

CITY OF INKSTER,
MICHIGAN



Year Ended
June 30, 2015

Financial
Statements

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CITY OF INKSTER, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 23, 2015

Honorable Members of the
City Council
City of Inkster
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, 2015, 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 discretely presented component unit, which represent 70 percent, 122 percent and 90 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Inkster Housing Commission, is based solely on the report 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 auditor's 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 19, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of the governmental activities, the business-type activities and the enterprise fund were restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, based on our audit and the procedures performed as described above, 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 November 23, 2015 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

As management of the City of Inkster, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$26,596,295 (*net position*).
- The government's total net position increased by \$6,334,908. This net increase was a combination of a \$4,421,579 increase in governmental activities net position and a \$1,913,329 increase in business-type activities net position.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$5,365,453. This represented an increase of \$3,395,915 in comparison of the prior year.
- The City is currently operating under a consent agreement with the State of Michigan. The agreement contains a variety of financial and operational requirements with the expectation that the accumulated deficits will be eliminated by the end of the five-year period.

Overview of the Financial Statements

This discussion and analysis are 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-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 exceeded liabilities by \$26,596,295 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,844,060	\$ 6,435,327	\$ 8,636,133	\$ 8,315,194	\$16,480,193	\$14,750,521
Capital assets, net	18,805,133	19,295,024	48,295,312	49,543,565	67,100,445	68,838,589
Total assets	26,649,193	25,730,351	56,931,445	57,858,759	83,580,638	83,589,110
Deferred outflows of resources	3,570,530	-	42,422	-	3,612,952	-
Long-term liabilities	5,112,446	6,437,275	21,142,886	23,203,302	26,255,332	29,640,577
Other liabilities	26,306,304	17,361,687	6,796,743	7,085,904	33,103,047	24,447,591
Total liabilities	31,418,750	23,798,962	27,939,629	30,289,206	59,358,379	54,088,168
Deferred inflows of resources	3,900,539	-	76,246	-	3,976,785	-
Net position						
Net investment in capital assets	17,055,069	16,193,618	27,218,518	26,417,838	44,273,587	42,611,456
Restricted	3,762,676	2,787,517	429,768	591,990	4,192,444	3,379,507
Unrestricted (deficit)	(25,917,311)	(17,049,746)	1,309,706	559,725	(24,607,605)	(16,490,021)
Total net position (deficit)	\$ (5,099,566)	\$ 1,931,389	\$28,957,992	\$27,569,553	\$23,858,426	\$29,500,942

By far the largest portion of the City's net position, \$44,273,586, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), 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.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

An additional portion of the City's net position, \$4,192,224 represents resources that are subject to external restriction on how they may be used. The remaining *unrestricted net position* of \$(21,869,515) represents an accumulated deficit.

The government's net position increased by \$6,334,908 during the current fiscal year. This net increase was a combination of an increase of \$4,421,579 in governmental activities and an increase of \$1,913,329 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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 4,023,401	\$ 3,979,814	\$ 11,137,017	\$ 8,909,774	\$15,160,418	\$12,889,588
Operating grants	1,144,588	600,626	-	(309)	1,144,588	600,317
Capital grants	1,659,144	1,890,043	5,098	3,000	1,664,242	1,893,043
General revenues:						
Property taxes	7,396,836	6,819,994	422,826	960,795	7,819,662	7,780,789
State shared revenues	3,407,239	3,292,691	-	-	3,407,239	3,292,691
Gain on sale of capital assets	89,025	11,395	-	-	89,025	11,395
Other revenues	207,423	306,458	-	-	207,423	306,458
Total revenues	17,927,656	16,901,021	11,564,941	9,873,260	29,492,597	26,774,281
Expenses						
General government	3,349,160	3,225,905	-	-	3,349,160	3,225,905
Public safety	5,486,793	3,390,545	-	-	5,486,793	3,390,545
Public works	3,431,766	3,314,173	-	-	3,431,766	3,314,173
Community and economic development	3,203,735	393,480	-	-	3,203,735	393,480
Culture and recreation	538,585	515,193	-	-	538,585	515,193
Interest on long-term debt	106,455	159,028	-	-	106,455	159,028
Waste and wastewater	-	-	9,651,612	9,680,953	9,651,612	9,680,953
Total expenses	16,116,494	10,998,324	9,651,612	9,680,953	25,768,106	20,679,277
Change in net position	1,811,162	5,902,697	1,913,329	192,307	3,724,491	6,095,004
Net position						
Beginning of year:						
As previously stated	1,931,389	(3,971,308)	27,569,553	27,377,246	29,500,942	23,405,938
Restatement for implementation of GASB 68	(8,842,117)	-	(524,890)	-	(9,367,007)	-
Net position, end of year	\$ (5,099,566)	\$ 1,931,389	\$ 28,957,992	\$ 27,569,553	\$ 23,858,426	\$ 29,500,942

Governmental Activities. Governmental activities increased the City's net position by \$4,421,579 thereby accounting for 70% of the total growth in net position of the City. This is primarily the result of significant cuts in expenditures, most notably in general government and public safety. These expenditure cuts are comprised of operational savings.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City's net position by \$1,913,329 accounting for 30% percent of the total growth in the government's net position. This was primarily the result of setting water and sewer rates at a level necessary to allow for operating revenues to exceed operating expenses. As with governmental activities, the enterprise fund was also subject to operational expense cuts within the fiscal year.

Financial Analysis of the Government's Funds

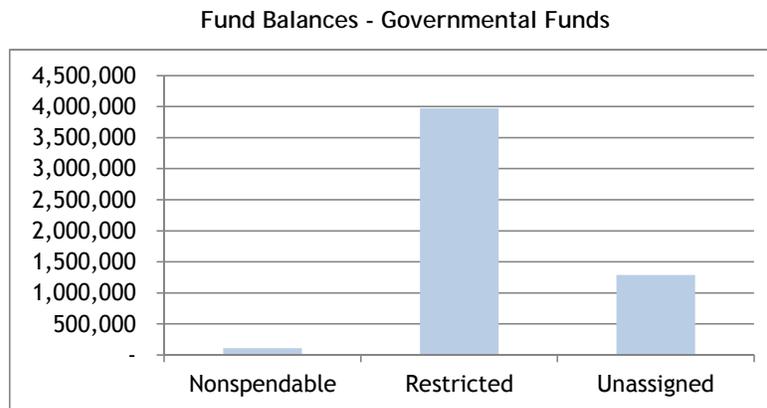
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$5,365,453, an increase of \$3,395,915 in comparison with the prior year. A portion of the fund balance is either nonspendable or restricted by external sources for specific purposes. Unassigned fund balance was \$1,496,130.

General Fund Highlights

The general fund is the chief operating fund of the City. The deficit fund balance of the general fund decreased by \$2,256,064 for the current fiscal year, resulting in unassigned fund balance of \$1,382,310. A chart summarizing the City's fund balances of governmental funds is provided below:



Additional information on fund balance is provided in Note 9 to the financial statements.

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

Expenditure Variance:

- General Fund, Code Enforcement - Additional recurring personnel expenditures were incurred during the normal operations of the department which were in excess of amounts previously anticipated.
- General Fund, Department of Public Works - Additional expenditures were incurred related to blight removal and weed cutting program. These expenditures were initially intended to be grant funded but were not eligible.
- General Fund, Planning - Additional expenditures resulted from the City's contracted planner being required outside of the amount budgeted.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

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, 2015, amounted to \$67,100,445 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvement and systems, machinery and equipment, and office furnishings.

Major capital asset events during the current fiscal year included the following:

- The increase in construction in progress is a result of the City entering phase II of the Greenway Bike path project.
- Following an additional review of City vehicle fleet inventory, excess vehicles were sold or scrapped. In addition, a grant funded Fire apparatus was purchased during the fiscal year.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 307,195	\$ 307,195	\$ 2,745	\$ 2,745	\$ 309,940	\$ 309,940
Construction in progress	22,585	-	354,900	354,900	377,485	354,900
Land improvements	380,557	409,972	-	-	380,557	409,972
Infrastructure	14,845,835	15,720,396	-	-	14,845,835	15,720,396
Buildings/improvements	1,527,706	1,445,757	-	-	1,527,706	1,445,757
Vehicles	1,229,065	761,086	29,584	29,443	1,258,649	790,529
Machinery/equipment	492,190	650,618	47,908,083	49,156,477	48,400,273	49,807,095
Total capital assets, net	\$ 18,805,133	\$ 19,295,024	\$ 48,295,312	\$ 49,543,565	\$ 67,100,445	\$ 68,838,589

Additional information on the City's capital assets can be found in the footnotes.

Long-term Debt. The City's long-term debt totaled \$26,255,332. This amount includes bonds payable, an emergency loan from the State of Michigan, installment purchase agreements, and compensated absences (earned but unused sick and vacation time).

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ 1,715,000	\$ 3,005,000	\$ 19,335,111	\$ 21,027,687	\$ 21,050,111	\$ 24,032,687
Emergency loan	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Installment purchase agreements	35,064	96,406	1,741,683	2,098,040	1,776,747	2,194,446
Compensated absences	362,382	335,869	66,092	77,575	428,474	413,444
Total long-term debt	\$ 5,112,446	\$ 6,437,275	\$ 21,142,886	\$ 23,203,302	\$ 26,255,332	\$ 29,640,577

Additional information on the City's long-term debt can be found in the footnotes.

