3,206,705	\$ 3,028,903	\$ 2,271,629	\$ 1,864,978	\$ 1,838,533	\$ 2,009,679
City's net pension liability as a percentage of covered payroll	347.2%	346.5%	349.7%	513.1%	390.1%	332.0%

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

CITY OF INKSTER, MICHIGAN

Required Supplementary Information Policemen and Firemen Retirement System Schedule of City Contributions Last Seven Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 399,725	\$ 399,725	\$ -	\$ 3,116,746	12.8%
6/30/2014	382,606	382,606	-	2,009,679	19.0%
6/30/2015	442,522	442,522	-	1,838,533	24.1%
6/30/2016	708,764	708,764	-	1,864,978	38.0%
6/30/2017	791,347	791,347	-	2,271,629	34.8%
6/30/2018	684,561	684,561	-	3,028,903	22.6%
6/30/2019	776,368	776,368	-	3,206,705	24.2%

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

Notes to Schedule of Contributions

Valuation date	June 30, 2018 (rolled forward to June 30, 2019)
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	16 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.0-7.0% including inflation
Investment rate of return	7.38% net of pension plan investment expense, including inflation
Mortality rates	RP 2014 Healthy Annuitant Mortality Table with MP 2017

Changes in assumptions - In 2019, amounts reported as changes in assumptions resulted from a decrease in the discount rate.

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan

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

Last Two Fiscal Years

	Year Ended June 30,	
	2019	2018
Total OPEB liability		
Service cost	\$ 61,764	\$ 83,432
Interest on total OPEB liability	294,896	300,888
Changes in assumptions	281,691	(364,249)
Difference between expected and actual experience	-	(183,497)
Benefit payments	(591,825)	(607,502)
Net change in total OPEB liability	46,526	(770,928)
Total OPEB liability, beginning of year	7,851,408	8,622,336
Total OPEB liability, end of year	<u>\$ 7,897,934</u>	<u>\$ 7,851,408</u>
Covered payroll	\$ 4,780,254	\$ 4,607,474
Total OPEB liability as a percentage of covered payroll	165.2%	170.4%

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

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

**COMBINING FUND FINANCIAL
STATEMENTS**

CITY OF INKSTER, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Assets				
Cash and cash equivalents	\$ 308,727	\$ 100	\$ 392,044	\$ 13,028
Accounts receivable	-	215,218	21,883	-
Total assets	\$ 308,727	\$ 215,318	\$ 413,927	\$ 13,028
Liabilities				
Accounts payable	\$ 93,829	\$ -	\$ -	\$ -
Accrued liabilities and other liabilities	4,659	2,692	-	-
Due to other funds	-	212,447	-	-
Unearned revenue	-	10	-	-
Total liabilities	98,488	215,149	-	-
Deferred inflows of resources				
Unavailable revenue	-	215,218	-	-
Fund balances				
Restricted	210,239	-	413,927	13,028
Unassigned (deficit)	-	(215,049)	-	-
Total fund balances (deficit)	210,239	(215,049)	413,927	13,028
Total liabilities, deferred inflows of resources, and fund balances	\$ 308,727	\$ 215,318	\$ 413,927	\$ 13,028



Special Revenue		
Michigan Indigent Defense Commission	Miscellaneous Grants	Totals
\$ 114,200	\$ -	\$ 828,099
-	-	237,101
<u>\$ 114,200</u>	<u>\$ -</u>	<u>\$ 1,065,200</u>
\$ 3,300	\$ -	\$ 97,129
-	-	7,351
-	-	212,447
<u>110,900</u>	<u>-</u>	<u>110,910</u>
<u>114,200</u>	<u>-</u>	<u>427,837</u>
-	-	215,218
-	-	637,194
<u>-</u>	<u>-</u>	<u>(215,049)</u>
-	-	422,145
<u>\$ 114,200</u>	<u>\$ -</u>	<u>\$ 1,065,200</u>

CITY OF INKSTER, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Special Revenue			
	Parks and Recreation	Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement
Revenues				
Property taxes	\$ 392,409	\$ -	\$ -	\$ -
Intergovernmental	6,607	177,326	-	12,850
Charges for services	55,241	-	-	-
Investment income	1,289	-	-	-
Other	1,551	-	90,340	-
Total revenues	457,097	177,326	90,340	12,850
Expenditures				
Current expenditures:				
Public safety	-	-	-	13,088
Community and economic development	-	93,741	18,051	-
Culture and recreation	641,107	-	-	-
Total expenditures	641,107	93,741	18,051	13,088
Revenues over (under) expenditures	(184,010)	83,585	72,289	(238)
Other financing sources (uses)				
Transfers in	125,190	-	-	-
Net change in fund balances	(58,820)	83,585	72,289	(238)
Fund balances (deficit), beginning of year	269,059	(298,634)	341,638	13,266
Fund balances (deficit), end of year	\$ 210,239	\$ (215,049)	\$ 413,927	\$ 13,028



Special Revenue		
Michigan Indigent Defense Commission	Miscellaneous Grants	Totals
\$ -	\$ -	\$ 392,409
21,139	-	217,922
-	-	55,241
-	-	1,289
-	-	91,891
<u>21,139</u>	<u>-</u>	<u>758,752</u>
21,139	-	34,227
-	-	111,792
-	-	641,107
<u>21,139</u>	<u>-</u>	<u>787,126</u>
-	-	(28,374)
-	23,919	149,109
-	23,919	120,735
-	(23,919)	301,410
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,145</u>