CITY OF INKSTER, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The fiscal year 2016 General Fund budget anticipates revenues in excess of expenditures by approximately \$.672 million dollars as we continue to progress toward achieving the General Fund fund balance policy target of 10-15% of expenditures. In addition to the focus on the financial condition, attention is now turning to growing the community. A neighborhood revitalization program is underway to grow the tax base, address blight and reduce crime. The "Reinventing Inkster" initiative is underway to grow the local economy. The City Master Plan updating process will begin this fiscal year. Discussions are underway with developers to improve housing stock. The City, in partnership with the Michigan State Housing Redevelopment Authority, was awarded \$3 million in grant funding in FY 2015 to demolish approximately 120 dilapidated residential structures. Demolition will commence during FY 2016. Water and sewer rates will remain higher than desired as the financial condition of this fund continues to be moderately stressed.

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's 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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,061,946	\$ 3,492,897	\$ 8,554,843	\$ 2,938,399
Restricted cash and cash equivalents	-	429,768	429,768	233,864
Receivables, net	2,586,258	4,650,879	7,237,137	16,058
Inventories, prepaid items and other assets	195,856	62,589	258,445	7,407
Capital assets not being depreciated	329,780	357,645	687,425	1,891,187
Capital assets being depreciated, net	18,475,353	47,937,667	66,413,020	25,896,074
Total assets	26,649,193	56,931,445	83,580,638	30,982,989
Deferred outflows of resources				
Deferred pension amounts	3,570,530	42,422	3,612,952	-
Liabilities				
Accounts payable and accrued expenses	3,137,831	5,800,763	8,938,594	470,877
Unearned revenue	2,101	-	2,101	-
Long-term debt:				
Due within one year	1,260,659	2,453,650	3,714,309	1,323,857
Due in more than one year	3,851,787	18,689,236	22,541,023	17,128,756
Debt guarantee - component unit	6,238,401	-	6,238,401	-
Other noncurrent liabilities:				
Net pension liability	8,692,803	379,315	9,072,118	-
Net other postemployment benefits	8,235,168	616,665	8,851,833	334,699
Total liabilities	31,418,750	27,939,629	59,358,379	19,258,189
Deferred inflows of resources				
Deferred pension amounts	3,900,539	76,246	3,976,785	-
Net position				
Net investment in capital assets	17,055,069	27,218,518	44,273,587	13,005,833
Restricted for:				
Major and local streets	3,558,129	-	3,558,129	-
Drug law enforcement	204,547	-	204,547	-
Capital projects	-	429,768	429,768	-
Housing assistance	-	-	-	233,864
Unrestricted (deficit)	(25,917,311)	1,309,706	(24,607,605)	(1,514,897)
Total net position (deficit)	\$ (5,099,566)	\$ 28,957,992	\$ 23,858,426	\$ 11,724,800

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

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 3,349,160	\$ 1,285,077	\$ 64,089	\$ -	\$ (1,999,994)
Public safety	5,486,793	1,564,394	692,222	-	(3,230,177)
Public works	3,431,766	1,166,887	64,742	1,669,517	(530,620)
Community and economic development	3,203,735	(98,607)	263,556	-	(3,038,786)
Culture and recreation	538,585	105,650	59,979	(10,373)	(383,329)
Interest on long-term debt	106,455	-	-	-	(106,455)
Total governmental activities	16,116,494	4,023,401	1,144,588	1,659,144	(9,289,361)
Business-type activities:					
Water and sewer	9,651,612	11,137,017	-	5,098	1,490,503
Total primary government	\$ 25,768,106	\$ 15,160,418	\$ 1,144,588	\$ 1,664,242	\$ (7,798,858)
Component units					
Tax Increment Finance Authority	\$ 1,071,729	\$ -	\$ 226,857	\$ 57,369	\$ (787,503)
Brownfield Redevelopment Authority	220,169	-	334,090	-	113,921
Housing Commission	10,862,658	1,019,961	8,628,721	569,382	(644,594)
Total component units	\$ 12,154,556	\$ 1,019,961	\$ 9,189,668	\$ 626,751	\$ (1,318,176)

continued...

CITY OF INKSTER, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (9,289,361)	\$ 1,490,503	\$ (7,798,858)	\$ (1,318,176)
General revenues:				
Property taxes	7,396,836	422,826	7,819,662	485,853
State revenue sharing	3,407,239	-	3,407,239	-
Unrestricted investment earnings	-	-	-	240
Gain on sale of capital assets	89,025	-	89,025	-
Other revenues	207,423	-	207,423	123,347
Total general revenues	11,100,523	422,826	11,523,349	609,440
Change in net position	1,811,162	1,913,329	3,724,491	(708,736)
Net position (deficit), beginning of year, as restated	(6,910,728)	27,044,663	20,133,935	12,433,536
Net position (deficit), end of year	\$ (5,099,566)	\$ 28,957,992	\$ 23,858,426	\$ 11,724,800

concluded.

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

CITY OF INKSTER, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,612,094	\$ 2,449,852	\$ 5,061,946
Accounts receivable, net	297,035	120,454	417,489
Due from other funds	207,345	991,271	1,198,616
Due from other governments	1,320,740	848,029	2,168,769
Inventories	16,803	-	16,803
Prepaid items	89,844	220	90,064
Total assets	\$ 4,543,861	\$ 4,409,826	\$ 8,953,687
Liabilities			
Accounts payable	\$ 861,263	\$ 231,401	\$ 1,092,664
Accrued and other liabilities	82,959	4,383	87,342
Due to other funds	991,271	207,345	1,198,616
Due to other governments	1,066,137	-	1,066,137
Unearned revenue	-	2,101	2,101
Total liabilities	3,001,630	445,230	3,446,860
Deferred inflows of resources			
Unavailable revenue	53,274	88,100	141,374
Fund balances			
Nonspendable	106,647	220	106,867
Restricted	-	3,973,040	3,973,040
Unassigned (deficit)	1,382,310	(96,764)	1,285,546
Total fund balances	1,488,957	3,876,496	5,365,453
Total liabilities, deferred inflows of resources and fund balances	\$ 4,543,861	\$ 4,409,826	\$ 8,953,687

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, 2015

Fund balances - total governmental funds	\$ 5,365,453
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	329,780
Capital assets being depreciated, net	18,475,353
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	141,374
Investment in joint venture	88,989
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	(4,750,064)
Accrued interest on long-term debt	(23,728)
Estimated self-insurance claims payable	(867,960)
Net other postemployment benefits obligation	(8,235,168)
Debt guarantee - component unit	(6,238,401)
Compensated absences	(362,382)
Certain pension-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	(8,692,803)
Deferred outflows related to the net pension liability	3,570,530
Deferred inflows related to the net pension liability	(3,900,539)
Net position of governmental activities	<u>\$ (5,099,566)</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, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 5,211,458	\$ 2,185,378	\$ 7,396,836
Licenses and permits	801,672	-	801,672
Intergovernmental	4,424,111	1,989,902	6,414,013
Charges for services	1,159,376	1,110,540	2,269,916
Fines and forfeitures	842,685	-	842,685
Refunds and reimbursements	1,283,765	-	1,283,765
Other	40,632	130,213	170,845
Total revenues	13,763,699	5,416,033	19,179,732
Expenditures			
Current expenditures:			
General government	4,072,691	-	4,072,691
Public safety	5,648,820	82,939	5,731,759
Public works	669,988	1,997,300	2,667,288
Community and economic development	540,287	218,058	758,345
Culture and recreation	-	573,314	573,314
Other	587,995	-	587,995
Debt service:			
Principal	61,341	1,290,000	1,351,341
Interest and fiscal charges	7,851	122,258	130,109
Total expenditures	11,588,973	4,283,869	15,872,842
Revenues over expenditures	2,174,726	1,132,164	3,306,890
Other financing sources (uses)			
Proceeds from sale of capital assets	89,025	-	89,025
Transfers in	-	531,746	531,746
Transfers out	(7,687)	(524,059)	(531,746)
Total other financing sources (uses)	81,338	7,687	89,025
Net change in fund balances	2,256,064	1,139,851	3,395,915
Fund balances (deficit), beginning of year	(767,107)	2,736,645	1,969,538
Fund balances, end of year	\$ 1,488,957	\$ 3,876,496	\$ 5,365,453

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, 2015

Net change in fund balances - total governmental funds	\$ 3,395,915
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased / constructed	966,261
Depreciation expense	(1,456,152)
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 long-term receivable	(245,280)
Change in investment in joint venture	86,082
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	1,351,341
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	19,029
Change in the liability for estimated self-insurance claims	215,321
Change in net pension asset	(255,163)
Change in net other postemployment benefits obligation	225,737
Change in debt guarantee - component unit	(2,465,417)
Change in the accrual for compensated absences	(26,512)
Change in net position of governmental activities	<u>\$ 1,811,162</u>

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

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,536,620	\$ 4,757,800	\$ 5,211,458	\$ 453,658
Licenses and permits	615,295	851,050	801,672	(49,378)
Intergovernmental	3,671,720	4,470,960	4,424,111	(46,849)
Charges for services	1,040,230	1,107,590	1,159,376	51,786
Fines and forfeitures	903,000	841,430	842,685	1,255
Refunds and reimbursements	1,134,100	1,243,490	1,283,765	40,275
Other	63,300	80,145	40,632	(39,513)
Total revenues	11,964,265	13,352,465	13,763,699	411,234
Expenditures				
General government:				
City council	66,450	76,170	71,337	(4,833)
District court	780,900	771,690	735,403	(36,287)
City manager	265,350	315,350	306,829	(8,521)
City clerk	201,500	207,755	177,130	(30,625)
Information technology	238,330	309,010	301,542	(7,468)
Treasury	569,900	713,805	671,041	(42,764)
Buildings and grounds	927,500	849,720	622,763	(226,957)
City attorney	676,550	948,350	935,772	(12,578)
Personnel	365,300	353,610	250,874	(102,736)
Total general government	4,091,780	4,545,460	4,072,691	(472,769)
Public safety:				
Police administration	3,323,800	3,260,695	3,013,640	(247,055)
Fire	1,469,900	2,180,353	2,121,931	(58,422)
Building	440,500	494,985	473,336	(21,649)
Code enforcement	37,600	39,200	39,913	713
Total public safety	5,271,800	5,975,233	5,648,820	(326,413)

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CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Public works -				
Department of public works	\$ 648,300	\$ 631,800	\$ 669,988	\$ 38,188
Community and economic development:				
Planning	63,700	88,250	102,187	13,937
Economic development	-	112,800	104,010	(8,790)
Appropriation to Brownfield Redevelopment Authority	324,620	334,620	334,090	(530)
Total community and economic development	388,320	535,670	540,287	4,617
Other -				
Insurance and other	658,100	803,430	587,995	(215,435)
Debt service:				
Principal	61,294	61,341	61,341	-
Interest and fiscal charges	8,206	7,851	7,851	-
Total debt service	69,500	69,192	69,192	-
Total expenditures	11,127,800	12,560,785	11,588,973	(971,812)
Revenues over expenditures	836,465	791,680	2,174,726	1,383,046
Other financing sources (uses)				
Proceeds from sale of capital assets	35,000	88,420	89,025	605
Transfers out	(7,000)	(8,120)	(7,687)	433
Total other financing sources (uses)	28,000	80,300	81,338	1,038
Net change in fund balance	864,465	871,980	2,256,064	1,384,084
Fund balance (deficit), beginning	(767,107)	(767,107)	(767,107)	-
Fund balance, end of year	\$ 97,358	\$ 104,873	\$ 1,488,957	\$ 1,384,084

concluded.

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Proprietary Fund

June 30, 2015

	Business-type Activities
	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,492,897
Accounts receivable, net	3,206,026
Due from other governments	1,444,853
Inventories	61,596
Prepaid items	993
Total current assets	<u>8,206,365</u>
Noncurrent assets:	
Restricted cash and cash equivalents	429,768
Capital assets not being depreciated	357,645
Capital assets being depreciated, net	47,937,667
Total noncurrent assets	<u>48,725,080</u>
Total assets	<u>56,931,445</u>
Deferred outflows of resources	
Deferred pension amounts	<u>42,422</u>
Liabilities	
Current liabilities:	
Accounts payable	5,637,310
Accrued liabilities	10,563
Accrued interest payable	152,890
Long-term debt, current portion	2,453,650
Total current liabilities	<u>8,254,413</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	18,689,236
Net pension liability	379,315
Net other postemployment benefits obligation	616,665
Total noncurrent liabilities	<u>19,685,216</u>
Total liabilities	<u>27,939,629</u>
Deferred inflows of resources	
Deferred pension amounts	<u>76,246</u>
Net position	
Net investment in capital assets	27,218,518
Restricted for capital projects	429,768
Unrestricted	1,309,706
Total net position	<u>\$ 28,957,992</u>

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

CITY OF INKSTER, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2015

	Business-type Activities
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 10,133,283
Other	1,003,734
	<hr/>
Total operating revenues	11,137,017
	<hr/>
Operating expenses	
Cost of water	1,692,604
Cost of sewage disposal	3,100,284
Wages and fringes	586,216
Operating supplies	176,078
Contractual services	885,879
Repairs and maintenance	816,888
Insurance, claims and other	513,324
Depreciation	1,248,254
	<hr/>
Total operating expenses	9,019,527
	<hr/>
Operating income	2,117,490
	<hr/>
Nonoperating revenues (expenses)	
Intergovernmental revenue	5,098
Interest expense	(632,085)
Property taxes	422,826
	<hr/>
Total nonoperating revenues (expenses)	(204,161)
	<hr/>
Change in net position	1,913,329
	<hr/>
Net position, beginning of year	27,044,663
	<hr/>
Net position, end of year	\$ 28,957,992
	<hr/> <hr/>

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, 2015

	Business-type Activities
	Water and Sewer Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 12,665,119
Payments to suppliers for goods and services	(7,630,254)
Payments to employees for services	(679,264)
	<hr/>
Net cash provided by operating activities	4,355,601
	<hr/>
Cash flows from capital and related financing activities	
Principal paid on debt	(2,461,357)
Interest paid on debt	(1,876,230)
	<hr/>
Net cash used by capital and related financing activities	(4,337,587)
	<hr/>
Cash flows from noncapital and related financing activities	
Property taxes received	422,826
Grant funds received	5,098
	<hr/>
Net cash flows provided noncapital and and related financing activities	427,924
	<hr/>
Net change in cash and cash equivalents	445,938
	<hr/>
Cash and cash equivalents, beginning of year	3,476,727
	<hr/>
Cash and cash equivalents, end of year	\$ 3,922,665
	<hr/> <hr/>
Cash and cash equivalents as presented in the statement of net position	
Cash and cash equivalents	\$ 3,492,897
Restricted cash and cash equivalents	429,768
	<hr/>
Total cash and cash equivalents	\$ 3,922,665
	<hr/> <hr/>

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CITY OF INKSTER, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2015

	Business-type Activities
	Water and Sewer Fund
Reconciliation of operating income to cash provided by operating activities	
Operating income	\$ 2,117,490
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,248,254
Changes in assets and liabilities:	
Accounts receivable	1,528,102
Inventories	126,128
Accounts payable	(571,325)
Accrued liabilities	(50,022)
Compensated absences	(11,484)
Net other postemployment benefits obligation	(31,542)
Net cash provided by operating activities	<u>\$ 4,355,601</u>

concluded.

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

CITY OF INKSTER, MICHIGAN

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Pension Trust Funds	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 459,156
Money market accounts	594,074	-
U.S. government agencies	41,931	-
Municipal bonds	7,138,615	-
Corporate bonds	1,563,725	-
International bonds	72,871	-
International stocks	92,884	-
Domestic stocks	16,450,495	-
Real estate securities	116,488	-
Guaranteed investment contract	10,820,750	-
Interest receivable	214,717	-
Contributions receivable	80,634	-
Other receivables	-	11,877
Due from broker	5,908	-
Total assets	<u>37,193,092</u>	<u>\$ 471,033</u>
Liabilities		
Due to broker	17,875	\$ -
Due to others	-	471,033
Total liabilities	<u>17,875</u>	<u>\$ 471,033</u>
Net position restricted for pension benefits	<u>\$ 37,175,217</u>	

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

CITY OF INKSTER, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

	Pension Trust Funds
Additions	
Contributions:	
Employer:	
Wage-based contributions	\$ 1,154,993
Plan members	235,127
Total contributions	<u>1,390,120</u>
Investment income:	
Interest and dividends	1,188,243
Net change in fair value of investments	117,929
Total investment income	<u>1,306,172</u>
Total additions	<u>2,696,292</u>
Deductions	
Benefit payments	3,544,911
Administrative expenses	332,287
Total deductions	<u>3,877,198</u>
Change in net position	(1,180,906)
Net position restricted for pension benefits:	
Beginning of year	<u>38,356,123</u>
End of year	<u><u>\$ 37,175,217</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, 2015

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Total
Assets				
Cash and cash equivalents	\$ 652	\$ -	\$ 2,937,747	\$ 2,938,399
Restricted cash and cash equivalents	-	-	233,864	233,864
Accounts receivable	-	-	16,058	16,058
Prepays	-	-	7,407	7,407
Capital assets not being depreciated	-	-	1,891,187	1,891,187
Capital assets being depreciated, net	9,417,997	-	16,478,077	25,896,074
Total assets	9,418,649	-	21,564,340	30,982,989
Liabilities				
Accounts payable	178	-	80,145	80,323
Accrued liabilities	-	-	254,364	254,364
Accrued interest payable	100,062	36,128	-	136,190
Long-term debt:				
Due within one year	340,000	170,000	813,857	1,323,857
Due in more than one year	7,980,000	3,405,000	5,743,756	17,128,756
Net other postemployment benefits obligation	-	-	334,699	334,699
Total liabilities	8,420,240	3,611,128	7,226,821	19,258,189
Net position				
Net investment in capital assets	1,097,997	-	11,907,837	13,005,834
Restricted for housing assistance	-	-	233,864	233,864
Unrestricted (deficit)	(99,588)	(3,611,128)	2,195,818	(1,514,898)
Total net position (deficit)	\$ 998,409	\$ (3,611,128)	\$ 14,337,519	\$ 11,724,800

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, 2015

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Housing Commission	Total
Expenses				
Community and economic development	\$ 1,071,729	\$ 220,169	\$ -	\$ 1,291,898
Housing assistance	-	-	10,862,658	10,862,658
Total expenses	1,071,729	220,169	10,862,658	12,154,556
Program revenues				
Charges for services	-	-	1,019,961	1,019,961
Operating grants and contributions	226,857	334,090	8,628,721	9,189,668
Capital grants and contributions	57,369	-	569,382	626,751
Total program revenues	284,226	334,090	10,218,064	10,836,380
Net (expense) revenue	(787,503)	113,921	(644,594)	(1,318,176)
General revenues				
Property taxes	453,324	32,529	-	485,853
Unrestricted investment earnings	1	-	239	240
Other revenues	56,811	-	66,536	123,347
Total general revenues	510,136	32,529	66,775	609,440
Change in net position	(277,367)	146,450	(577,819)	(708,736)
Net position (deficit), beginning of year	1,275,776	(3,757,578)	14,915,338	12,433,536
Net position (deficit), end of year	\$ 998,409	\$ (3,611,128)	\$ 14,337,519	\$ 11,724,800

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 appointed City Manager. 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 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, 2015 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 9-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 does not issue separate financial statements.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Inkster Housing Commission - The Housing Commission 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 ended 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

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, 2015. 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, 2015 amounted to \$88,989. 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

Government-wide and fund financial statements

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Additionally, the City reports the following fund types:

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

The *agency fund* accounts 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 and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and investments

The City'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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

Receivables and payables

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

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

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

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, prepaid items and other assets

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Other assets include amounts incurred in issuance of bonds payable. Such costs are recorded as an asset and amortized using the straight-line method over the life of the related bonds.