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AGENCY FUNDS

CITY OF INKSTER, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2019

	Escrow Fund	Tax Collection Fund	District Court Trust	Aging Tax Collection	District Court Bond	Total
Assets						
Cash and cash equivalents	\$ 581,254	\$ 11,311	\$ 59,355	\$ 39,809	\$ 156,619	\$ 848,348
Account receivables	-	-	-	-	14,875	14,875
Total assets	<u>\$ 581,254</u>	<u>\$ 11,311</u>	<u>\$ 59,355</u>	<u>\$ 39,809</u>	<u>\$ 171,494</u>	<u>\$ 863,223</u>
Liabilities						
Due to others	<u>\$ 581,254</u>	<u>\$ 11,311</u>	<u>\$ 59,355</u>	<u>\$ 39,809</u>	<u>\$ 171,494</u>	<u>\$ 863,223</u>

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*

February 3, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 3, 2020. Our report includes a reference to other auditors who audited the financial statements of the Inkster Housing Commission and the Inkster Commission on Aging, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-006 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 2019-007 to be a significant deficiency.

Compliance and Other Matters

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

City of Inkster’s Response to Findings

The City’s responses to the findings identified in our audit are described in the accompanying schedule of findings and 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.



CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-001 - Prior Period Adjustment and Payables Audit Adjustments

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

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

Condition. A prior period adjustment was required to decrease beginning fund balance and current year expenditures for an invoice that was not included in accounts payable in the prior year. Before the prior period adjustment, expenditures and beginning equity were overstated by \$101,166 in the major streets special revenue fund. Two disbursements in July 2019 were improperly accrued back to June 30, 2019, requiring an audit adjustment to decrease accounts payable and expenditures in the General Fund by \$85,701.

Cause. The missed payables appear to be an oversight on the City's part.

Effect. The City did not make an accurate cut-off for recording accounts payable in the proper fiscal year, which resulted in additional audit work.

Recommendation. We recommend that the City review payables and record any adjustments in the accounting records.

View of Responsible Officials. City staff improperly accrued two disbursements in the General Fund back to June 30, 2019 which should have remained in fiscal year 2020. We acknowledge this error and concur with this finding.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-002 - Material Audit Adjustments (repeat comment)

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

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

Condition. During the audit, it was determined that complete and correct information was not provided to the actuaries for the general employees' pension plan. This resulted in manual adjustments to agree the net pension liability in the actuary report to the City's records.

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

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

- The net pension liability was overstated by \$97,619, deferred outflows related to the net pension liability was understated by \$68,860, and pension expense was overstated by \$166,479 for governmental activities.

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

View of Responsible Officials. The actuary incorrectly excluded contributions to the pension trust made prior to June 30, 2019 in the valuation. The City's original journal entries to record GASB 68 pension activity were based on the actuarial valuation. Once identified by the auditors, the City made correcting adjustments to properly state the liability, deferred outflows, and pension expense. Management concurs with this finding.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-003 - 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 \$160,000 of outstanding utility billing receivable balances, most of which should be transferred to the tax roll.

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

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

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

View of Responsible Official. The \$160,000 noted above is old activity and may or may not be proper receivables. The City has implemented procedures in recent years to prevent a recurrence of similar problems. The City recognizes and acknowledges the utility billing module requires some adjustments to eliminate these balances if it is determined the balances are in fact inaccurate.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-004 - Internal Controls Over Cash Receipts (repeat comment)

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

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

Condition. We noted that the City had receipts that were 12 days old waiting to be deposited as of June 30, 2019. Considering the City's large amount of cash receipts, this is not considered timely. We also noted two day's cash receipts support packets that could not be provided. Bank reconciliations are done timely, but evidence of independent review was not available.

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

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

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

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

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-005 - Pension and Other Postemployment Benefits (OPEB) Census Data (repeat comment)

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

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

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

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

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

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

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

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

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

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-006 - Timely Report Issuance and Corrective Action Plan for the Prior Year

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 2019 audited financial statements by the state deadline. Additionally, the Corrective Action Plan ("CAP") for the 2018 financial statement findings was not submitted to the State of Michigan in a timely manner resulting in state shared revenue being withheld during the 2019 fiscal year.

Cause. The City does not obtain vital information in a timely fashion, particularly related to pension and OPEB which results in audit delays. The City appears to have misplaced the request from the State of Michigan for a 2018 CAP.

Effect. As a result of this condition, the City was unable to comply with state reporting requirements and received temporarily reduced revenues during the year.

Recommendation. The City should ensure compliance with reporting requirements.

View of Responsible Official. The City has filed the CAP for fiscal year 2018 and will promptly file the CAP for fiscal year 2019 upon completion of this audit. Pension and OPEB valuations will be requested earlier to prevent a recurrence of this finding in fiscal year 2020.

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-007 - Unsupported Liabilities

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

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

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

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

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

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

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

Similarly, the payroll liability is not being relieved for the proper amount upon remittance of cash to the external parties. The City is submitting the correct amount of cash and does not actually owe any of these entities. The correction to this issue will be a journal entry. The City will calculate and post this entry in fiscal year 2020.

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