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 fair 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

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, assumption, 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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.

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 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 no *assigned fund balance* as the City Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund or for any fund in a deficit position.

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

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

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

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

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended June 30, 2015, 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			
Public safety -			
Code enforcement	\$ 39,200	\$ 39,913	\$ 713
Public works - department of public works	631,800	669,988	38,188
Community and economic development - planning	88,250	102,187	13,937

Deficit fund balance / net position

At June 30, 2015, the City reported deficit fund balance of \$8,663 in the rubbish collection special revenue fund. Also, the community development block grant and miscellaneous grant special revenue funds report fund deficits of \$69,188 and \$18,913, respectively; however, State policy provides that these are not considered fund deficits since the deferred inflow of resources exceeds the fund balances in both of these funds at year end.

The net position deficit in the Brownfield Redevelopment Authority 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

It should be noted that the City is operating under a consent agreement with the State of Michigan to eliminate its various fund balance/net position deficits. The consent agreement contains various fiscal, budgetary and other compliance requirements. The agreement will remain in effect until, among other conditions, no funds are in a deficit position.

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, 2015, is as follows:

Cumulative surplus (shortfall), beginning of year,	\$ (277,457)
Building permit revenue	744,102
Related expenses - building inspector	<u>(473,335)</u>
Cumulative surplus (shortfall), end of year	<u>\$ (6,690)</u>

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2015:

	Primary Government	Fiduciary Funds	Component Units	Totals
Cash and cash equivalents	\$ 8,554,843	\$ 459,156	\$ 2,938,399	\$ 11,952,398
Restricted cash and cash equivalents	429,768	-	233,864	663,632
Investments	-	36,891,833	-	36,891,833
Total	<u>\$ 8,984,611</u>	<u>\$ 37,350,989</u>	<u>\$ 3,172,263</u>	<u>\$ 49,507,863</u>
Deposits and investments				
Demand deposits (checking/savings accounts)				\$ 12,185,597
Deposits held with others				429,768
Investments - pension trust funds				36,891,833
Cash on hand				<u>665</u>
Total				<u>\$ 49,507,863</u>

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2015, \$11,580,965 of the City's total bank balance of \$12,200,282 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.

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Notes to Financial Statements

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 investments as of June 30, 2015:

	Pension Trust Funds
Money market accounts	\$ 594,074
U.S. government agencies	41,931
Municipal bonds	7,138,615
Corporate bonds	1,563,725
International bonds	72,871
International stocks	92,884
Domestic stocks	16,450,495
Real estate securities	116,488
Guaranteed investment contract	<u>10,820,750</u>
 Total investments	 <u>\$ 36,891,833</u>

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

	Pension Trust Funds
S&P AAA/AAAm	\$ 962,678
S&P AA	4,043,038
S&P A	1,529,766
S&P BBB	762,233
S&P BB	239,310
Not subject to credit risk	10,820,749
Unrated	<u>18,534,059</u>
 Total investments	 <u>\$ 36,891,833</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:

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Pension Trust Funds
No maturity	\$ 28,074,691
Due within one year	482,059
Due in 1-5 years	2,974,325
Due in 6-10 years	3,045,898
Due in 11-15 years	2,199,861
Due in more than 15 years	<u>114,999</u>
Total investments	<u>\$ 36,891,833</u>

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. The City's exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Amount
International bonds	\$ 72,871
International stocks	<u>92,884</u>
	<u>\$ 165,755</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. All investments held at year end are listed above.

4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts receivable	\$ 461,489	\$ 3,999,426	\$ -	\$ 16,058
Allowance for uncollectible amounts	(44,000)	(793,400)	-	-
Contributions receivable	-	-	80,634	-
Interest receivable	-	-	214,717	-
Due from other governments	2,168,769	1,444,853	11,877	-
Due from broker	-	-	5,908	-
Total receivables	<u>\$ 2,586,258</u>	<u>\$ 4,650,879</u>	<u>\$ 313,136</u>	<u>\$ 16,058</u>

In governmental funds, deferred inflows of \$141,374 represent amounts that are considered unavailable. Such items are recognized fully in the government-wide statements.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts payable	\$ 1,092,664	\$ 5,637,310	\$ -	\$ 80,323
Accrued and other liabilities	87,342	10,563	-	254,364
Due to other governments	1,066,137	-	-	-
Estimated claims liability	867,960	-	-	-
Accrued interest on long-term debt	23,728	152,890	-	136,190
Due to broker	-	-	17,875	-
Due to others	-	-	471,033	-
Total payables	\$ 3,137,831	\$ 5,800,763	\$ 488,908	\$ 470,877

5. CAPITAL ASSETS

Primary government

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 307,195	\$ -	\$ -	\$ 307,195
Construction in progress	-	22,585	-	22,585
	<u>307,195</u>	<u>22,585</u>	<u>-</u>	<u>329,780</u>
Capital assets being depreciated:				
Land improvements	588,289	-	-	588,289
Infrastructure	25,728,942	-	-	25,728,942
Buildings/improvements	7,441,983	183,325	-	7,625,308
Vehicles	5,920,319	753,000	(810,000)	5,863,319
Machinery and equipment	5,387,698	7,351	-	5,395,049
	<u>45,067,231</u>	<u>943,676</u>	<u>(810,000)</u>	<u>45,200,907</u>
Less accumulated depreciation for:				
Land improvements	(178,317)	(29,415)	-	(207,732)
Infrastructure	(10,008,546)	(874,561)	-	(10,883,107)
Buildings/improvements	(5,996,226)	(101,376)	-	(6,097,602)
Vehicles	(5,159,233)	(285,021)	810,000	(4,634,254)
Machinery and equipment	(4,737,080)	(165,779)	-	(4,902,859)
	<u>(26,079,402)</u>	<u>(1,456,152)</u>	<u>810,000</u>	<u>(26,725,554)</u>
Total capital assets being depreciated, net	<u>18,987,829</u>	<u>(512,476)</u>	<u>-</u>	<u>18,475,353</u>
Governmental activities capital assets, net	\$ 19,295,024	\$ (489,891)	\$ -	\$ 18,805,133

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 2,745	\$ -	\$ -	\$ 2,745
Construction in progress	354,900	-	-	354,900
	<u>357,645</u>	<u>-</u>	<u>-</u>	<u>357,645</u>
Capital assets being depreciated:				
Buildings/improvements	66,444	-	-	66,444
Furniture and equipment	69,086	-	-	69,086
Water and sewer distribution systems	65,604,071	-	-	65,604,071
	<u>65,739,601</u>	<u>-</u>	<u>-</u>	<u>65,739,601</u>
Less accumulated depreciation for:				
Buildings/improvements	(66,444)	-	-	(66,444)
Furniture and equipment	(35,295)	(4,207)	-	(39,502)
Water and sewer distribution systems	(16,451,941)	(1,244,047)	-	(17,695,988)
	<u>(16,553,680)</u>	<u>(1,248,254)</u>	<u>-</u>	<u>(17,801,934)</u>
Total capital assets being depreciated, net	<u>49,185,921</u>	<u>(1,248,254)</u>	<u>-</u>	<u>47,937,667</u>
Business-type activities capital assets, net	<u>\$ 49,543,566</u>	<u>\$ (1,248,254)</u>	<u>\$ -</u>	<u>\$ 48,295,312</u>

At June 30, 2015, the City had outstanding construction commitments in business-type activities of \$60,900.

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

Depreciation of governmental activities by function	
General government	\$ 399,862
Public safety	98,127
Public works	880,928
Culture and recreation	77,235
	<u>1,456,152</u>
Total governmental activities	<u>\$ 1,456,152</u>
Depreciation of business-type activities by function	
Water and sewer	<u>\$ 1,248,254</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Discretely presented component units

	Beginning Balance	Additions	Disposals	Ending Balance
Beech Daly Tax Increment Financing Authority				
Capital assets being depreciated:				
Buildings/improvements	\$ 8,725,614	\$ -	\$ -	\$ 8,725,614
Infrastructure	3,130,000	-	-	3,130,000
Furniture and equipment	303,763	28,355	-	332,118
	<u>12,159,377</u>	<u>28,355</u>	<u>-</u>	<u>12,187,732</u>
Less accumulated depreciation for:				
Buildings/improvements	(548,515)	(151,265)	-	(699,780)
Infrastructure	(1,812,166)	(154,167)	-	(1,966,333)
Furniture and equipment	(92,551)	(11,071)	-	(103,622)
	<u>(2,453,232)</u>	<u>(316,503)</u>	<u>-</u>	<u>(2,769,735)</u>
TIFA capital assets, net	<u>\$ 9,706,145</u>	<u>\$ (288,148)</u>	<u>\$ -</u>	<u>\$ 9,417,997</u>
Housing Commission				
Capital assets not being depreciated - Land	\$ 1,891,187	\$ -	\$ -	\$ 1,891,187
Capital assets being depreciated:				
Buildings	49,932,907	259,584	-	50,192,491
Furniture and equipment	981,140	160,393	(71,221)	1,070,312
	<u>50,914,047</u>	<u>419,977</u>	<u>(71,221)</u>	<u>51,262,803</u>
Less accumulated depreciation	(32,895,604)	(1,951,394)	62,272	(34,784,726)
	<u>18,018,443</u>	<u>(1,531,417)</u>	<u>(8,949)</u>	<u>16,478,077</u>
Housing Commission capital assets, net	<u>\$ 19,909,630</u>	<u>\$ (1,531,417)</u>	<u>\$ (8,949)</u>	<u>\$ 18,369,264</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

Due from Fund	Due to Fund		
	General Fund	Nonmajor Governmental	Total
General fund	\$ -	\$ 207,345	\$ 207,345
Nonmajor governmental funds	991,271	-	991,271
Totals	<u>\$ 991,271</u>	<u>\$ 207,345</u>	<u>\$ 1,198,616</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made. Under the terms of the City's consent agreement with the State, no additional interfund balances may be created. The outstanding amounts at year-end will be repaid when sufficient resources are available.

For the year ended June 30, 2015, interfund transfers are summarized as follows:

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Totals
Nonmajor governmental funds	\$ 7,687	\$ 524,059	\$ 531,746

Transfers are used to: (1) move revenues to nonmajor governmental funds from the general fund for allowable grant administrative costs and (2) move revenues from the major street fund to the local street fund as allowed by Act 51.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2015 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 3,005,000	\$ -	\$ (1,290,000)	\$ 1,715,000	\$ 1,135,000
Emergency loan	3,000,000	-	-	3,000,000	-
Installment purchase agreements	96,405	-	(61,341)	35,064	35,064
Total installment debt	6,101,405	-	(1,351,341)	4,750,064	1,170,064
Compensated absences	335,869	26,513	-	362,382	90,595
Total governmental activities	\$ 6,437,274	\$ 26,513	\$ (1,351,341)	\$ 5,112,446	\$ 1,260,659
Business-type activities					
Bonds payable	\$ 21,027,687	\$ 412,424	\$ (2,105,000)	\$ 19,335,111	\$ 2,070,000
Installment purchase agreements	2,098,040	-	(356,357)	1,741,683	367,127
Total installment debt	23,125,727	412,424	(2,461,357)	21,076,794	2,437,127
Net premiums/discounts on bonds	-	-	-	-	-
Compensated absences	77,575	-	(11,483)	66,092	16,523
Total business-type activities	\$ 23,203,302	\$ 412,424	\$ (2,472,840)	\$ 21,142,886	\$ 2,453,650

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component units					
Bonds payable	\$ 12,380,000	\$ -	\$ (485,000)	\$ 11,895,000	\$ 510,000
Land contract	125,000	-	(125,000)	-	-
Loan payable	4,141,433	-	(195,826)	3,945,607	224,858
Installment purchase agreements	3,088,013	-	(572,192)	2,515,821	579,383
Total installment debt	19,734,446	-	(1,378,018)	18,356,428	1,314,241
Compensated absences	81,950	14,235	-	96,185	9,616
Total component units	<u>\$ 19,816,396</u>	<u>\$ 14,235</u>	<u>\$ (1,378,018)</u>	<u>\$ 18,452,613</u>	<u>\$ 1,323,857</u>

Governmental activities - bonds payable

2006 General Obligation Bonds for street improvements; \$5,000,000 at issuance; payable in annual installments of \$535,000 to \$580,000; interest payable semi-annually at 4.25 percent through March 2016	\$ 580,000
2007 General Obligation Bonds; \$5,000,000 at issuance; payable in annual installments of \$535,000 to 580,000; interest payable semi-annually at 4.10 percent through March 2017	<u>1,135,000</u>
Total governmental activities bonds payable	<u>\$ 1,715,000</u>

Business-type activities - bonds payable

1999B Sewage Disposal System Revenue Bonds; \$2,730,000 at issuance; due in annual installments of \$270,000 to \$285,000; interest payable semi-annually at 4.75 to 4.80 percent through November 2015	\$ 285,000
1999A Sewage Disposal System Revenue Bonds; \$6,390,000 at issuance; due in annual installments of \$610,000 to \$640,000; interest payable semi-annually at 4.75 to 4.80 percent through November 2015	640,000
1994 State Revolving Loan Fund; \$2,590,000 at issuance; due in annual installments of \$155,000; interest payable semi-annually at 2.0 percent through April 2016	155,000
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	508,525
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	15,601,586
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	<u>2,145,000</u>
Total business-type activities bonds payable	<u>\$ 19,335,111</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	\$ 500,000
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	855,000
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	3,575,000
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>6,965,000</u>
Total component units bonds payable	<u><u>\$ 11,895,000</u></u>

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.

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 \$34,049 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				
2009 Chevy vehicle lease	12/30/2015	5.50%	\$ 160,545	\$ 25,382
2010 AT&T equipment lease	09/01/2015	6.12%	169,013	9,682
Total governmental activities			<u>\$ 329,558</u>	<u>\$ 35,064</u>
Business-type activities				
2012 water meter lease	09/26/2019	3.00%	\$ 2,613,068	\$ 1,741,683
Component units				
2007 energy efficiency upgrades	01/31/2019	4.40%	\$ 6,324,830	\$ 2,515,821

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,170,064	\$ 75,399	\$ 2,437,127	\$ 560,402	\$ 1,314,241	\$ 1,109,098
2017	580,000	26,965	1,398,224	496,680	1,377,185	1,041,896
2018	-	3,185	1,434,656	457,023	1,441,928	970,824
2019	-	3,185	1,471,433	416,109	1,481,917	895,677
2020	-	3,185	1,315,244	374,069	2,061,740	1,304,011
2021-2025	1,200,000	12,533	6,015,000	1,367,576	5,254,417	2,975,872
2026-2030	1,500,000	4,120	5,838,526	517,614	2,705,000	1,646,478
2031-2035	300,000	-	1,166,584	14,582	2,720,000	682,500
Total	\$ 4,750,064	\$ 128,572	\$ 21,076,794	\$ 4,204,055	\$ 18,356,428	\$ 10,626,356

8. RISK MANAGEMENT

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

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

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

The City estimates the liability for workers' compensation and general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as an estimate for claims incurred but not yet reported. Changes in the estimated liability for the years ended June 30 are as follows:

	Workers' Compensation	General Liability	Total
Estimated liability, July 1, 2013	\$ 143,323	\$ 3,587,776	\$ 3,731,099
Claims incurred and changes in estimates	140,795	(2,507,621)	(2,366,826)
Claim payments	(83,123)	(197,869)	(280,992)
Estimated liability, June 30, 2014	200,995	882,286	1,083,281
Claims incurred and changes in estimates	27,854	(140,162)	(112,308)
Claim payments	(61,591)	(41,422)	(103,013)
Estimated liability, June 30, 2015	<u>\$ 167,258</u>	<u>\$ 700,702</u>	<u>\$ 867,960</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 16,803	\$ -	\$ 16,803
Prepays	89,844	220	90,064
	<u>106,647</u>	<u>220</u>	<u>106,867</u>
Restricted:			
Major and local streets	-	3,557,909	3,557,909
Parks and recreation	-	42,604	42,604
Public improvement	-	167,980	167,980
Drug law enforcement	-	204,547	204,547
	<u>-</u>	<u>3,973,040</u>	<u>3,973,040</u>
Unassigned	<u>1,382,310</u>	<u>(96,764)</u>	<u>1,285,546</u>
Total fund balances - governmental funds	<u>\$ 1,488,957</u>	<u>\$ 3,876,496</u>	<u>\$ 5,365,453</u>

10. 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	\$ 329,780	\$ 357,645	\$ 1,891,187
Capital assets being depreciated, net	18,475,353	47,937,667	25,896,074
	<u>18,805,133</u>	<u>48,295,312</u>	<u>27,787,261</u>
Related debt:			
Total bonds, loans and other installment debt	4,750,064	21,076,794	18,356,428
Less non-capital related debt	(3,000,000)	-	(3,575,000)
	<u>1,750,064</u>	<u>21,076,794</u>	<u>14,781,428</u>
Net investment in capital assets	<u>\$ 17,055,069</u>	<u>\$ 27,218,518</u>	<u>\$ 13,005,833</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

11. CONDENSED FINANCIAL INFORMATION - PENSION TRUST FUNDS

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

	Plan Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
Assets			
Investments:			
Money market accounts	\$ -	\$ 594,074	\$ 594,074
U.S. government agencies	-	41,931	41,931
Municipal bonds	-	7,138,615	7,138,615
Corporate bonds	-	1,563,725	1,563,725
International bonds	-	72,871	72,871
International stocks	-	92,884	92,884
Domestic stocks	-	16,450,495	16,450,495
Real estate securities	-	116,488	116,488
Guaranteed investment contract	10,820,750	-	10,820,750
Total investments	10,820,750	26,071,083	36,891,833
Interest receivable	-	214,717	214,717
Contributions receivable	16,826	63,808	80,634
Due from broker	-	5,908	5,908
Total assets	10,837,576	26,355,516	37,193,092
Liabilities			
Due to broker	-	17,875	17,875
Net position restricted for pension benefits	\$ 10,837,576	\$ 26,337,641	\$ 37,175,217

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

	Change in Plan Net Position		
	General Employees' Retirement System	Policemen and Firemen Retirement System	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 712,471	\$ 442,522	\$ 1,154,993
Plan members	40,516	194,611	235,127
Total contributions	<u>752,987</u>	<u>637,133</u>	<u>1,390,120</u>
Investment income:			
Interest and dividends	391,004	797,239	1,188,243
Net change in fair value of investments	(62,334)	180,263	117,929
Net investment income	<u>328,670</u>	<u>977,502</u>	<u>1,306,172</u>
Total additions	<u>1,081,657</u>	<u>1,614,635</u>	<u>2,696,292</u>
Deductions			
Benefit payments	975,834	2,569,077	3,544,911
Administrative expenses	99,199	233,088	332,287
Total deductions	<u>1,075,033</u>	<u>2,802,165</u>	<u>3,877,198</u>
Change in net position	6,624	(1,187,530)	(1,180,906)
Net position, beginning of year	<u>10,830,952</u>	<u>27,525,171</u>	<u>38,356,123</u>
Net position, end of year	<u>\$ 10,837,576</u>	<u>\$ 26,337,641</u>	<u>\$ 37,175,217</u>

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Primary Government

Plan Description. The City of Inkster 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.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost was calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 525,300
Interest on net OPEB obligation	387,137
Adjustment to annual required contribution	<u>(585,562)</u>
Net OPEB cost	326,875
Contributions made	<u>(584,154)</u>
Decrease in net OPEB obligation	(257,279)
Net OPEB obligation, beginning of year	<u>9,109,112</u>
Net OPEB obligation, end of year	<u><u>\$ 8,851,833</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two previous fiscal years was as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,964,260	38.0%	\$ 9,481,583
2014	337,511	210.4%	9,109,112
2015	326,875	178.7%	8,851,833

Funded Status and Funding Progress. As of June 30, 2015, the actuarial accrued liability for benefits was \$7,379,799, all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$2,263,972 and the ratio of the UAAL to the covered payroll was 326 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF INKSTER, MICHIGAN

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In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.25 percent investment rate of return, a 3.0 percent inflation rate, and an annual healthcare cost trend rate is not applicable since the city's explicit subsidy is not expected to increase in the future. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

Housing Commission Component Unit

Plan Description. The City of Inkster Housing Commission administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described above, the Plan provides health insurance a benefits to certain retirees, which are funded on the pay-as-you-go basis.

Funded Status and Funding Progress. As of December 31, 2013, the date of the most recent actuarial valuation, the plan was 0% funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability was \$246,982. Information for covered payroll was unavailable.

13. CONTINGENCIES

In the normal course of its activities, the City has become 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 approximately \$700,000 in the government wide statements, which represents the total estimated liability as a result of these actions.

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.

14. CONSENT AGREEMENT

On December 2, 2011, the State of Michigan Governor appointed a seven-member financial review team to assess the financial condition of the City. The team concluded that the City was in a condition of severe financial stress. Pursuant to Public Act of 4 of 2011, on February 29, 2012, the City signed and executed a consent agreement with the State of Michigan. The key initiatives of the consent agreement are as follows:

- Budget modifications to eliminate fund balance/net position deficits and provide for liquidation of all interfund balances
- Alternate service delivery and potential consolidation of public services
- Hiring of an accounting firm to assist in preparing timely and accurate financial information
- Monthly cash flow forecasts and revenue and expenditures budgetary reports
- Collective bargaining powers have been revoked and any changes or extension to current collective bargaining agreements are subject to approval by the Michigan Department of Treasury
- Quarterly reporting on litigation and claims

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

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

Plan membership. At June 30, 2015, the date of the latest actuarial valuation, System membership consisted of the following:

Retirees and beneficiaries receiving benefits	58
Terminated employees entitled to but not yet receiving benefits	9
Vested active members	<u>20</u>
Total membership	<u><u>87</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% of final earnings multiplied by credited service years, except for members of the Dispatchers Union for whom the formula is 2% 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% for each month that retirement precedes the normal retirement date.

Contributions. The obligation to contribute to the System for these employees was established by City ordinances and state statute, and requires a contribution from the employees of 5% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 26.2% of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 (rolled forward to June 30, 2015).

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014 (rolled forward to June 30, 2015), 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	2014 IRS Static Mortality Table for Males or Females

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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, 2015 (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
Guaranteed investment contract		
Prudential Securities	100.0%	7.0%

The actual money-weighted rate of return for the year ended June 30, 2015 was 4.4%.

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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 13,361,196	\$ 10,736,740	\$ 2,624,456
Changes for the year:			
Service cost	61,588	-	61,588
Interest	872,480	-	872,480
Differences between expected and actual experience	(433,961)	-	(433,961)
Employer contributions	-	752,834	(752,834)
Employee contributions	-	(975,837)	975,837
Net investment income	-	475,154	(475,154)
Benefit payments, including refunds of employee contributions	(1,075,036)	-	(1,075,036)
Administrative expense	-	(99,199)	99,199
Net changes	<u>(574,929)</u>	<u>152,952</u>	<u>(727,881)</u>
Balances at June 30, 2015	<u>\$ 12,786,267</u>	<u>\$ 10,889,692</u>	<u>\$ 1,896,575</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.0 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	\$ 3,151,972	\$ 1,896,575	\$ 822,074

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2015, the City recognized pension expense of \$558,761. At June 30, 2015, 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	\$ -	\$ 381,232
Net difference between projected and actual earnings on pension plan investments	<u>212,112</u>	<u>-</u>
Total	<u>\$ 212,112</u>	<u>\$ 381,232</u>

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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
2016	\$ 53,028	\$ 52,729
2017	53,028	52,729
2018	53,028	52,729
2019	53,028	52,729
2020	-	52,729
2021	-	52,729
2022	-	52,729
2023	-	12,129
	<u>\$ 212,112</u>	<u>\$ 381,232</u>

16. POLICE AND FIRE RETIREMENT SYSTEM

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

Plan management. Management of the Policemen and Firemen Retirement System is vested in the City of Inkster's Policemen and Firemen Retirement System Board of Trustees, which consists of five members, one appointed by the Mayor, one appointed by the 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, 2014, the date of the latest actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	75
Vested active members	31
Vested inactive members	<u>8</u>
Total membership	<u><u>114</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% of final average compensation (FAC) times the first 25 years of service, and 2.5% FAC times the next five years of service, and 1% of FAC for service over 30 years. Members hired after July 1, 2012 receive a benefit of 2.5% 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% COLA for 3 years after retirement, 1% COLA 5 years after retirement, and 2% COLA 10 years after retirement.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Contributions. The obligation to contribute to the Plan for these employees was established by City ordinances and state statute and requires a contribution from the employees of 12% of gross wages for fire members and 12% for Police Command and Non-Union members effective July 1, 2012, and Police Officers 6.53% effective July 1, 2005. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 19.88% of covered payroll.

Net pension liability. The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 (rolled forward to June 30, 2015).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014 (rolled forward to June 30, 2015), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 percent
Salary increases	4.0 - 7.0 percent, average, including inflation
Investment rate of return	8.0 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

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, 2015 (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	50%	8.0%
International equities	10%	8.0%
Fixed income	40%	8.0%
	100%	

Discount rate. The discount rate used to measure the total pension liability was 8.0 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.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 34,193,255	\$ 27,525,171	\$ 6,668,084
Changes for the year:			
Service cost	287,089	-	287,089
Interest	2,644,360	-	2,644,360
Changes in benefits terms	969,194	-	969,194
Differences between expected and actual experience	(5,593,083)	-	(5,593,083)
Changes in assumptions	3,572,676	-	3,572,676
Employer contributions	-	442,522	(442,522)
Employee contributions	-	185,840	(185,840)
Net investment income	-	744,415	(744,415)
Benefit payments, including refunds of employee contributions	(2,564,602)	(2,564,602)	-
Net changes	(684,366)	(1,191,825)	507,459
Balances at June 30, 2015	\$ 33,508,889	\$ 26,333,346	\$ 7,175,543

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 8.0 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 (7.0 percent) or 1 percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
City's net pension liability	\$ 10,743,923	\$ 7,175,543	\$ 4,156,698

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2015, the City recognized pension expense of \$702,172. At June 30, 2015, 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	\$ -	\$ 3,595,553
Changes in assumptions	2,296,720	-
Net difference between projected and actual earnings on pension plan investments	1,104,120	-
	<u>1,104,120</u>	<u>-</u>
Total	<u>\$ 3,400,840</u>	<u>\$ 3,595,553</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
2016	\$ 1,551,986	\$ 1,997,530
2017	1,296,794	1,598,023
2018	276,030	-
2019	276,030	-
	<u>\$ 3,400,840</u>	<u>\$ 3,595,553</u>

17. DEFINED CONTRIBUTION PENSION PLANS

City. The General Employees' Retirement System is closed to new hires. Employees hired after a certain date are enrolled in a defined contribution plan. An employer match is provided only for certain bargaining units, none of which had active employees in the current year. Accordingly, there were no employer contributions to the plan for the year ended June 30, 2015.

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, 2014 was \$98,261.

CITY OF INKSTER, MICHIGAN

Notes to Financial Statements

18. BOND PAYMENT GUARANTEE

In 2006, the City of Inkster guaranteed the 20-year \$4,155,000 general obligation bond issue of the Brownfield Redevelopment Authority, 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 Brownfield Redevelopment Authority 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 the City would be required to pay a portion of the remaining obligation of the Brownfield Redevelopment Authority'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.

In addition, the City of Inkster guaranteed the following general obligation bond issues of the Tax Increment Financing Authority, a legally separate discrete component unit, in accordance with the related borrowing resolution: 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 Tax Increment Financing Authority 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 the City would be required to pay a portion of the remaining obligation of the Tax Increment Financing Authority'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.

19. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of the governmental activities and water and sewer enterprise fund (as well as the business-type activities) decreased by \$8,842,117 and \$524,890, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Investment Returns

Last Two 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%

Note: This schedule is being built prospectively; ultimately, ten 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 Three Fiscal Years

	Year Ended June 30,	
	2015	2014
Change in total pension liability		
Service cost	\$ 61,588	\$ 77,087
Interest	872,480	893,856
Changes of benefit terms	-	-
Differences between expected and actual expense	(433,961)	113,605
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(1,075,036)	(1,075,024)
Net change in total pension liability	<u>(574,929)</u>	<u>9,524</u>
 Total pension liability, beginning	 <u>13,361,196</u>	 <u>13,351,672</u>
 Total pension liability, ending (a)	 <u>12,786,267</u>	 <u>13,361,196</u>
 Change in plan fiduciary net position		
Contributions - employer	712,471	686,852
Contributions - member	40,363	45,385
Net investment income	475,154	448,782
Benefit payments, including refunds of member contributions	(1,075,036)	(1,075,024)
Administrative expense	-	(74,943)
Net change in plan fiduciary net position	<u>152,952</u>	<u>31,052</u>
 Plan fiduciary net position, beginning	 <u>10,736,740</u>	 <u>10,705,688</u>
 Plan fiduciary net position, ending (b)	 <u>10,889,692</u>	 <u>10,736,740</u>
 City's net pension liability, ending (a)-(b)	 <u>\$ 1,896,575</u>	 <u>\$ 2,624,456</u>
 Plan fiduciary net position as a percentage of the total pension liability	 85%	 80%
 Covered-employee payroll	676,421	962,730
 City's net pension liability as a percentage of covered payroll	280.4%	272.6%

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Schedule of City Contributions - General Employees' Retirement System Last Three 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	201,847	201,847	-	962,730	21.0%
6/30/2015	248,901	248,901	-	676,421	36.8%

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

Notes to Schedule of Contributions

Valuation date	June 30, 2014 (rolled forward to June 30, 2015)
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	30 years
Asset valuation method	Stated contract value of funds with market value adjustments
Inflation	3.0%
Salary increases	2.0%
Investment rate of return	7.0% net of pension plan investment expense, including inflation
Mortality rates	2014 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 Two 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%

Note: This schedule is being built prospectively; ultimately, ten 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 Three Fiscal Years

	Year Ended June 30,	
	2015	2014
Change in total pension liability		
Service cost	\$ 287,089	\$ 392,000
Interest	2,644,360	2,449,516
Changes of benefit terms	969,194	-
Differences between expected and actual expense	(5,593,083)	2,157,315
Changes of assumptions	3,572,676	-
Benefit payments, including refunds of member contributions	(2,564,602)	(2,457,054)
Net change in total pension liability	<u>(684,366)</u>	<u>2,541,777</u>
 Total pension liability, beginning	 <u>34,193,255</u>	 <u>31,651,478</u>
 Total pension liability, ending (a)	 <u>33,508,889</u>	 <u>34,193,255</u>
 Change in plan fiduciary net position		
Contributions - employer	442,522	382,606
Contributions - member	185,840	215,583
Net investment income	744,415	3,253,487
Benefit payments, including refunds of member contributions	(2,564,602)	(2,457,054)
Administrative expense	-	(25,300)
Other	4,295	-
Net change in plan fiduciary net position	<u>(1,187,530)</u>	<u>1,369,322</u>
 Plan fiduciary net position, beginning	 <u>27,525,171</u>	 <u>26,155,849</u>
 Plan fiduciary net position, ending (b)	 <u>26,337,641</u>	 <u>27,525,171</u>
 City's net pension liability, ending (a)-(b)	 <u>\$ 7,171,248</u>	 <u>\$ 6,668,084</u>
 Plan fiduciary net position as a percentage of the total pension liability	 78.6%	 80.5%
 Covered-employee payroll	1,838,533	2,009,679
 City's net pension liability as a percentage of covered payroll	390.1%	331.8%

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Schedule of City Contributions - Policemen and Firemen Retirement System Last Three 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%

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

Notes to Schedule of Contributions

Valuation date	June 30, 2014 (rolled forward to June 30, 2015)
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	20 years
Asset valuation method	5-year smoothed market
Inflation	4.0%
Salary increases	4.0-7.0% including inflation
Investment rate of return	8.0% net of pension plan investment expense, including inflation
Mortality rates	RP 2014 Healthy Annuitant Mortality Table

CITY OF INKSTER, MICHIGAN

Required Supplementary Information

Postemployment Healthcare Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
06/30/2011	\$ -	\$ 28,168,220	\$ 28,168,220	0.0%	\$ 4,249,604	662.8%
06/30/2012	-	27,341,036	27,341,036	0.0%	4,377,092	624.6%
06/30/2013	-	7,513,031	7,513,031	0.0%	2,198,031	341.8%
06/30/2014	-	7,379,799	7,379,799	0.0%	2,263,972	326.0%

Schedule of Employer Contributions

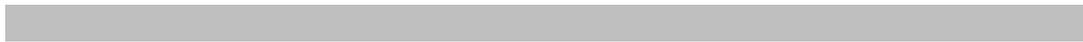
Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2012	\$ 2,191,025	25.8%
2013	2,123,394	33.4%
2014	531,574	133.6%
2015	525,300	111.2%

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF INKSTER, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue			
	Major Streets	Local Streets	Parks and Recreation	Rubbish Collection
Assets				
Cash and cash equivalents	\$ 650,684	\$ 1,427,017	\$ 914	\$ 1,875
Accounts receivable	520	-	6,334	-
Due from other funds	991,271	-	-	-
Due from other governments	168,001	331,180	57,336	291,512
Prepaid items	110	110	-	-
Total assets	\$ 1,810,586	\$ 1,758,307	\$ 64,584	\$ 293,387
Liabilities				
Accounts payable	\$ 4,725	\$ 3,810	\$ 12,102	\$ 144,934
Accrued liabilities	3	2,226	1,522	-
Due to other funds	-	-	8,356	157,116
Unearned revenue	-	-	-	-
Total liabilities	4,728	6,036	21,980	302,050
Deferred inflows of resources				
Unavailable revenue -other	-	-	-	-
Fund balances (deficit)				
Nonspendable	110	110	-	-
Restricted	1,805,748	1,752,161	42,604	-
Unassigned (deficit)	-	-	-	(8,663)
Total fund balances (deficit)	1,805,858	1,752,271	42,604	(8,663)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,810,586	\$ 1,758,307	\$ 64,584	\$ 293,387



Special Revenue				
Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement	Miscellaneous Grants	Totals
\$ 2,308	\$ 139,922	\$ 204,547	\$ 22,585	\$ 2,449,852
66,629	28,058	-	18,913	120,454
-	-	-	-	991,271
-	-	-	-	848,029
-	-	-	-	220
<u>\$ 68,937</u>	<u>\$ 167,980</u>	<u>\$ 204,547</u>	<u>\$ 41,498</u>	<u>\$ 4,409,826</u>
\$ 43,602	\$ -	\$ -	\$ 22,228	\$ 231,401
632	-	-	-	4,383
22,603	-	-	19,270	207,345
2,101	-	-	-	2,101
<u>68,938</u>	<u>-</u>	<u>-</u>	<u>41,498</u>	<u>445,230</u>
<u>69,187</u>	<u>-</u>	<u>-</u>	<u>18,913</u>	<u>88,100</u>
-	-	-	-	220
-	167,980	204,547	-	3,973,040
<u>(69,188)</u>	<u>-</u>	<u>-</u>	<u>(18,913)</u>	<u>(96,764)</u>
<u>(69,188)</u>	<u>167,980</u>	<u>204,547</u>	<u>(18,913)</u>	<u>3,876,496</u>
<u>\$ 68,937</u>	<u>\$ 167,980</u>	<u>\$ 204,547</u>	<u>\$ 41,498</u>	<u>\$ 4,409,826</u>

CITY OF INKSTER, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2015

	Special Revenue			
	Major Streets	Local Streets	Parks and Recreation	Rubbish Collection
Revenues				
Property taxes	\$ -	\$ 1,329,264	\$ 452,982	\$ 403,132
Intergovernmental	1,054,617	592,314	26,289	30,957
Charges for services	-	-	91,966	1,017,854
Other	1,740	4,288	15,664	-
Total revenues	1,056,357	1,925,866	586,901	1,451,943
Expenditures				
Current:				
Public safety	-	-	-	-
Public works	253,335	289,970	-	1,430,722
Community development	-	-	-	-
Recreation and culture	-	-	573,314	-
Debt service:				
Principal	200,000	1,090,000	-	-
Interest and fiscal charges	4,625	117,633	-	-
Total expenditures	457,960	1,497,603	573,314	1,430,722
Revenues over (under) expenditures	598,397	428,263	13,587	21,221
Other financing sources (uses)				
Transfers in	-	524,059	7,000	-
Transfers out	(524,059)	-	-	-
Total other financing sources (uses)	(524,059)	524,059	7,000	-
Net change in fund balances	74,338	952,322	20,587	21,221
Fund balances (deficit), beginning of year	1,731,520	799,949	22,017	(29,884)
Fund balances (deficit), end of year	\$ 1,805,858	\$ 1,752,271	\$ 42,604	\$ (8,663)



Special Revenue				
Community Development Block Grant	PEG Public Improvement	Drug Law Enforcement	Miscellaneous Grants	Totals
\$ -	\$ -	\$ -	\$ -	\$ 2,185,378
167,224	-	31,438	87,063	1,989,902
720	-	-	-	1,110,540
-	108,521	-	-	130,213
<u>167,944</u>	<u>108,521</u>	<u>31,438</u>	<u>87,063</u>	<u>5,416,033</u>
-	-	82,939	-	82,939
-	-	-	23,273	1,997,300
192,855	-	-	25,203	218,058
-	-	-	-	573,314
-	-	-	-	1,290,000
-	-	-	-	122,258
<u>192,855</u>	<u>-</u>	<u>82,939</u>	<u>48,476</u>	<u>4,283,869</u>
<u>(24,911)</u>	<u>108,521</u>	<u>(51,501)</u>	<u>38,587</u>	<u>1,132,164</u>
-	-	-	687	531,746
-	-	-	-	(524,059)
-	-	-	687	7,687
<u>(24,911)</u>	<u>108,521</u>	<u>(51,501)</u>	<u>39,274</u>	<u>1,139,851</u>
<u>(44,277)</u>	<u>59,459</u>	<u>256,048</u>	<u>(58,187)</u>	<u>2,736,645</u>
<u>\$ (69,188)</u>	<u>\$ 167,980</u>	<u>\$ 204,547</u>	<u>\$ (18,913)</u>	<u>\$ 3,876,496</u>

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AGENCY FUNDS

CITY OF INKSTER, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Escrow Fund	Tax Collection Fund	District Court Trust	Total
Assets				
Cash and cash equivalents	\$ 394,138	\$ 14,675	\$ 50,343	\$ 459,156
Other receivables	-	-	11,877	11,877
Total assets	\$ 394,138	\$ 14,675	\$ 62,220	\$ 471,033
Liabilities				
Due to others	\$ 394,138	\$ 14,675	\$ 62,220	\$ 471,033

SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

November 23, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Inkster, Michigan* (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated November 23, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

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CITY OF INKSTER, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant - 2012	14.218	WC	MSC-07-3712-HO	\$ 3,630
Community Development Block Grant - 2013	14.218	WC	MSC-07-3713-HO	44,180
Community Development Block Grant - 2014	14.218	WC	MSC-07-3714-HO	141,287
				<u>189,097</u>
Neighborhood Stabilization Program	14.218	MSHDA	MSC-07-3713-HO	<u>48,777</u>
Total U.S. Department of Housing and Urban Development				<u>237,874</u>
U.S. Department of Justice				
Justice Assistance Grant	16.804	WC	2011-DJ-BC-2265	7,721
Federal Equitable Sharing Program	16.922	Direct	MI 8249000	37,461
				<u>45,182</u>
Total U.S. Department of Justice				<u>45,182</u>
U.S. Environmental Protection Agency				
Hazard/Petroleum Site Assessment Project	66.818	Direct	BF-00E00892	<u>25,203</u>
U.S. Department of Homeland Security				
Public Assistance	97.036	Direct	163-40680-00	47,679
Assistance to Firefighters Grant	97.044	Direct	EMW-2012-FV-00771	<u>677,700</u>
Total U.S. Department of Homeland Security				<u>725,379</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,033,638</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF INKSTER, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Inkster, Michigan under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Inkster, Michigan, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

The reporting entity of the City of Inkster, Michigan is defined in Note 1 to the City's basic financial statements. The City's financial statements include the operations of the Inkster Housing Commission discretely presented component unit which received federal awards that are not included in the Schedule for the year ended June 30, 2015, as this entity was separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. PASS-THROUGH AGENCIES

The City receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
WC	Charter County of Wayne, Michigan
MSHDA	Michigan State Housing Development Authority



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

November 23, 2015

Honorable Mayor and
Members of the City Council
City of Inkster
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* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Inkster Housing Commission, 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Rehmann Johnson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

November 23, 2015

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

Report on Compliance for the Major Federal Program

We have audited the compliance of the *City of Inkster* (the "City") with the types of compliance requirements described in the *2 CFR 200 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Inkster Housing Commission, which received \$8,628,721 in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of the Inkster Housing Commission because it arranged for a separate audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CITY OF INKSTER, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ yes X no

Identification of major programs:

CFDA Number

97.044

Name of Federal Program or Cluster

Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

CITY OF INKSTER, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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CITY OF INKSTER, MICHIGAN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2015

None reported.



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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 23, 2015

To the City Council
City of Inkster
Inkster, MI

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Inkster* (the "City") as of and for the year ended June 30, 2015, and have issued our report thereon dated November 23, 2015. We did not audit the financial statements of the Inkster Housing Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements and this report, insofar as they relate the Inkster Housing Commission, are based solely on the report of other auditors. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 28, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 23, 2015. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on July 7, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

As described in Note 20 to the financial statements, the City changed accounting policies related to accounting for pension plans by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to contingencies and funding uncertainties which are disclosed in detail as part of the notes to the City's financial statements.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the *City of Inkster* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

CITY OF INKSTER, MICHIGAN

Attachment A - Consideration of Internal Control Over Financial Reporting

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding these matters. Our consideration of the City's internal control over financial reporting is described in our report, dated November 23, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated November 23, 2015, on the financial statements of the City.

Internal Controls over Capital Asset Records

From prior year audits, we have noted that certain capital asset records are in the form of summary amounts for annual costs added to capital assets, rather than detail records for the individual assets. Over the last two years, proper detail records of capital asset additions have been prepared; however, the condition of incomplete detailed records remains from certain previous years. We recommend that a reasonable attempt continue to identify the detail costs and related accumulated depreciation in these prior years, or that a physical inventory of capital assets be undertaken to determine the correct balances.

Timely Distribution of Taxes Collected on Behalf of Others

The City receives payments from certain tax-exempt entities as payments in lieu of tax (PILOT). Based on a formula provided by the Michigan State Housing Development Authority, the funding is required to be distributed to the taxing bodies within the City limits. The City has properly distributed PILOT monies for the four most recent years and we noted no exceptions. However, the City's records indicate outstanding balances of \$1.07M from the period 1994-2011 that have not been paid out in violation of State law for timely distribution of tax monies. The City is working to determine the proper allocation of these funds among the taxing bodies within the City limits.

Documentation of Independent Review of Utility Billing

It was noted during the audit that utility bills are not independently reviewed prior to mailing. We recommend that an employee, independent of the preparation process, review the utility bills and the utility billing register prior to mailing. Evidence of this review should be documented by signature or initials.

Bank Reconciliations

As part of our audit, we examined the bank reconciliations of the City's various accounts throughout the fiscal year. We noted that while the bank reconciliations showed evidence of review, the reviewer did not provide a signature or date of review. We recommend that the City carefully adhere to its policy that each bank reconciliation be reviewed and approved by an individual other than the preparer, and that such review be evidenced by initialing and dating the reconciliation.

CITY OF INKSTER, MICHIGAN

Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2015 Audit

GASB 34 Fund (and Entries)

The City is currently accounting for its GASB 34 adjustments off-books in manual workpapers rather than through its accounting system. We were able to incorporate the client-determined adjustments to year-end balances into the audited financial statements as of June 30, 2015. However, we recommend that this activity be tracked through a dedicated GASB 34 fund within the financial accounting software to properly account for these balances.

Inkster Commission on Aging

During the year, the City attempted to re-evaluate whether the Commission on Aging was indeed a separate legal entity and whether it should be reported as a component unit of the City (currently, it is not reported as such and it is assumed, but not documented, that the Commission is a not-for-profit organization). We recommend that the City and Commission on Aging appropriately complete and document this re-evaluation prior to the next fiscal year end.

■ ■ ■ ■ ■

CITY OF INKSTER

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68

Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the City.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments

Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

CITY OF INKSTER

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

GASB 77 ■ Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.

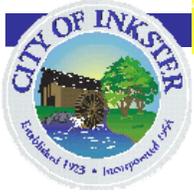


CITY OF INKSTER

Attachment C - Management Representations

For the June 30, 2015 Audit

The following pages contain the written representations that we requested from management.



November 23, 2015

Rehmann Robson
675 Robinson Road
Jackson, Michigan 49203

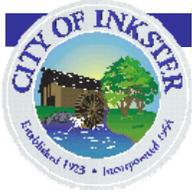
This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Inkster* (the “City”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major special revenue fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 23, 2015:

Financial Statements

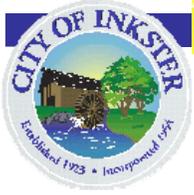
1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 28, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.



9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

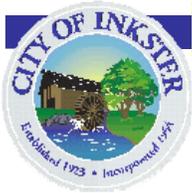
22. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:



- a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
 27. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
 28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
 30. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 31. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
 32. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
 33. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 34. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
 35. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

37. With respect to the supplementary information accompanying the financial statements:



- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

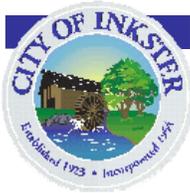
38. With respect to the required supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

OMB Circular A-133

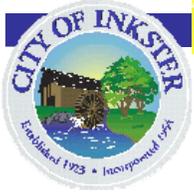
39. With respect to federal awards, we represent the following to you:

- a. We are responsible for understanding and complying with and have complied with the requirements of Circular A-133.
- b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with Circular A-133.
- c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Circular A-133.
- d. The methods of measurement or presentation have not changed from those used in the prior period.
- e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- h. We have, in accordance with Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including



donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

- i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and the U.S. Office of Management and Budget's, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- u. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by Circular A-133, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- v. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- w. We have reviewed, approved, and taken responsibility for the financial statements and related notes.



CITY OF INKSTER

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- x. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

Mark Stuhldreher

Mark Stuhldreher, Treasurer/Interim City Manager